Annual Report 2018

KUALA LUMPUR KEPONG BERHAD
(15043-V)

CONTENTS

KEY INDICATORS

REVENUE
RM18.401 billion
FY2017: RM21.004 billion

EARNINGS PER SHARE
70.7 sen
FY2017: 94.4 sen

PROFIT BEFORE TAXATION
RM1.117 billion
FY2017: RM1.450 billion

SHARE PRICE*
RM24.96
30 September 2017: RM24.56

DIVIDEND PER SHARE
45 sen
FY2017: 50 sen

MARKET CAPITALISATION**
RM26.582 billion
30 September 2017: RM26.156 billion

* Average closing price on 30 September 2018
** Based on average closing price on 30 September 2018

To view e-copy of our 2018 Annual Report, please visit *www.klk.com.my* or scan the QR code below with your smart phone.

Our Organisation

Started as a plantation company more than 110 years ago, plantation is still leading as the core business activity of Kuala Lumpur Kepong Berhad ("KLK"). Since the 1990s, the Group has diversified into resource-based manufacturing (oleochemical, derivatives and specialty chemicals) and vertically integrated its upstream and downstream businesses. The 1990's also saw the Group capitalising on the strategic location of its land bank in Peninsular Malaysia by branching into property development. Since the dawn of the 21st century, the Group has been in strong consolidation mode, in preparation for bigger leaps into the future.

CORPORATE & KEY MILESTONES

1906

Kuala Lumpur Rubber Co Ltd ("KLR") was incorporated in England and held five rubber estates in Malaya (now Malaysia) totalling 1,582 acres (640 ha).

1907

The shares of KLR were listed on the London Stock Exchange.

1959-1961

KLR expanded its acreage to 73,712 acres (29,831 ha) spreading over Malaya, Indonesia and Nigeria. The estates in the latter two countries were disposed off in 1973 and 1976 respectively.

1961

KLR changed its name to Kuala Lumpur-Kepong Amalgamated Ltd ("KLKA").

1970

Central control, management and principal business operations of KLKA were transferred to Malaysia since 1970 (as Tan Sri Lee Loy Seng took control of KLKA).

1973

- Kuala Lumpur Kepong Berhad ("KLK") was incorporated with Tan Sri Lee Loy Seng as Founding Chairman.
- KLK took over assets and liabilities of KLKA.

1974

KLK's shares listed on the stock exchanges of Kuala Lumpur, Singapore and London, the latter two were delisted in 1990 and 2005 respectively.

1983

The year marked the Group's entry into **Sabah** with the acquisition of 12,551 ha of plantation land together with a mill in Tawau.

1985

Corporate Head Office moved to Wisma Taiko in the heart of Ipoh City from Ladang Pinji, Perak.

1986

A 50:50 joint venture company, Applied Agricultural Research Sdn Bhd (now known as Applied Agricultural Resources Sdn Bhd) was formed between KLK and Boustead Holdings Berhad to carry out applied research and development which support the plantation activities of the KLK Group.

1990

KLK ventured into **property development** with the joint-venture project, Sieramas.

1997

KLK ventured into manufacturing of household gloves.

1996

KLK acquired Crabtree & Evelyn ("C&E"), an international manufacturer and retailer of personal care and home fragrance products, toiletries and fine foods (C&E was later disposed of in 2012).

1994

The Group's re-entered into **Indonesia** with the acquisition of 14,170 ha of contiguous land in Belitung Island.

1991

KLK expanded beyond plantation into **resource-based downstream manufacturing** to cushion the effects of fluctuating commodity prices of oil palm and rubber. This year marked the entry of KLK into oleochemical business through Palm-Oleo Sdn Bhd.

2006

- 100th Year Anniversary of KLK.

- Official opening of Taiko Palm-Oleo (Zhangjiagang) Co Ltd's oleochemical plant in **China**.

2004

KLK became a member of the Roundtable on Sustainable Palm Oil ("RSPO").

1998

KLK ventured into manufacturing of parquet.

2007-2012

- The Group entered into **Europe** for its oleochemical business through the acquisitions of Dr. W. Kolb Holding AG (the Kolb Group) and Uniqema GmbH & Co. Kg Group (later renamed to KLK Emmerich).

- Further plantation expansions in Indonesia brought the total landbank in the country to approximately 120,000 ha.

2013

KLK's plantation operations expanded to **Liberia** through the acquisition of Liberian Palm Developments Limited (50%) and Equatorial Palm Oil Plc ("EPO") (63%). EPO is listed on the Alternative Investment Market of the London Stock Exchange.

2014

- KLK issued its Sustainability Policy outlining the Group's commitments towards sustainable practices.

- All of KLK's mills, refineries and kernel crushing plants in Malaysia certified sustainable by RSPO.

2016

KLK Oleo celebrated its 25th year anniversary

2017

Issuance of KLK's first stand-alone Sustainability Report and Corporate Responsibility Report for financial year 2016.

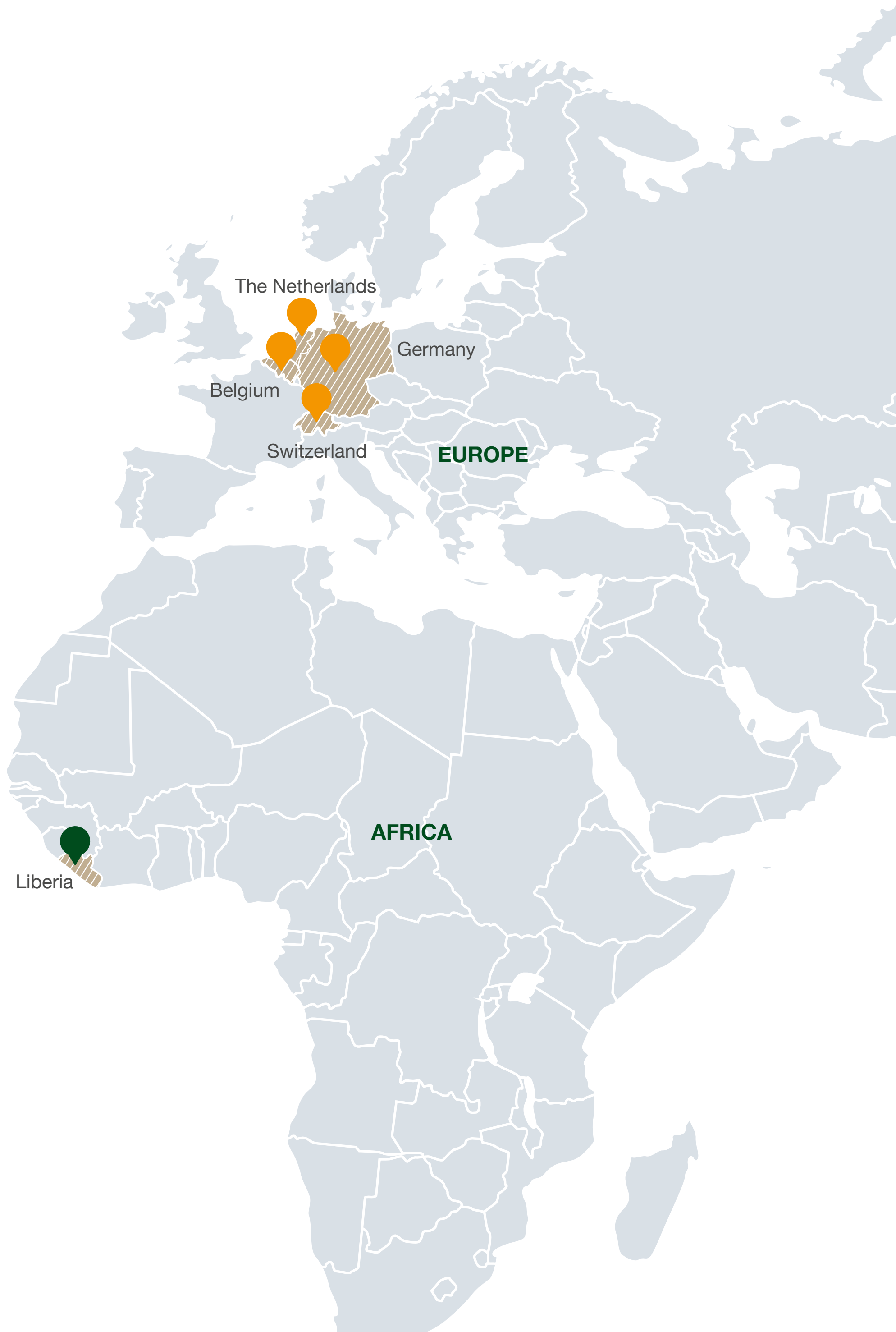
2018

- Further expansion by the Plantation sector into East Kalimantan, Indonesia

- Further expansion of the Oleochemical division in Delden, The Netherlands.

- KLK revised its Sustainability Policy to reaffirm and strengthen commitments towards No Deforestation, No Peat and No Exploitation.

LOCATION OF THE GROUP'S OPERATIONS
AS AT 30 SEPTEMBER 2018



PLANTATION

MALAYSIA
Peninsular Malaysia
Sabah

INDONESIA
Belitung Island
Central Kalimantan
East Kalimantan
Sumatra

LIBERIA

MANUFACTURING

MALAYSIA
Peninsular Malaysia

CHINA

INDONESIA
Sumatra

SWITZERLAND

BELGIUM

GERMANY

THE NETHERLANDS

PROPERTY DEVELOPMENT

MALAYSIA
Peninsular Malaysia


ASIA
CHINA
Peninsular Malaysia,
MALAYSIA
Sabah,
MALAYSIA
East Kalimantan,
INDONESIA
Sumatra,
INDONESIA
Central Kalimantan,
INDONESIA
Belitung
Island,
INDONESIA
AUSTRALIA

Mission & Values

MISSION

STRIVE FOR EXCELLENCE

- Offering quality products and services at competitive prices.
- Being a good and responsible corporate citizen.
- Earning a fair return on investments.
- Maintaining steady dividend payments and adequate dividend cover.
- Sustaining growth through re-investment of retained profits.
- Maintaining a high standard of business ethics and practices.
- Fulfilling our social responsibilities in the community in which we operate.

VALUES

INTEGRITY

We value professional honesty and sincerity above all.

LOYALTY

We care for our colleagues as family and the Company as our own. We uphold the Company's interest through thick and thin.

HUMILITY

We respect our colleagues as partners and regard them as valuable contributors to our Company's success.

TEAM SPIRIT

We cooperate with our colleagues across geographical, divisional and functional boundaries to achieve Company's goals.

RESULT-ORIENTED PERFORMANCE

We take pride in our work and are happy to walk the extra mile to get the desired results.

INNOVATION

We seek for better ways of doing things and embrace change to adapt our business to the market and environment.

46TH ANNUAL GENERAL MEETING

46TH ANNUAL GENERAL MEETING

Venue:
WEIL Hotel
Ballroom 1, Level 6
292 Jalan Sultan Idris Shah
30000 Ipoh
Perak, Malaysia

Date:
19 February 2019

Time:
11.00 a.m.

FINANCIAL CALENDAR

FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

ANNOUNCEMENT OF RESULTS

2018

FIRST QUARTER
12 Feb

SECOND QUARTER
16 May

THIRD QUARTER
14 Aug

FOURTH QUARTER
14 Nov

INTERIM DIVIDEND

2018

ANNOUNCEMENT
16 May

ENTITLEMENT DATE
16 Jul

PAYMENT DATE
7 Aug

FINAL DIVIDEND

2018

ANNOUNCEMENT
7 Dec

2019

ENTITLEMENT DATE
25 Feb

PAYMENT DATE
5 Mar

CORPORATE INFORMATION

BOARD OF DIRECTORS

R. M. ALIAS
Chairman

TAN SRI DATO' SERI LEE OI HIAN
Chief Executive Officer

DATO' LEE HAU HIAN
Non-Independent Non-Executive Director

DATO' YEOH ENG KHOON
Senior Independent Non-Executive Director

TAN SRI AZLAN BIN MOHD ZAINOL
Independent Non-Executive Director

QUAH POH KEAT
Independent Non-Executive Director

ANNE RODRIGUES
Independent Non-Executive Director

LEE JIA ZHANG
Executive Director
(Appointed on 16 May 2018)

COMPANY SECRETARY
Yap Miow Kien

AUDITORS
KPMG PLT

PLACE OF INCORPORATION AND DOMICILE
In Malaysia as a public limited liability company

REGISTERED OFFICE / PRINCIPAL PLACE OF BUSINESS
(WITH EFFECT FROM 1 DECEMBER 2018)
Bangunan Mayban Trust Ipoh
Level 9, No. 28, Jalan Tun Sambanthan
30000 Ipoh
Perak, Malaysia
Tel : +605-240 8000
Fax : +605-240 8115
Email : cosec@klk.com.my
Website : *www.klk.com.my*

SHARE REGISTRAR
Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor, Malaysia
Tel : +603-7849 0777
Fax : +603-7841 8151
Email : ssr.helpdesk@symphony.com.my

PRINCIPAL BANKERS
Malayan Banking Berhad
HSBC Bank Malaysia Berhad
CIMB Bank Berhad
OCBC Bank (Malaysia) Berhad

STOCK EXCHANGE LISTING
Listed on Main Market of Bursa Malaysia Securities Berhad on 6 February 1974
Stock Code : 2445
Stock Name : KLK

PROFILE OF DIRECTORS

R. M. ALIAS

Chairman

Independent Non-Executive Director
Chairman of Remuneration Committee
Member of Nomination Committee
Aged 86, Male, Malaysian

Joined the Board on 1 July 1978 and has been the Chairman of KLK since 2008.

He holds a Bachelor of Arts (Honours) degree from the University of Malaya, Singapore, a Certificate in Public Administration from the Royal Institute of Public Administration, London and has attended the Advanced Management Program at Harvard Business School.

He is also a Director of Batu Kawan Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad as well as a member on the Board of Trustees of the Tan Sri Lee Loy Seng Foundation and Yayasan KLK.

TAN SRI DATO' SERI LEE OI HIAN

Chief Executive Officer

Executive Director
Aged 67, Male, Malaysian

Joined the Board on 1 February 1985 and is the CEO of KLK.

Tan Sri Dato' Seri Lee graduated with a Bachelor of Agricultural Science (Honours) degree from the University of Malaya and obtained his Master in Business Administration from Harvard Business School.

He joined the Company in 1974 as an executive and was subsequently appointed to the Board in 1985. In 1993, he was appointed as the Group's Chairman/CEO and held the position until 2008, when he relinquished his role as Chairman, but remains as Executive Director and CEO of the Group.

He is the Chairman of Batu Kawan Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad. He is also a Director of Equatorial Palm Oil Plc. He also serves as a member on the Board of Trustees of the Perdana Leadership Foundation, Yayasan KLK, UTAR Education Foundation and Yayasan Wesley. He was formerly the Chairman of the Malaysian Palm Oil Council.

Tan Sri Dato' Seri Lee Oi Hian is the brother of Dato' Lee Hau Hian and the father of Mr. Lee Jia Zhang. He is deemed connected with Batu Kawan Berhad, one of the major shareholders of KLK, and is also deemed interested in various related party transactions with the KLK Group.

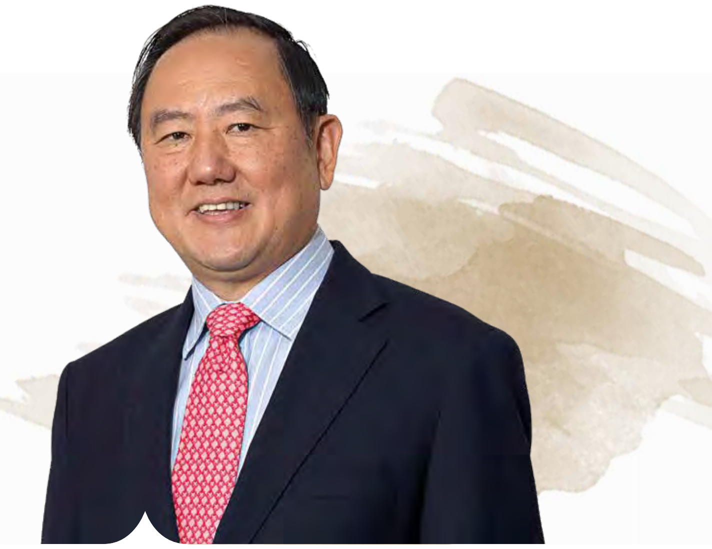
R. M. ALIAS
Independent Non-Executive Chairman

Attended Meeting
6/6

TAN SRI DATO' SERI LEE OI HIAN
Chief Executive Officer

Attended Meeting
6/6

PROFILE OF DIRECTORS



DATO' LEE HAU HIAN

Non-Independent Non-Executive Director

Member of Remuneration Committee
Member of Nomination Committee
Aged 65, Male, Malaysian

Joined the Board on 20 December 1993.

Dato' Lee graduated with a Bachelor of Science (Economics) degree from the London School of Economics and has a Master in Business Administration from Stanford University.

He is the Managing Director of Batu Kawan Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad. He is also a Director of Synthomer plc and the President of the Perak Chinese Maternity Association. Besides serving as a Director of Yayasan De La Salle and See Sen Chemical Berhad, he is also a member on the Board of Trustees of the Tan Sri Lee Loy Seng Foundation and Yayasan KLK.

He is the brother of Tan Sri Dato' Seri Lee Oi Hian and the uncle of Mr. Lee Jia Zhang. He is deemed connected with Batu Kawan Berhad, a major shareholder of KLK, and is also deemed interested in various related party transactions with the KLK Group.

DATO' YEOH ENG KHOON

Senior Independent Non-Executive Director

Chairman of Audit and Risk Committee
Chairman of Nomination Committee
Aged 71, Male, Malaysian

Joined the Board on 24 February 2005.

Dato' Yeoh obtained his Bachelor of Arts (Honours) degree in Economics (Business Administration) from the University of Malaya in 1968 and was called to the Bar of England and Wales at Lincoln's Inn in 1979.

His past working experience included banking, manufacturing and retail business.

He is a Director of Batu Kawan Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad. He is also a Director of See Sen Chemical Berhad as well as a member on the Board of Trustees of Yayasan KLK.

DATO' LEE HAU HIAN
Non-Independent Non-Executive Director
Attended Meeting
5/6

DATO' YEOH ENG KHOON
Senior Independent Non-Executive Director
Attended Meeting
6/6

PROFILE OF DIRECTORS

TAN SRI AZLAN BIN MOHD ZAINOL

Independent Non-Executive Director

Member of Audit and Risk Committee
Member of Remuneration Committee
Aged 68, Male, Malaysian

Joined the Board on 13 May 2013.

Tan Sri Azlan Zainol is a Fellow of the Institute of Chartered Accountants in England and Wales; a Member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants; and a Fellow Chartered Banker of the Asian Institute of Chartered Bankers.

He served as the Chief Executive Officer of the Employees Provident Fund Board from 2001 to April 2013. He has more than 30 years of experience in the financial sector, having served as the Managing Director of AmFinance Berhad (1982 to 1994), AmBank Berhad (1994 to 2001), and Director for several subsidiaries of AmBank Group (1996 to 2001). Prior to that, he was a partner with Messrs. BDO Binder. He was also a Council Member of the Asian Institute of Chartered Bankers.

Currently, he is the Chairman of RHB Bank Berhad, Malaysian Resources Corporation Berhad, Eco World International Berhad and Grand-Flo Berhad, companies listed on the Main Market of Bursa Malaysia Securities Berhad and the Chairman of RHB Investment Bank Berhad. He is also the Chairman on the Board of Trustees of Yayasan Astro Kasih and a member on the Board of Trustees of the OSK Foundation.

TAN SRI AZLAN BIN MOHD ZAINOL
Independent Non-Executive Director
Attended Meeting
6/6

QUAH POH KEAT
Independent Non-Executive Director
Attended Meeting
6/6

QUAH POH KEAT

Independent Non-Executive Director

Member of Audit and Risk Committee
Aged 66, Male, Malaysian

Appointed to the Board on 18 February 2016.

Mr. Quah is a Fellow of the Malaysian Institute of Taxation and the Association of Chartered Certified Accountants; and a Member of the Malaysian Institute of Accountants, the Malaysian Institute of Certified Public Accountants and the Chartered Institute of Management Accountants.

He was a partner of KPMG since October 1982 and was appointed Senior Partner (also known as Managing Partner in other practices) in October 2000 until 30 September 2007. He retired from the firm on 31 December 2007.

He had served as a Director of Public Bank Berhad Group from 30 July 2008 to 1 October 2013 until his appointment as the Deputy Chief Executive Officer of Public Bank from 1 October 2013 until 31 December 2015. Prior to that, he was also a Director of IOI Properties Berhad, PLUS Expressways Berhad, IOI Corporation Berhad and Telekom Malaysia Berhad.

Mr. Quah is experienced in auditing, tax and insolvency practices and has worked in Malaysia and the United Kingdom; his field of expertise includes restructuring, demergers and privatisation.

Currently, he is a Director of LPI Capital Bhd, Paramount Corporation Berhad and Malayan Flour Mills Berhad, companies listed on the Main Market of Bursa Malaysia Securities Berhad. He also sits on the Boards of Public Mutual Berhad, Lonpac Insurance Berhad, Public Bank (Hong Kong) Ltd, Public Bank Vietnam Limited, Public Finance Ltd, Public Financial Holdings Ltd, Cambodian Public Bank Ltd, Campu Lonpac Insurance Plc, Campu Securities Plc and OCC Cables Ltd. He also serves as a member on the Board of Trustees of the Public Foundation.

PROFILE OF DIRECTORS

ANNE RODRIGUES

Independent Non-Executive Director

Member of Audit and Risk Committee
Aged 68, Female, Malaysian

Appointed to the Board on 6 September 2017.

Mrs. Anne Rodrigues holds a Bachelor of Economics (Class 1 Honours) degree from University of Malaya and obtained her Master in Business Administration (Distinction) from University of Bath. She is a Member of the Malaysian Institute of Accountants and also a Fellow of the Association of Chartered Certified Accountants. She has obtained a Certificate on "Project Appraisal and Risk Analysis Management for Bankers" from Harvard Institute for International Development and Institute of Banks Malaysia and has also completed a training program on the "Japanese Securities Business" provided by the Nomura Securities Co Ltd Japan.

She started her career with Federal Land Development Authority ("Felda") in 1973. From 1984 to 1997, she was seconded by Felda to various companies and gained diverse financial experience in Malaysia International Shipping Corporation Berhad and Boustead Group. She returned to serve Felda Holdings Berhad as its Group Finance Director from 1998 to 2006 and Senior Executive Director (Finance) from 2006 to 2009. Thereafter, she was the Group Chief Financial Officer, and subsequently Financial Advisor of Felda Global Ventures Holdings Berhad. Her last position was as Chief Financial Officer of TRT US Inc from September 2011 to 2012.

LEE JIA ZHANG

Executive Director

Aged 35, Male, Malaysian

Appointed to the Board on 16 May 2018.

Mr. Lee Jia Zhang holds a Master in Chemical Engineering (Hons) degree (MEng) from Imperial College, United Kingdom. He is a Chartered Accountant and a Member of the Institute of Chartered Accountants Scotland (ICAS). He has also completed the Accelerated Development Programme from the University of Chicago Booth School of Business (Executive Education).

He began his career with Ernst & Young LLP, United Kingdom from 2006 to 2009 and thereafter with KPMG, Kuala Lumpur in 2009 both in audit. He then joined KLK Group in 2010 and has since held various positions in the Oleochemical and Corporate divisions. He started his career in KLK as a Senior Manager and is currently an Executive Director within the Group overseeing corporate and business functions including mergers and acquisitions as well as managing few subsidiaries. His last role was a managing director in one of the Group's oleochemical business units.

Mr. Lee Jia Zhang is the son of Tan Sri Dato' Seri Lee Oi Hian and the nephew of Dato' Lee Hau Hian. Both Tan Sri Dato' Seri Lee Oi Hian and Dato' Lee Hau Hian are Directors and substantial shareholders of KLK.

ANNE RODRIGUES *Independent Non-Executive Director*	LEE JIA ZHANG *Executive Director*
Attended Meeting **6/6**	Attended Meeting **3/4**

ADDITIONAL INFORMATION:

1. Save as disclosed in the Profile of Directors, none of the Directors has:
   (i) any directorship in public companies and listed issuers;
   (ii) any family relationship with any Director and/or major shareholder of KLK; and
   (iii) any conflict of interest with KLK
2. None of the Directors has:
   (i) been convicted of any offence (other than traffic offences) within the past five (5) years; and
   (ii) been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.
3. Details of the Directors' attendance at Board meetings are set out in the Corporate Governance Overview Statement on page 89.

PROFILE OF KEY SENIOR MANAGEMENT

TAN SRI DATO' SERI LEE OI HIAN
Chief Executive Officer

Aged 67, Male, Malaysian

Tan Sri Dato' Seri Lee was appointed as the Group's Chairman/CEO in 1993 and held the position until 2008. On 1 May 2008, he relinquished his role as Chairman but has retained his position as Executive Director and CEO of the Group. His profile is listed in the Profile of Directors on page 14.

LEE JIA ZHANG
Executive Director

Aged 35, Male, Malaysian

Mr. Lee Jia Zhang was appointed as the Executive Director of KLK on 16 May 2018. He joined KLK Group in 2010 and has since held various positions in the Oleochemical and Corporate divisions. His profile is listed in the Profile of Directors on page 17.

PATRICK KEE CHUAN PENG
Group Plantations Director

Aged 59, Male, Malaysian

Mr. Patrick Kee was appointed as the Group Plantations Director on 1 October 2017. Prior to his appointment, he was the President Director of KLK's subsidiaries in Indonesia.

He is an Associate Member of the Incorporated Society of Planters. He joined KLK on 1 February 1982 and has served KLK's subsidiaries in various capacities from Assistant, Manager, General Manager to Regional Director (both in West Malaysia and Sabah) prior to his posting to Indonesia.

He has attended the Senior Management Development Program conducted by Harvard Business School and Advance Management Program of INSEAD.

YEOW AH KOW
Managing Director, Oleochemical division

Aged 64, Male, Malaysian

Mr. Yeow holds a Bachelor of Science in Chemistry from Nanyang University Singapore and a Master of Science in Petro-Chemicals and Hydrocarbon Chemistry from University of Manchester, Institute of Science & Technology, United Kingdom.

Mr. Yeow has been the Managing Director of KLK Oleo since March 1998. He has been with KLK Group for the past 27 years and was instrumental in setting up the cocoa manufacturing business. He started his career as an industrial chemist with Sime Darby Edible Oil Pte Ltd and Sime Darby Oleochemicals Pte Ltd, Singapore. Prior to joining KLK, he was with Behn Meyer & Co (M) Sdn Bhd where he was the Group Manager of the Techno-Chemical division, in charge of specialty chemicals and equipment trading business.

PROFILE OF KEY SENIOR MANAGEMENT

DATO' DAVID TAN THEAN THYE
Executive Director, Property development

Aged 64, Male, Malaysian

Dato' David Tan is the Executive Director of KLK Land. He joined the Group on 1 January 2013 and is responsible for overseeing the business development, planning and implementation of KLK property projects.

Dato' David Tan holds a BSc (Hons) in Housing, Building & Planning and MSc in Planning from Universiti Sains Malaysia. He is a Corporate Member of the Malaysian Institute of Planners and a Registered Planner with the Board of Town Planners, Malaysia.

He has more than 36 years of experience in the property industry with 22 years as Head of Property in IOI Group where he was also an Executive Director of IOI Properties Berhad.

LEONG SEAN MENG
Group Chief Financial Officer

Aged 59, Male, Malaysian

Mr. Leong holds a Bachelor of Science degree (Honours) majoring in Mathematics and Physics from the University of Malaya and qualified as an accountant from the Malaysian Institute of Certified Public Accountants. He is also a Member of the Malaysian Institute of Accountants.

Prior to joining KLK, he pursued a career in accountancy in the public accounting firm of Coopers & Lybrand for 10 years. He has been with KLK Group since 1991 and was appointed as Group Chief Financial Officer on 14 November 2018. Prior to this, he was the Group Chief Accountant.

YAP MIOW KIEN
Company Secretary

Aged 49, Female, Malaysian

Ms. Yap has an LL.B (Hons) degree from the University of Leeds, United Kingdom. She also qualified as a Barrister-at-Law of the Middle Temple, London, and as an Advocate & Solicitor of the High Court of Malaya. She is an Associate Member of the Malaysian Institute of Chartered Secretaries and Administrators.

Ms. Yap joined KLK in 2002 as a Legal Manager and was appointed as the Company Secretary of KLK on 2 September 2008 where she oversees the Legal and Secretarial Department. She began her career with a leading law firm in Kuala Lumpur and subsequently joined the private sector as an executive in the legal divisions of the Usaha Tegas Group and Tanjong Plc.

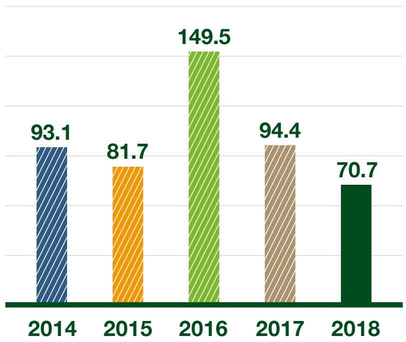
ADDITIONAL INFORMATION:

1. Save as disclosed above, none of the Key Senior Management has:
   (i) any directorship in public companies and listed issuers;
   (ii) any family relationship with any Director and/or major shareholder of KLK; and
   (iii) any conflict of interest with KLK.

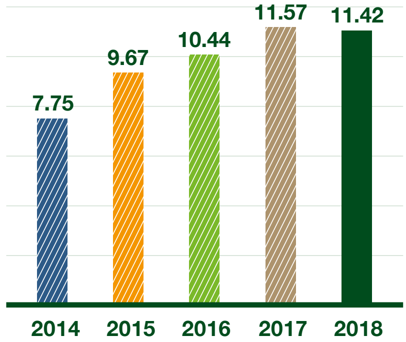
2. None of the Key Senior Management has:
   (i) been convicted of any offence (other than traffic offences) within the past five (5) years; and
   (ii) been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

FINANCIAL HIGHLIGHTS

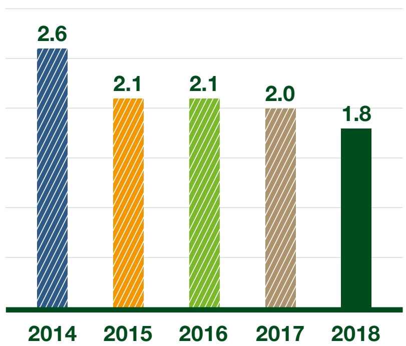
EARNINGS PER SHARE
(SEN)



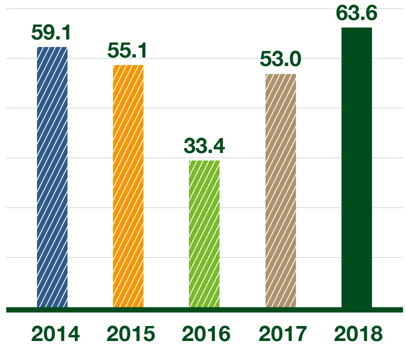
SHAREHOLDERS' EQUITY
(RM BILLION)



DIVIDEND YIELD
(%)

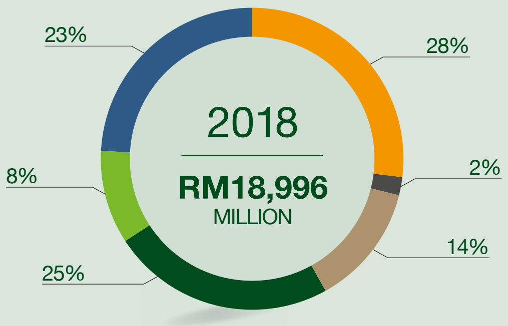


DIVIDEND PAYOUT RATIO
(%)

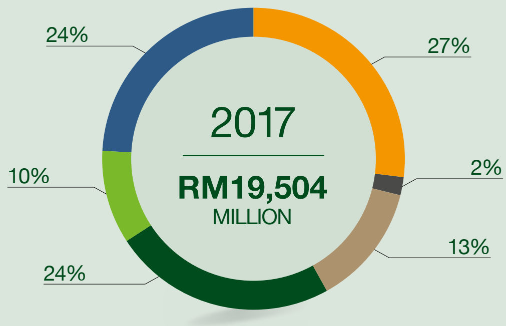


SIMPLIFIED GROUP ASSETS & LIABILITIES
AS AT 30 SEPTEMBER 2018

TOTAL ASSETS



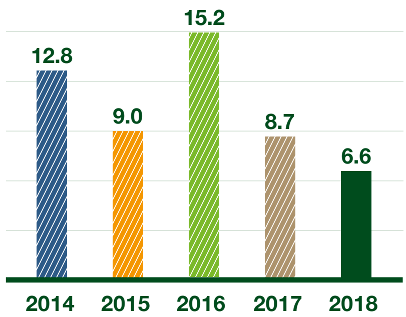
Property, Plant and Equipment	**RM5,255** million	**28%**
Prepaid Lease Payments	**RM375** million	**2%**
Biological Assets	**RM2,689** million	**14%**
Other Non-Current Assets	**RM4,724** million	**25%**
Short Term Funds and Cash and Cash Equivalents	**RM1,473** million	**8%**
Other Current Assets	**RM4,480** million	**23%**



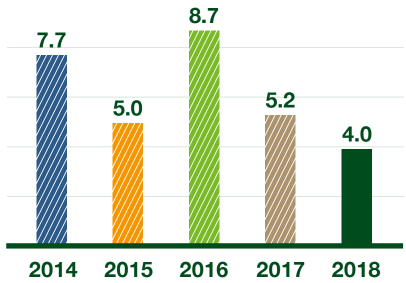
Property, Plant and Equipment	**RM5,221** million	**27%**
Prepaid Lease Payments	**RM310** million	**2%**
Biological Assets	**RM2,624** million	**13%**
Other Non-Current Assets	**RM4,655** million	**24%**
Short Term Funds and Cash and Cash Equivalents	**RM2,041** million	**10%**
Other Current Assets	**RM4,653** million	**24%**

FINANCIAL HIGHLIGHTS

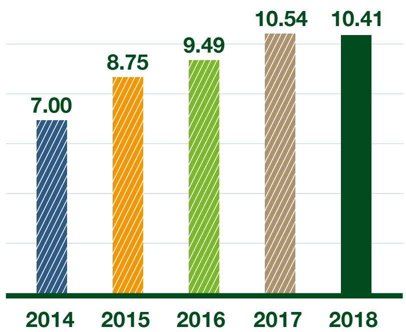
RETURN ON SHAREHOLDERS' EQUITY
(%)



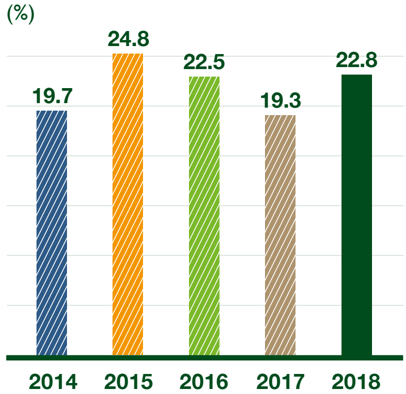
RETURN ON TOTAL ASSETS
(%)



NET TANGIBLE ASSETS PER SHARE
(RM)

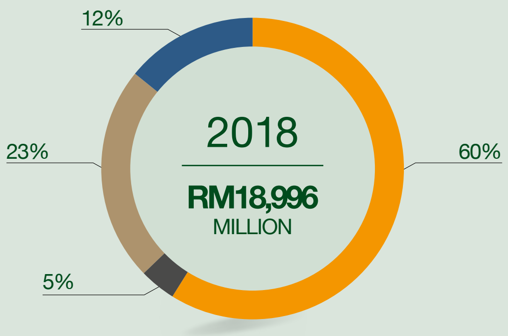


NET DEBT TO EQUITY
(%)

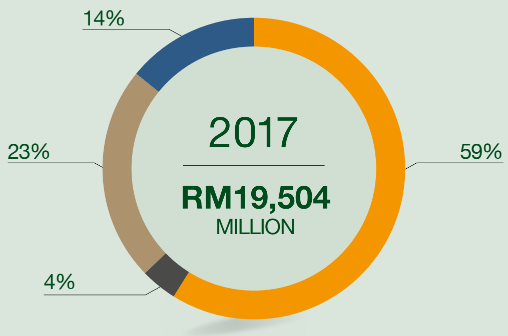


SIMPLIFIED GROUP ASSETS & LIABILITIES
AS AT 30 SEPTEMBER 2018

TOTAL EQUITY & LIABILITIES



Shareholders' Equity	**RM11,425** million	60%
Non-Controlling Interests	**RM886** million	5%
Borrowings	**RM4,283** million	23%
Other Liabilities	**RM2,402** million	12%



Shareholders' Equity	**RM11,568** million	59%
Non-Controlling Interests	**RM872** million	4%
Borrowings	**RM4,443** million	23%
Other Liabilities	**RM2,621** million	14%

5-YEAR FINANCIAL STATISTICS

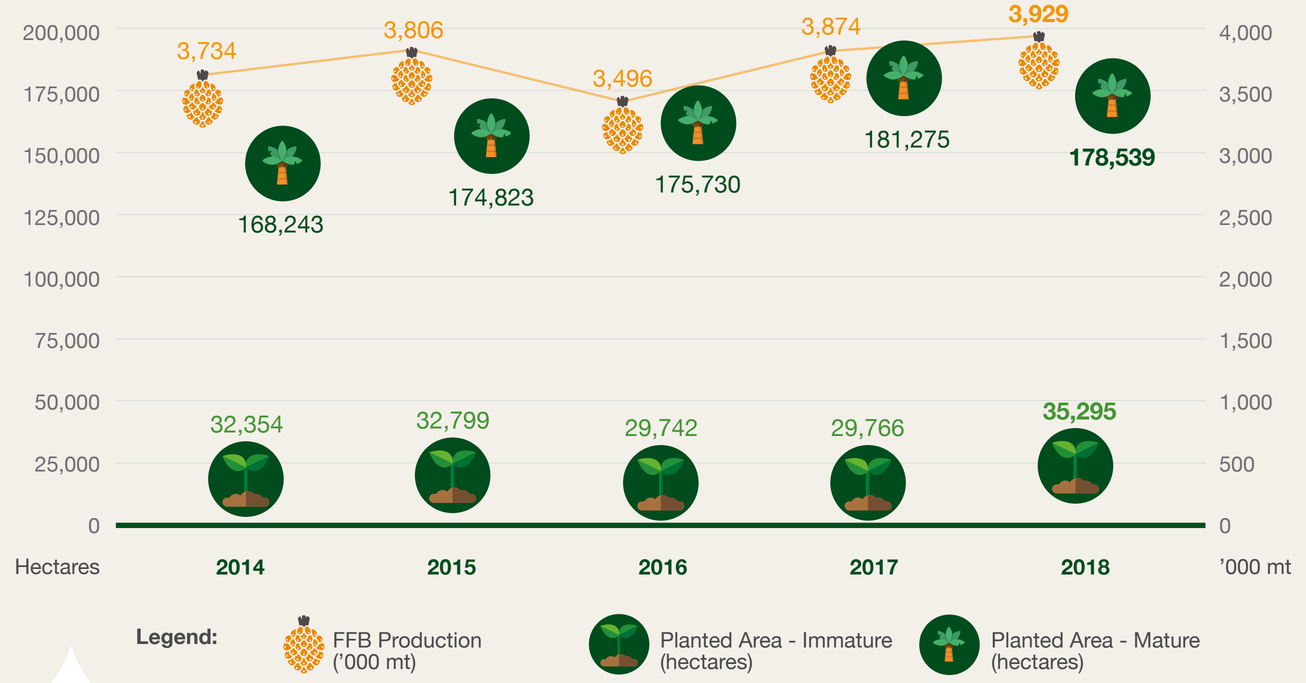
	2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000
REVENUE					
Plantation	7,852,761	10,668,581	8,455,070	7,086,247	5,234,930
Manufacturing	10,130,102	9,923,716	7,738,841	6,241,324	5,634,338
Property development	177,676	141,521	110,693	123,275	117,063
Investment income	135,059	139,223	122,542	125,846	78,799
Others	104,902	130,995	78,664	73,299	64,843
	18,400,500	**21,004,036**	**16,505,810**	**13,649,991**	**11,129,973**
GROUP PROFIT					
Plantation	698,354	1,291,045	826,369	766,804	1,011,446
Manufacturing	377,615	134,040	323,222	185,263	274,792
Property development	37,838	40,496	28,632	61,162	46,313
Investment holding	28,740	37,154	27,147	66,295	13,502
Others	1,585	8,270	(18,133)	(8,709)	3,713
Corporate	(26,752)	(60,800)	525,047	63,783	(32,069)
Profit before taxation	1,117,380	1,450,205	1,712,284	1,134,598	1,317,697
Tax expense	(313,276)	(383,329)	(29,144)	(250,560)	(285,003)
Profit for the year	**804,104**	**1,066,876**	**1,683,140**	**884,038**	**1,032,694**
Attributable to:					
Equity holders of the Company	753,328	1,005,130	1,592,191	869,912	991,705
Non-controlling interests	50,776	61,746	90,949	14,126	40,989
	804,104	**1,066,876**	**1,683,140**	**884,038**	**1,032,694**

5-YEAR FINANCIAL STATISTICS

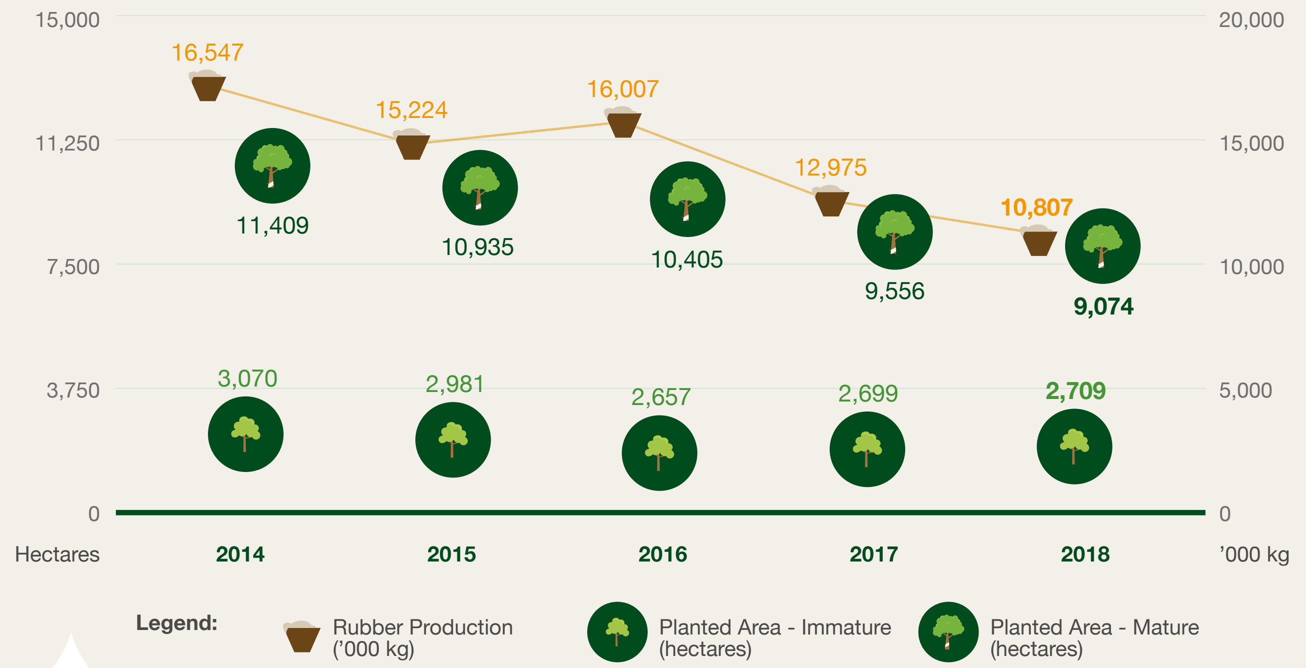
		2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000
ASSETS						
Property, plant and equipment		5,254,777	5,220,852	5,066,699	4,817,725	4,220,214
Prepaid lease payments		375,120	309,611	307,068	285,555	251,268
Biological assets		2,689,160	2,624,038	2,548,178	2,392,287	2,081,061
Land held for property development		1,100,407	1,091,471	1,130,312	226,353	217,926
Goodwill on consolidation		315,304	324,686	321,661	330,137	286,969
Intangible assets		23,358	15,325	15,076	15,297	15,238
Investments in associates		153,663	144,538	138,803	154,493	172,652
Investments in joint ventures		160,414	158,902	173,384	144,658	-
Available-for-sale investments		2,384,374	2,270,239	1,607,570	1,781,642	884,014
Other receivable		202,826	210,272	205,195	171,690	119,940
Deferred tax assets		383,921	439,794	454,230	147,513	128,025
Current assets		5,952,732	6,694,386	6,368,397	6,792,265	4,510,294
Total assets		**18,996,056**	**19,504,114**	**18,336,573**	**17,259,615**	**12,887,601**
EQUITY						
Share capital		1,196,962	1,184,764	1,067,505	1,067,505	1,067,505
Reserves		10,241,427	10,397,158	9,390,511	8,612,349	6,697,649
Cost of treasury shares		(13,447)	(13,447)	(13,447)	(13,447)	(13,447)
Total equity attributable to equity holders of the Company		11,424,942	11,568,475	10,444,569	9,666,407	7,751,707
Non-controlling interests		885,905	871,567	843,457	461,703	431,492
Total equity		**12,310,847**	**12,440,042**	**11,288,026**	**10,128,110**	**8,183,199**
LIABILITIES						
Deferred tax liabilities		299,452	259,056	254,976	257,954	256,207
Deferred income		119,004	117,365	118,665	113,154	101,495
Provision for retirement benefits		467,067	479,132	495,894	356,563	281,663
Borrowings		3,062,099	3,067,168	2,967,808	2,681,221	1,816,243
Current liabilities		2,737,587	3,141,351	3,211,204	3,722,613	2,248,794
Total liabilities		**6,685,209**	**7,064,072**	**7,048,547**	**7,131,505**	**4,704,402**
Total equity and liabilities		**18,996,056**	**19,504,114**	**18,336,573**	**17,259,615**	**12,887,601**
SHAREHOLDERS' EARNINGS AND DIVIDENDS						
Earnings per share	(sen)	70.7	94.4	149.5	81.7	93.1
Share price at 30 September	(RM)	24.96	24.56	23.98	21.70	21.08
Dividend rate	(sen)	45.0	50.0	50.0	45.0	55.0
Dividend yield at 30 September	(%)	1.8	2.0	2.1	2.1	2.6
P/E ratio at 30 September		35.3	26.0	16.0	26.6	22.6

PLANTED AREA AND CROP PRODUCTION

OIL PALM PLANTED AREA/FFB PRODUCTION

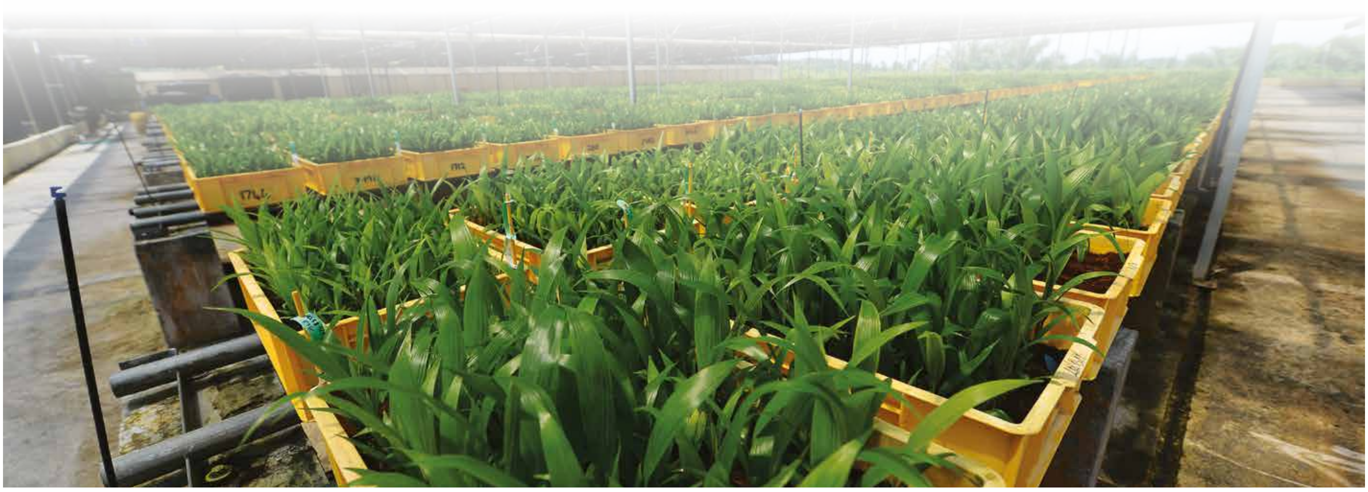


RUBBER PLANTED AREA/RUBBER PRODUCTION



PLANTATION AREA STATEMENT

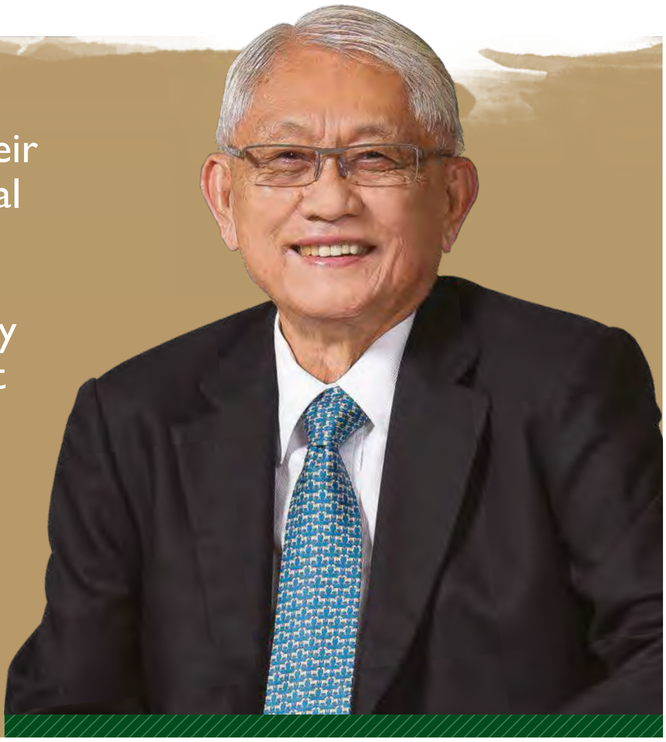
	AGE IN YEARS	2018 HECTARES	2018 % UNDER CROP	2018 % OF TOTAL PLANTED AREA	2017 HECTARES	2017 % UNDER CROP	2017 % OF TOTAL PLANTED AREA
OIL PALM							
	4 to 9	55,825	26		57,842	28	
	10 to 18	65,157	30		67,625	32	
	19 and above	57,557	27		55,808	26	
	Mature	178,539	83	79	181,275	86	81
	Immature	35,295	17	16	29,766	14	14
	Total	**213,834**	**100**	**95**	**211,041**	**100**	**95**
RUBBER							
	6 to 10	879	7		890	7	
	11 to 15	2,177	18		2,336	19	
	16 to 20	2,714	23		3,165	26	
	21 and above	3,304	29		3,165	26	
	Mature	9,074	77	4	9,556	78	4
	Immature	2,709	23	1	2,699	22	1
	Total	**11,783**	**100**	**5**	**12,255**	**100**	**5**
TOTAL PLANTED AREA		**225,617**		**100**	**223,296**		**100**
Plantable Reserves		26,999			17,512		
Conservation Areas		24,586			17,857		
Building Sites, etc.		7,312			9,873		
GRAND TOTAL		**284,514**			**268,538**		



CHAIRMAN'S STATEMENT

" Prices of palm products continued their downward trend throughout our financial year ("FY") 2018. Ample oilseed supply, including that of crude palm oil ("CPO") and laurics, had pressured and limited any upward potential of CPO prices. Against this backdrop, the KLK Group posted a much lower net profit at RM753.3 million compared to RM1.005 billion for FY2017, with a corresponding earnings per share of 70.7 sen. "

R.M. ALIAS
Chairman



The Board has declared a final single tier dividend of 30 sen per share, which together with the interim dividend paid earlier make a total for the year of 45 sen. Total pay-out of RM479.2 million will account for 64% of the year's net profit.

PERFORMANCE

Revenue for FY2018 at RM18.401 billion was a 12% reduction from last FY predominantly due to the lower selling prices of our palm products.

Our Plantation sector was only able to contribute a pre-tax profit of RM698.4 million compared to the RM1.291 billion in FY2017. The disappointing profit was a result of lower selling prices of palm products arising from stock overhang, compounded by losses from the processing and trading operations, and foreign translation loss on loans and borrowings of our Indonesian subsidiaries. On operational efficiencies, we achieved only marginal improvements in terms of yields and extraction rates, which were insufficient to offset the huge impact of the lower prices. A push for increases in oil yields per hectare as well as productivity of workers remains our key challenges and there are some early indications of a breakthrough.

The Oleochemicals division brought some positives for the FY as it bounced back with a RM368.0 million pre-tax profit. This substantial increase of more than three-folds from RM115.5 million recorded last year was realised as we were able to capitalise on the favourable raw material prices, higher sales volume and healthier margins especially during the First Half of FY2018.

Our Property sector registered a pre-tax profit of RM37.8 million, a 7% decrease from FY2017 in a depressed environment. Fortunately, our affordable landed homes and the attractive higher-priced units are still selling satisfactorily, albeit slowly.

EXPANSION

During the FY, the Group expanded its footprint in Indonesia and Europe with the acquisitions of P.T. Putra Bongan Jaya ("PBJ") and Elementis Specialties Netherlands BV ("ESN") respectively.

PBJ, with approximately 16,000 ha of landbank in East Kalimantan and predominantly young palms mostly in fertile soils and favourable terrain will enhance the quality of our plantations.

ESN (renamed to KLK Kolb Specialties BV post-acquisition) was acquired together with its surfactant chemical assets and business in Delden, The Netherlands. This addition to our Oleochemical division will provide us, particularly our Kolb business, with a wider range of products and market segments coverage. The production site itself is strategically located along the routes to existing key customers and raw material supplies.

SUSTAINABILITY

As we continue our journey towards sustainable and responsible palm oil production, we had further enhanced our commitments towards the key economic, social and environmental elements in our Sustainability Policy. These include the reaffirmation of

CHAIRMAN'S STATEMENT

KLK's commitment towards No Deforestation and new areas for oil palm development will apply the integrated High Carbon Stock Approach ("HCSA") and High Conservation Value ("HCV") assessments to determine eligible planting areas with priority given to low carbon stock areas which have no demonstrable HCV. KLK is also a member of the HCSA Steering Group which provides overall governance of the HCSA and oversees further development of the methodology to achieve no deforestation.

We will also not have any new development on peatlands, regardless of depth and will apply Best Management Practices for all existing peatlands currently cultivated with oil palm. We remain fully committed to upholding the rights of our workers and continue to provide a safe and healthy workplace environment for the well-being of our workers.

On the certification front, our Malaysian estates and palm oil mills were fully certified under the Malaysian Sustainable Palm Oil standards during the FY, a year ahead of the December 2018 timeline given for companies with Roundtable on Sustainable Palm Oil ("RSPO") certifications. We are also on track to certify all our Indonesian mills under the RSPO and Indonesian Sustainable Palm Oil standards by 2019 as we have already completed the certification audits and awaiting the certificate for the outstanding mills.

OUTLOOK

The First Quarter of FY2019 saw palm prices at depressed levels, caused by the bountiful palm production. The unusually high CPO inventory has caused tremendous storage pressure, forcing futures contract offsets through liquidation and further lowering the depressed prices. Compounding this is the ample oilseeds stocks and on-going trade disputes. One relief that can be seen is the biodiesel margin which is more competitive than petroleum diesel. We believe the current state of surplus palm products will be over by Second Quarter of FY2019, as prices are quite close to productions costs.

Mechanisation of field operations to increase productivity remains one of the main focus areas for our Plantation sector together with yield improvement programmes and honing talents. The Oleochemical division is expected to sustain its performance as it continues to drive operational efficiencies and expand customer base.

NEW BOARD APPOINTMENT

The Board welcomed Mr Lee Jia Zhang in May 2018 as a new Executive Director. Jia Zhang has been with the KLK Group since 2010 and has played a pivotal role in transforming the way we do business by embracing new technologies to improve and enhance productivity and communications within the Group. We have no doubts that he will contribute positively to the Group as a member of the Board.

APPRECIATION

After a long association of more than 40 years, Messrs. KPMG PLT, our outgoing auditors, will retire at the upcoming Annual General Meeting. This change is in line with good corporate governance practices and the Company looks forward to gaining fresh perspectives and views from the new auditors to be appointed. On behalf of the Board, I take this opportunity to thank Messrs. KPMG PLT for their professionalism and services rendered throughout the years.

Last but not least, I would like to express my sincere appreciation to all employees and management of KLK, fellow directors, shareholders, partners and all stakeholders for their continuous support and encouragement as we forge ahead in managing future challenges.

Aerial view of Ladang Pasir Gajah, Kelantan

KENYATAAN PENGERUSI

"Arah aliran harga produk sawit terus merudum sepanjang tahun kewangan ("TK") 2018. Bekalan minyak bijirin yang mencukupi, termasuk bekalan minyak sawit mentah ("MSM") dan laurik telah memberi tekanan dan menghadkan sebarang potensi kenaikan harga MSM. Persekitaran operasi sedemikian telah menyebabkan keuntungan bersih Kumpulan KLK susut daripada RM1.005 bilion pada TK2017 kepada RM753.3 juta pada TK ini, dengan pendapatan sesaham sebanyak 70.7 sen."

R.M. ALIAS
Chairman

Lembaga Pengarah telah mengisytiharkan dividen satu peringkat akhir sebanyak 30 sen sesaham, menjadikan jumlah dividen bagi tahun ini sebanyak 45 sen setelah mengambilkira dividen interim yang dibayar sebelumnya. Jumlah keseluruhan pembayaran dividen sebanyak RM479.2 juta merupakan 64% daripada keuntungan bersih pada tahun ini.

PRESTASI

Hasil yang susut sebanyak 12% kepada RM18.401 bilion pada TK2018 berbanding pada tahun sebelumnya adalah disebabkan terutamanya oleh penurunan harga jualan produk-produk sawit.

Sektor Perladangan kami hanya mampu menyumbang keuntungan sebelum cukai sebanyak RM698.4 juta berbanding RM1.291 bilion pada TK2017. Jumlah keuntungan yang kurang memuaskan ini adalah akibat penurunan harga jualan produk sawit akibat lebihan stok, diburukkan lagi oleh kerugian daripada operasi pemprosesan dan perdagangan serta kerugian tukaran matawang asing bagi pinjaman dan peminjaman oleh anak-anak syarikat di Indonesia. Kami mencapai tahap kecekapan yang kecil dari segi hasil dan kadar perahan yang tidak mencukupi untuk mengimbangi kesan besar penurunan harga. Walaupun usaha ke arah meningkatkan hasil minyak bagi setiap hektar serta produktiviti pekerja masih menjadi cabaran utama kami, namun tanda-tanda awal pemulihan telah kelihatan.

Bahagian Oleokimia berjaya mencatat keputusan positif pada TK ini dengan keuntungan sebelum cukai yang lebih baik sebanyak RM368 juta. Peningkatan ketara lebih tiga kali ganda berbanding RM115.5 yang direkodkan pada tahun lepas telah dicapai berikutan kejayaan kami memanfaatkan harga bahan mentah yang lebih baik, volum jualan lebih tinggi dan margin yang lebih menguntungkan khususnya pada Separuh Pertama TK2018.

Sementara itu, sektor Hartanah kami yang beroperasi dalam persekitaran yang muram mencatat keuntungan sebelum cukai sebanyak RM37.8 juta, merosot sebanyak 7% berbanding pada TK2017. Walaupun kadar jualan kediaman bertanah mampu milik kami dan unit-unit berharga lebih tinggi agak perlahan, namun ia mampu mencatatkan jualan yang memuaskan.

PENGEMBANGAN

Kumpulan telah meluaskan kehadirannya di Indonesia dan Eropah pada TK ini dengan mengambilalih P.T. Putra Bongan Jaya ("PBJ") dan Elementis Specialties Netherlands BV ("ESN").

Dengan pemilikan tanah seluas kira-kira 16,000 ha di Kalimantan Timur yang sebahagian besarnya diliputi oleh pokok kelapa sawit yang masih muda di kawasan subur dengan bentuk muka bumi yang baik, PBJ dilihat mampu meningkatkan kualiti perladangan kami.

ESN (ditukar nama kepada KLK Kolb Specialties BV selepas pengambilalihan) telah diambil alih berserta dengan aset dan perniagaan kimia surfaktan di Delden, The Netherlands. Penambahan dalam bahagian Oleokimia ini akan memberi liputan rangkaian produk dan segmen pasaran yang lebih luas, khususnya dalam perniagaan Kolb kami. Ia mempunyai kedudukan tapak pengeluaran yang strategik di laluan pelanggan utama dan bekalan bahan mentah sedia ada.

KENYATAAN PENGERUSI

KEMAMPANAN

Dalam usaha ke arah mencapai pengeluaran minyak sawit mampan dan bertanggungjawab, kami telah mempertingkatkan lagi komitmen kami terhadap pelbagai bidang utama berkaitan ekonomi, sosial dan alam sekitar dalam Dasar Kemampanan kami. Ini meliputi penegasan semula komitmen KLK terhadap usaha Tiada Penebangan Hutan dan kawasan baharu pembangunan ladang kelapa sawit akan menerima pakai kaedah ujian Nilai Pemuliharaan Tinggi ("HCV") dan penilaian Kaedah Stok Karbon Tinggi ("HCSA") dalam menentukan kawasan-kawasan penanaman yang sesuai. Keutamaan diberi kepada kawasan stok karbon rendah yang tidak mempunyai HCV ketara. KLK juga merupakan ahli Kumpulan Pemandu HCSA yang mengendalikan tadbir urus keseluruhan HCSA dan menyelia pembangunan seterusnya kaedah bagi mencapai tiada penebangan hutan.

Kami juga tidak akan menjalankan sebarang pembangunan baharu di kawasan tanah gambut, tanpa mengira kedalamannya dan akan melaksanakan Amalan Pengurusan Terbaik bagi semua kawasan tanah gambut yang kini ditanam dengan kelapa sawit. Kami kekal komited sepenuhnya dalam mendukung hak-hak para pekerja kami dan akan terus menyediakan persekitaran tempat kerja yang selamat dan sihat demi kesejahteraan mereka.

Dalam aspek pensijilan, ladang dan kilang-kilang sawit kami di Malaysia telah memiliki pensijilan yang lengkap di bawah piawaian Minyak Sawit Mampan Malaysia pada TK ini, setahun lebih awal dari tempoh sehingga bulan Disember 2018 yang diberikan kepada syarikat-syarikat yang mempunyai pensijilan Roundtable on Sustainable Palm Oil ("RSPO"). Kami juga bakal melengkapkan pensijilan bagi semua kilang kami di Indonesia di bawah RSPO dan piawaian Minyak Sawit Mampan Indonesia menjelang tahun 2019 memandangkan kini kami telah pun menyelesaikan audit dan sedang menunggu pensijilan.

MASA DEPAN

Suku Tahun Pertama TK2019 telah menyaksikan harga sawit berada di tahap yang tertekan berikutan pengeluaran sawit yang berlebihan. Inventori MSM yang luar biasa tinggi ini telah memberi tekanan terhadap ruang penyimpanan, memaksa pengimbangan kontrak niaga masa depan menerusi likuidasi dan seterusnya mengakibatkan harga yang sedia tertekan menurun ke paras yang lebih rendah. Stok bijiran minyak yang berlebihan dan pertikaian perdagangan yang berterusan telah memburukkan lagi keadaan. Memandangkan margin biodiesel yang lebih kompetitif berbanding diesel petroleum, ini sedikit sebanyak telah melegakan keadaan. Kami percaya bahawa lebihan produk sawit pada masa kini akan berakhir menjelang Suku Kedua TK2019, memandangkan harga telah menghampiri kos pengeluaran.

Penggunaan jentera dalam operasi di ladang bagi meningkatkan produktiviti kekal sebagai salah satu bidang tumpuan utama bagi sektor Perladangan kami di samping program-program peningkatan hasil dan latihan bakat pekerja. Bahagian Oleokimia pula dijangka akan mengekalkan prestasinya dengan meneruskan usaha memacu kecekapan operasi dan meluaskan asas pelanggan.

PELANTIKAN LEMBAGA PENGARAH BAHARU

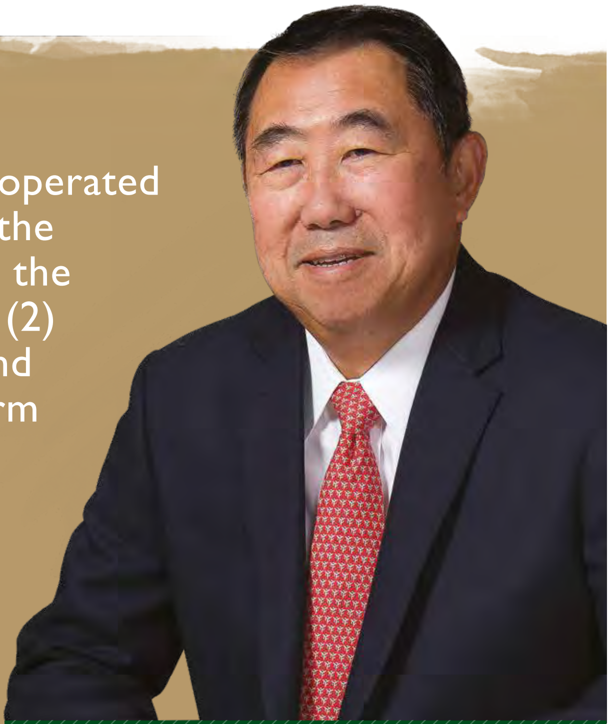
Lembaga Pengarah mengalu-alukan penyertaan En. Lee Jia Zhang pada bulan Mei 2018 sebagai Pengarah Eksekutif baharu. Beliau telah berkhidmat dengan Kumpulan KLK sejak tahun 2010 dan memainkan peranan penting dalam mentransformasi cara kami berniaga dengan menerima pakai pelbagai teknologi baharu untuk menambah baik dan meningkatkan produktiviti dan komunikasi dalam Kumpulan KLK. Kami yakin beliau akan memberi sumbangan positif kepada Kumpulan KLK sebagai seorang ahli Lembaga Pengarah.

PENGHARGAAN

Setelah menjalin kerjasama selama lebih 40 tahun, Tetuan KPMG PLT, juruaudit kami pada masa ini, akan bersara pada Mesyuarat Agung Tahunan yang akan datang. Perubahan ini selari dengan amalan tadbir urus korporat yang baik dan Syarikat mengalu-alukan perspektif dan pandangan baharu daripada juruaudit baharu yang akan dilantik. Bagi pihak Lembaga Pengarah, saya ingin mengambil peluang ini untuk mengucapkan berbanyak terima kasih kepada tetuan KPMG PLT atas khidmat penuh profesional mereka selama ini.

Akhir sekali, saya ingin menzahirkan ucapan penghargaan tulus ikhlas kepada seluruh warga kerja dan pengurusan KLK, rakan pengarah, para pemegang saham, rakan kongsi dan semua pemegang kepentingan atas sokongan dan semangat berterusan untuk kami melangkah maju mengharungi cabaran masa hadapan.

MANAGEMENT DISCUSSION & ANALYSIS



"Throughout the financial year (FY), we operated under a challenging environment, notably the uncertain macroeconomic indicators with the on-going trade negotiations between two (2) big powerhouses, fluctuating currencies and increased level of protectionism in the form of tariffs and discriminatory policies. We only managed a disappointing net profit of RM753.3 million in FY2018 (FY2017: RM1.005 billion)."

TAN SRI DATO' SERI LEE OI HIAN
Chief Executive Officer

OVERVIEW

Palm product prices were on a continuous downward trend during FY2018 with growing supply of oilseeds in the global market. At the same time, our production of fresh fruit bunches ("FFB") continued to pick up momentum, albeit at a muted pace with the occurrence of weather anomalies and some crop losses. Our average selling prices took a hit, with our average realised price for crude palm oil ("CPO") at RM2,335/mt, approximately 15% lower than FY2017, whilst the average realised price for palm kernel ("PK") was 22% lower than FY2017 at RM1,967/mt.

Our FFB and CPO yields were only marginally above last year's performance at 21.64 mt/ha and 4.72 mt/ha respectively (FY2017:21.39 mt/ha and 4.64 mt/ha respectively) with the corresponding oil extraction rate at 21.79% (FY2017:21.68%). Whilst weather anomalies and crop losses were the main reasons for the shortfall in realised yields, there are much operational improvements that still need to be done for the Group to meet its 6.00 mt/ha CPO yield target. Improving productivity of workers with mechanisation is expected to mitigate the heavy reliance on manual labour work especially in situations of labour shortage which is prevalent in our industry. Despite the stagnated yields, we were able to contain cost of CPO production at RM1,370/mt.

Our Oleochemical division made a huge turnaround in FY2018 with an improved profit at RM368.0 million. We were able to reposition and capitalise on the raw materials prices during the First Half of FY2018. As market uncertainties began to creep in towards the Second Half of FY2018, both offtakes and margins came under tremendous pressure as we faced competitive pricing especially from producers in Indonesia and a more reserved buying pattern from customers.

OUTLOOK AND IMMEDIATE PRIORITIES

The operating dynamics for our Plantation sector looks set to worsen from last year where external factors such as the strategies deployed by both the US and China in their on-going trade tension, the effectiveness of the biodiesel programmes to be rolled out by Indonesia (B20) and Malaysia (B10), currencies fluctuations, price levels of crude oil, weather patterns, revisions of government policies and increasing threat of protectionism being factors which will continue to have direct impact on the prices of palm products. We will continue to emphasise on enhancing operational efficiencies as there are still much room for improvement to manage our cost and improve yields.

For our Plantation sector, driving operational efficiency to improve our stagnated yields will remain a priority. Mechanisation to assist our workers to increase productivity, where possible, will be applied throughout the Group within the next three (3) years as we mitigate and manage shortage of skilled workers and the trend of rising labour wages. We will also study the practices of the newly acquired assets in East Kalimantan to ensure consistency of implementation

MANAGEMENT DISCUSSION & ANALYSIS

of best agricultural practices such as water management systems as we work towards achieving our FFB yield target of 20.00 mt/ha in the first year of harvesting in our new plantings and replants and achieving an overall 6.00 mt/ha of CPO, an elusive target so far.

We hold strongly to our commitment towards environmental, labour, social obligations. The release of our revised Sustainability Policy in August 2018 which enhanced and consolidated these commitments and other supply chain related issues further illustrate our seriousness in ensuring sustainable and responsible palm oil production. These include reaffirming our commitment towards No Deforestation (and applying the integrated High Carbon Stock Approach and High Conservation Value assessments), Protection of Peat Land and upholding the rights of our workers.

In ensuring that our practices are sustainable, all our Malaysian mills were fully certified under the Malaysian Sustainable Palm Oil ("MSPO") standards at the end of December 2017. For Indonesia, we are on target to be fully certified in 2019 under the Roundtable on Sustainable Palm Oil ("RSPO") and Indonesian Sustainable Palm Oil ("ISPO") standards as our palm oil mills there have been certified or have completed their certification audits and are awaiting for the certificates.

We expect our Oleochemical division to face challenges in managing the uncertainties in the market conditions as we go into the new FY, as experienced in the Fourth Quarter of FY2018. Another challenge is our expanding global capacities which Management will need to manage, and priority will be on further finetuning our operational efficiencies and developing a broader customer base.

Loading of FFB at one of KLK estates in Perak

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL REVIEW

GROUP HIGHLIGHTS

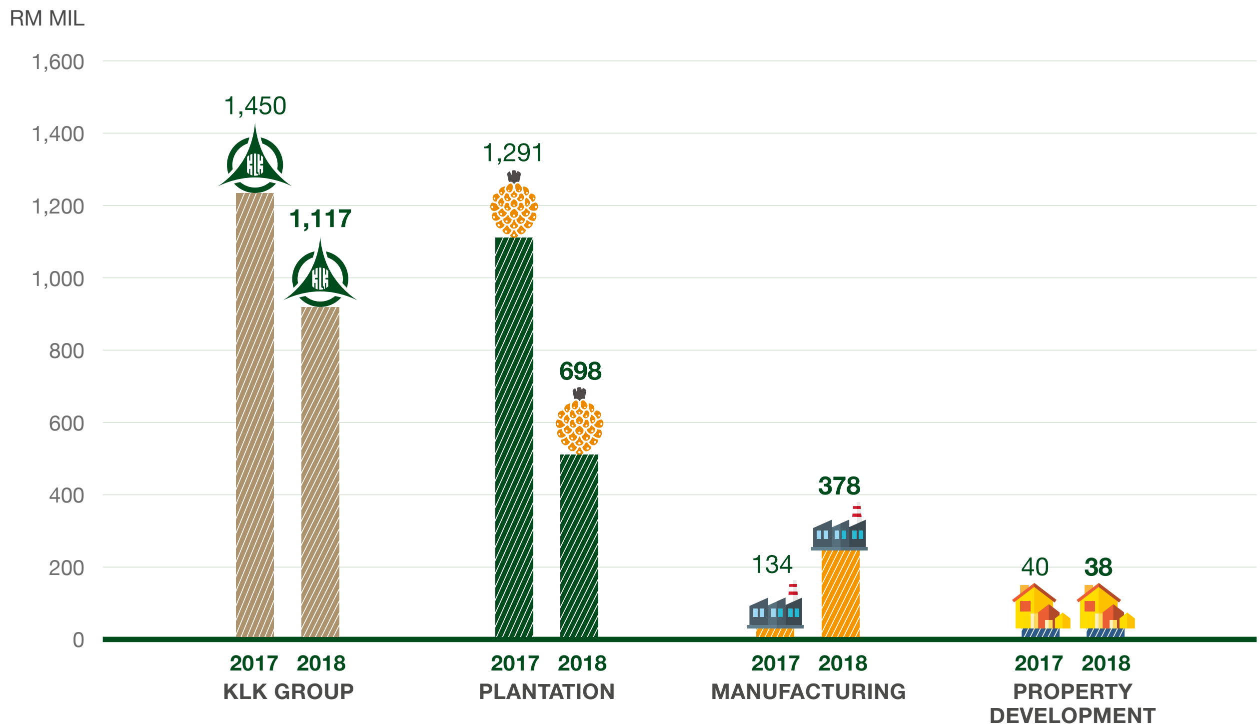
		2018	2017	2016	2015	2014
FINANCIAL						
Revenue	(RM'000)	**18,400,500**	21,004,036	16,505,810	13,649,991	11,129,973
Profit:						
- before taxation	(RM'000)	**1,117,380**	1,450,205	1,712,284	1,134,598	1,317,697
- attributable to equity holders of the Company	(RM'000)	**753,328**	1,005,130	1,592,191	869,912	991,705
Earnings per share	(sen)	**70.7**	94.4	149.5	81.7	93.1
Dividend per share (single tier)	(sen)	**45.0**	50.0	50.0	45.0	55.0
Net tangible assets	(RM'000)	**11,086,280**	11,228,464	10,107,832	9,320,973	7,449,500
Net tangible assets per share	(RM)	**10.41**	10.54	9.49	8.75	7.00
KEY CORPORATE RATIOS						
Dividend Yield(1)	(%)	**1.8**	2.0	2.1	2.1	2.6
Dividend Payout Ratio(2)	(%)	**63.6**	53.0	33.4	55.1	59.1
Return on Shareholders' Equity(3)	(%)	**6.6**	8.7	15.2	9.0	12.8
Return on Total Assets(4)	(%)	**4.0**	5.2	8.7	5.0	7.7
Net Debt to Equity(5)	(%)	**22.8**	19.3	22.5	24.8	19.7

(1) Based on Dividend expressed as a percentage of KLK Share Price as at 30 September
(2) Based on Dividend expressed as a percentage of Basic Earnings Per Share
(3) Based on Net Profit attributable to Equity Holders expressed as a percentage of Total Equity attributable to Equity Holders
(4) Based on Net Profit attributable to Equity Holders expressed as a percentage of Total Assets
(5) Based on Net Debt (being Total Borrowings less Short Term Funds and Cash and Cash Equivalents) expressed as a percentage of Total Equity

REVENUE

The Group's revenue for FY2018 at RM18.401 billion is 12% lower compared to last year's revenue of RM21.004 billion mainly due to the significantly lower results from the Plantation sector. The lower revenue from the Plantation sector was mitigated by the higher revenue from the Manufacturing sector, solely from the Oleochemical division as a result of higher sales volume.

PROFIT BEFORE TAXATION ("PBT")



The Group's PBT of RM1.117 billion was a decrease of 23% from the previous year's profit of RM1.450 billion, as a consequence of the factors affecting the business sectors below.

Plantation

Our Plantation sector's profit were significantly lower at RM698.4 million (FY2017:RM1.291 billion) as a result of:-

- Lower realised average selling prices for the following products:

Palm Product	FY2018	FY2017	% Change
CPO (RM/mt ex-mill)	2,335	2,735	(15)
PK (RM/mt ex-mill)	1,967	2,534	(22)

- Higher unrealised foreign exchange translation loss on loans advanced and bank borrowings of subsidiaries in Indonesia at RM85.3 million (FY2017:net loss was RM4.0 million) as Rupiah depreciated against Ringgit and USD;

- Losses from the processing and trading operation of RM34.1 million from a profitable position of RM44.6 million in FY2017.

Manufacturing

The Manufacturing sector bounced back strongly from the previous poor performance to record RM377.6 million profit (FY2017:RM134.0 million). Its core contributing Oleochemical division which recorded a profit of RM368.0 million was able to benefit from relatively lower and stable raw material prices coupled with improved operational efficiencies. However, during the Fourth Quarter of FY2018, the Oleochemical division suffered a slight setback with lower margins, faced with slower demand and higher logistics cost in its European operations (particularly with the drought causing low levels at River Rhine) and had to impair an additional RM21.6 million on the under-performing sulphonated methyl ester plant in Westport, Malaysia.

Property Development

The continued weak sentiment for property development in Malaysia saw Management mixing up its product offerings and focusing on to more affordable homes which have lower gross profit margins. Profits for our Property sector was RM37.8 million, which is 7% lower than RM40.5 million registered in FY2017.

MANAGEMENT DISCUSSION & ANALYSIS

DIVIDENDS

The Board has declared a final single tier dividend of 30 sen per share, making a total of 45 sen for the FY. The total pay-out declared for FY2018 will amount to RM479.2 million, a net pay-out ratio of 64%.

RETURNS ON SHAREHOLDERS' EQUITY AND TOTAL ASSETS

With the lower profits recorded for FY2018, the Group's Returns on Shareholders' Equity and Total Assets reduced to 6.6% and 4.0% respectively (FY2017:8.7% and 5.2% respectively).

GEARING

Our net debt to equity ratio increased to 22.8% (FY2017: 19.3%) due to the increase in the Group's net debt and reduction in the Group's total equity which was mainly affected by the decrease in the foreign fluctuation reserve.

CAPITAL EXPENDITURE

The Group spent RM472.6 million for capital expenditure where Plantation constituted 59% thereof mainly for immature area upkeep, new capital projects (upgrading, expansion and construction of palm oil mills and construction of jetty) and additions/replacements of fixed assets.

For the upcoming FY, a budget of RM900.0 million has been allocated which includes expenses for certain capital projects carried forward from FY2018. At least 70% will be invested in the Plantation sector for its development expenditure, upkeep of immature areas and capital projects such as the construction of a palm oil mill in North Sumatra, the joint-venture project to construct a refinery, jetty and kernel crushing plant in East Kalimantan and the 3-monochlopropane diol and glycidyl esters ("3-MCPD & GE") mitigation plant in Johor, Malaysia.

PLANTATION

Plantation is KLK's core business activity with close to 285,000 ha plantation land bank spread across Malaysia (Peninsular and Sabah), Indonesia (Belitung Island, Sumatra, Central and East Kalimantan) and Liberia following the acquisition of P.T. Putra Bongan Jaya ("PBJ") of approximately 16,000 ha landbank in East Kalimantan.

It has a planted area of 225,617 ha, whereby 95% is planted with oil palm. In terms of geographical distribution, 54% of the oil palm planted area is located in Indonesia, 43% in Malaysia and 3% in Liberia. Rubber which makes up the balance of 5% of the planted area is located only in Peninsular Malaysia.

Processing of crop, i.e. fresh fruit bunches ("FFB") is carried out at 24 of KLK's own palm oil mills of various capacities ranging from 20 mt/hour FFB to 120 mt/hour FFB (depending on size of the operating estates). We also operate four (4) refineries which process CPO into refined bleached deodorised ("RBD") palm oil, RBD olein, RBD stearin and palm fatty acid distillate.

Further value is derived from palm kernels ("PK") which are crushed by three (3) plants to produce CPKO and expellers.

Biogas power plant is another value-add improvement that the Plantation sector has invested in to reduce methane gas emissions. We currently have six (6) power generating biogas plants in its palm oil mills.

KLK's rubber business, although only constituting 5% of total planted area, remains important to the Plantation operations. KLK continues to maintain a strong position in the latex concentrate market due to our long-established EXCELTEX® brand name.

TOTAL PLANTED AREA

225,617 HA

Oil Palm 95%

Rubber 5%

Refineries 4

Palm Oil Mills 24

Kernel Crushing Plants 3

LOCATION OF PLANTED AREA OF OIL PALM

213,834 HA

Indonesia 54%

Malaysia 43%

Liberia 3%

PRODUCTION CAPACITY

Palm Oil Mills
FROM
20 to 120 FFB mt/hr

Refineries
PHYSICAL
3,400 CPO mt/day

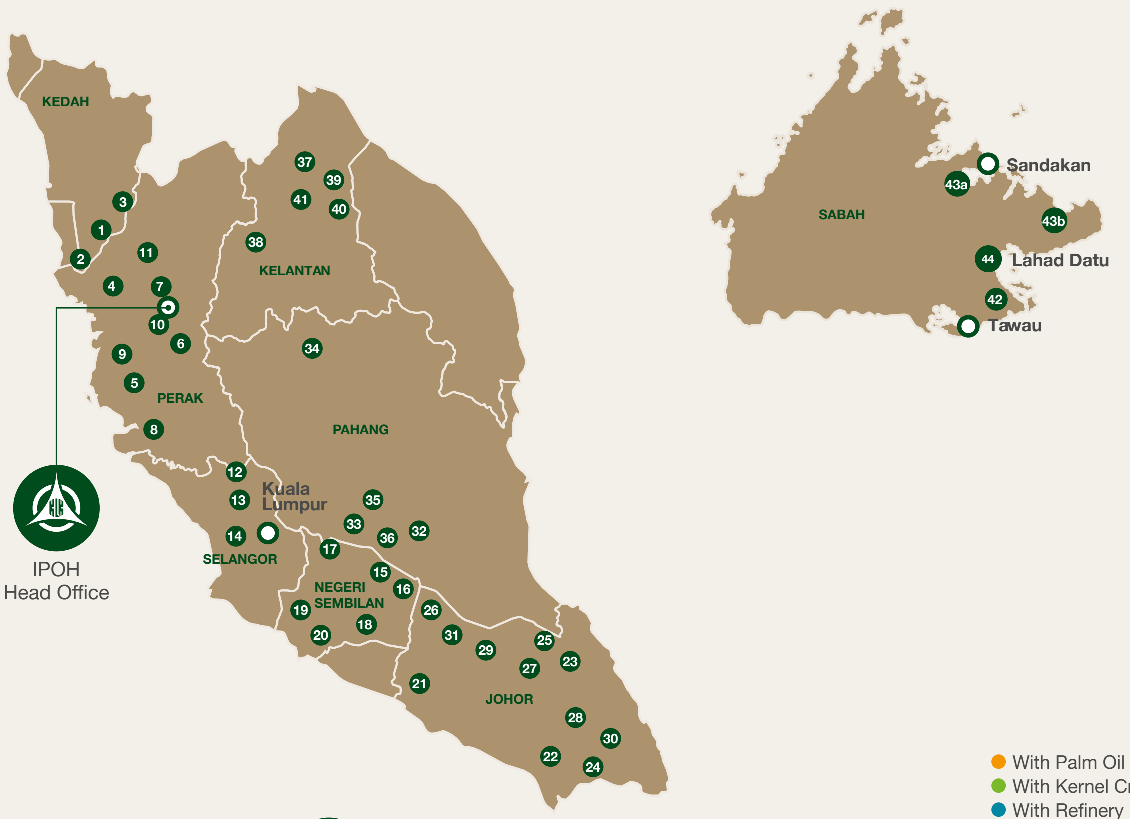
Kernel Crushing Plants
1,600 PK mt/day

Biogas Power Plants
6

Total Installed Power
16mw
(ELECTRICITY)

MANAGEMENT DISCUSSION & ANALYSIS

PLANTATION
LOCATION OF THE GROUP'S PLANTATION OPERATIONS AS AT 30 SEPTEMBER 2018



● With Palm Oil Mill
● With Kernel Crushing Plant
● With Refinery
■ With Rubber Factory
▲ With Biogas Power Plant

MALAYSIA

PALM OIL MILL
12

KERNEL CRUSHING PLANT
1

REFINERY
2

RUBBER FACTORY
5

BIOGAS POWER PLANT
3

KEDAH
1. Batu Lintang ●
2. Buntar
3. Pelam

PERAK
4. Allagar
5. Changkat Chermin ●
6. Glenealy
7. Kuala Kangsar
8. Lekir
9. Raja Hitam
10. Serapoh
11. Subur

SELANGOR
12. Changkat Asa ● ■
13. Kerling
14. Tuan Mee ●

NEGERI SEMBILAN
15. Ayer Hitam
16. Batang Jelai
17. Gunong Pertanian
18. Jeram Padang ● ■ ▲
19. Kombok
20. Ulu Pedas

JOHOR
21. Ban Heng
22. Fraser
23. Kekayaan ● ▲
24. KLK Edible Oils ●
25. Landak
26. New Pogoh
27. Paloh
28. See Sun
29. Sungai Bekok
30. Sungei Penggeli
31. Voules ■

PAHANG
32. Kemasul
33. Renjok
34. Selborne
35. Sungei Kawang
36. Tuan

KELANTAN
37. Kerilla ■
38. Kuala Gris ■
39. Kuala Hau
40. Pasir Gajah ●
41. Sungai Sokor

SABAH
42. **Tawau Region**
Jatika
Pang Burong
Pangeran ●
Pinang
Ringlet
Sigalong
Sri Kunak
Tundong ● ● ▲
43. **Lahad Datu Region**
43a. Bornion ●
Segar Usaha
43b. Bukit Tabin
Lungmanis ●
Rimmer
Sungai Silabukan
Tungku
44. KLK Premier Oil ● ●

MANAGEMENT DISCUSSION & ANALYSIS

PLANTATION

LOCATION OF THE GROUP'S PLANTATION OPERATIONS AS AT 30 SEPTEMBER 2018

INDONESIA

BELITUNG ISLAND

45. Alam Karya Sejahtera
46. Parit Sembada ●
47. Steelindo Wahana Perkasa ● ● ● ▲

SUMATRA

Riau Region

48. Mandau ● ● ● ▲
49. Nilo ● ●
50. Sekarbumi Alamlestari ●

51. **North Sumatra Region**
Basilam
Bekiun
Bukit Lawang
Gohor Lama ●
Maryke
Padang Brahrang
Tanjung Beringin
Tanjung Keliling

CENTRAL KALIMANTAN

52. Karya Makmur Abadi ●
53. Menteng Jaya Sawit Perdana
54. Mulia Agro Permai ●

EAST KALIMANTAN

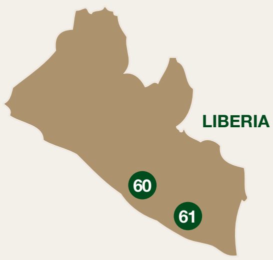
55. Anugrah Surya Mandiri
56. Hutan Hijau Mas ● ▲
57. Jabontara Eka Karsa ●
58. Malindomas Perkebunan
59. Putra Bongan Jaya

PALM OIL MILL
II

KERNEL CRUSHING PLANT
2

REFINERY
2

BIOGAS POWER PLANT
3



LIBERIA

60. Palm Bay Estate ●
61. Butaw Estate

PALM OIL MILL
I

MANAGEMENT DISCUSSION & ANALYSIS

PLANTATION

SECTORAL PERFORMANCE

The profits of our Plantation sector plummeted to RM698.4 million, shrinking by 46% from the RM1.291 billion profit recorded in FY2017 as ample supply of vegetable oils applied pressure on the prices of CPO, amidst bearish demand and the overall recovery of global FFB production resulting in increasing inventories. Our average selling prices ("ASP") of palm products were on downward trend during the FY and we were only able to realise an ASP of CPO at RM2,335/mt in FY2018, a 15% decrease from the high of RM2,735/mt recorded in FY2017. Huge discounts of CPO prices in Indonesia further contributed to the lower ASP recorded by the Group.

ASP	1QFY2018 (RM/mt ex-mill)	2QFY2018 (RM/mt ex-mill)	3QFY2018 (RM/mt ex-mill)	4QFY2018 (RM/mt ex-mill)	FY2018 (RM/mt ex-mill)
CPO	2,581	2,398	2,302	2,060	2,335
PK	2,488	2,075	1,695	1,594	1,967

Our estate operations managed to register RM859.6 million in profits, a steep decline of 34% from FY2017 at RM1.293 billion mainly due to the lower prices realised. Palm products accounted for RM854.1 million and the corresponding average profit per matured hectare (after replanting) was at RM4,121/ha (FY2017:RM1.259 billion and RM6,815/ha respectively).

Rubber operations on the other hand, reported a dismal performance with a profit of RM5.5 million with a loss per matured hectare at RM302/ha after replanting as prices of rubber continue to decline during the FY (FY2018:RM8.03/kg, FY2017:RM8.95/kg).

Our processing and trading business saw a sharp decline in performance with a loss of RM34.1 million compared to RM44.6 million profit in FY2017. We were operating mostly on negative margins particularly at our refinery and kernel crushing plants in Riau and Sabah as they faced tighter supply of feedstock particularly during the early period of the FY. The situation in our Malaysian refineries was further exacerbated by the difficult operating conditions as they were less competitive compared to our Indonesian counterparts.

The weakened Rupiah against Ringgit and USD had also further depressed the profitability of this sector as we recorded a net unrealised foreign exchange translation loss on loans advanced and bank borrowings by Indonesian subsidiaries of RM85.3 million (FY2017:net loss RM4.0 million).

OIL PALM

FFB Production

The Group's overall crop production was almost flat at 3.93 million mt compared to 3.87 million mt in FY2017. This lower than anticipated level of production was mainly attributed to inefficiencies arising from labour shortage which had caused some crop losses. Production from our Indonesian operations constituted 55% of the Group's total production and recorded an annual growth of 7%. Our Sabah operations are still in the negative growth period as it remained focused on progressive replanting, especially in the Lahad Datu region. As such, the FFB yield per hectare was a tad above at 21.64 mt/ha (FY2017:21.39 mt/ha).

The age profile of our palms is equally spread between the young, prime and old and with a weighted average Group age of 12.1 years old. The total planted area includes the crop area from our newly acquired asset in P.T. Putra Bongan Jaya of 7,500 ha. Going forward in FY2019, we expect the production to pick up steadily to surpass the 4.00 million mt mark.

Oil Extraction Rates ("OER") and Costs

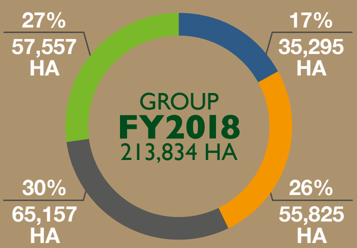
With a slight improvement in OER at 21.79%, we managed to produce 4.72 mt/ha of CPO for FY2018. We still have much to do as this level is still a long way from meeting our target of 6.00 mt/ha of CPO. We will continue to intensify our monitoring systems and bridge the gaps in existing operational inefficiencies.

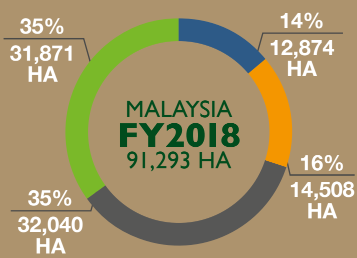
Both the Group's FFB and CPO cost remained almost unchanged at RM244/mt ex-estate and RM1,370/mt ex-mill (excluding windfall profit levy and Sabah sales tax) respectively. The new minimum wage of RM1,100 per month to be adopted in Malaysia beginning 2019 is not expected to significantly strain our cost structure but government policies, revision in wage structures in other operating countries and exchange rate fluctuations may put more pressure on cost. In order to mitigate these pressures, our focus in FY2019 will be on productivity gains in yields and labour.

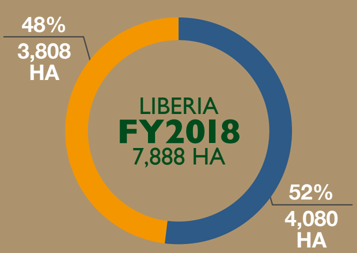
MANAGEMENT DISCUSSION & ANALYSIS

AGE PROFILE OF OIL PALM TREES

Weighted Average Age of Palms
12.1 years old







● Immature
● 4 - 9 years
● 10 - 18 years
● 19 years & above

PLANTATION

Replanting and New Plantings

The Group continued with its planned replanting programme and completed approximately 5,800 ha of replants even though we had a higher target of 11,000 ha due to rescheduling of programme owing to bad weather conditions. Both Sabah (mostly in Lahad Datu region) and Indonesia (Riau region) accounted for 83% of the replanting programme area. Replanting will remain our focus and we have targeted an area of 10,000 ha for replanting in FY2019 which include the carry over area from FY2018.

Infrastructure and Facilities

A new 30 mt/hr FFB palm oil mill was commissioned in Palm Bay, Liberia during the FY. The initial processing uptake is expected to be between 2,000 mt and 2,500 mt of FFB per month. Going forward, the amount should improve as more workers complete their training and become more skilled and experienced in harvesting FFB. The construction of the bulking installation at Buchanan, Liberia to facilitate bulk shipment of our CPO in the future and a biogas plant in the Palm Bay mill are ongoing and both expected to be completed by First Half of 2019.

The Group currently has 24 palm oil mills after undertaking a rationalisation exercise and closed down two (2) unproductive mills in Malaysia, one (1) each in Johor and Sabah respectively. The commissioning of the palm oil mill in Medan, North Sumatra was slightly delayed and is now expected to take place in Second Quarter of FY2019.

The construction of the new refinery and jetty in East Kalimantan, Indonesia will take place after obtaining all relevant regulatory approvals.

To further improve on our refining processes to assure the production of quality edible oil and mitigate the occurrence of harmful contaminants such as 3-monochlopropane diol ("3-MCPD") and glycidyl esters ("GE") in the process, KLK had collaborated with the Malaysian Palm Oil Board ("MPOB") and a third-party systems designer to undertake a trial run to reduce the production 3-MCPD and GE since mid-2017. The results of the trial had been very encouraging and KLK will be investing in a 3-MCPD & GE mitigation plant which is expected to be commissioned by end of 2019.

Certification of Mills

We were able to complete our audits for certification (both RSPO and ISPO) for the remaining palm oil mills in Indonesia (by November 2018), and are on target to be fully certified in Indonesia in FY2019.

Status of Certification in Malaysia and Indonesia

Location	Total Mills	RSPO		MSPO	ISPO	
		Certified	Audited (Pending Certificate)	Certified	Certified	Audited (Pending Certificate)
Palm Oil Mills						
- Malaysia	12	12	NA	12	NA	NA
- Indonesia	11	8	3	NA	7	4
- Liberia*	1	*	*	NA	NA	NA
Group Total	**24**	**20**	**3**	**12**	**7**	**4**

* : *The target timeline for certification of our newly constructed palm oil mill in Liberia is in 2022*
NA : *Not Applicable*

MANAGEMENT DISCUSSION & ANALYSIS

PLANTATION

SUSTAINABILITY POLICY

During the FY, we further enhanced our commitments stated in our Sustainability Policy focusing on No Deforestation, No Peat and No Exploitation of Workers. We reaffirmed our commitment towards No Deforestation and will apply the integrated and High Conservation Value ("HCV") and High Carbon Stock Approach ("HCSA") assessments under the HCSA methodology for all new areas for oil palm development with priority given to low carbon stock areas which have no demonstrable HCV and where Free, Prior and Informed Consent has been obtained from the rights-holders. KLK is also a member of the HCSA Steering Group which provides overall governance of the HCSA and oversees further development of the methodology to achieve no deforestation.

We will also not have any new development on peatlands, regardless of depth and will apply Best Management Practices for all existing peatlands currently cultivated with oil palm. We remain fully committed to No Exploitation of workers, uphold the rights of our workers and continue to provide a safe and healthy workplace environment for the well-being of our workers.

RUBBER

The profit contribution from our rubber operations was disappointingly low at RM5.5 million (FY2017:RM33.8 million). The poor performance was mainly due to the depressed price of rubber. Rubber production and yield continued to drop, at 10,807 mt and 1,194 kg/ha respectively, a reduction of 17% and 10% respectively from last year with weather conditions and acute shortage of skilled tappers being the main contributing factors. The ex-estate cost inevitably increased to RM4.67/kg (FY2016:RM4.20/kg).

RESEARCH & DEVELOPMENT

KLK's associate company, Applied Agricultural Resources Sdn Bhd ("AAR") has been producing oil palm planting materials and delivering agronomic advisory services to KLK since 1986. Backed by more than 60 research officers and 650 research assistants and field workers, it is, together with teams from KLK, currently focusing on assisting KLK's Plantation operations to achieve the target of 20 mt/ha of FFB yield in the first year of harvesting, increasing productivity and reducing high dependency on labour in the near future.

Breeding and Cloning

AAR had successfully produced and bred its latest AA Hybrida II oil palm planting material that supposedly produces 15% more oil than its immediate predecessor with a potential to improve the oil-to-bunch ratio. The best of the plants will be picked later to be re-cloned for mass production. Cloning of mother palms has been done to improve the uniformity of AA Hybrida II produced.

Breeding for long-stalk bunch bearing palms have inched further with one of the three selected families producing high yields on par with the commercial D x P materials available in the market. This unique planting material of AAR produces bunches with a long-stalk of up to 30 cm. Potential advantages of the long-stalked planting materials are improved pollination, ease of ripeness detection and bunch harvesting.

The seed production laboratories of AAR at the Paloh, Johor and Sri Kunak, Sabah sub-stations are expected to produce a record high of more than 8 million saleable seeds this year. Having fulfilled the requirements of the Indonesian Government, its subsidiary P.T. AAR Indonesia has obtained the permit and license to produce AA Hybrida seeds for KLK to plant in Indonesia and has commenced the sale of semi-clonal seeds in October 2018.

MANAGEMENT DISCUSSION & ANALYSIS

PLANTATION

Mechanisation

In addition to the palm breeding process undertaken in AAR to improve on the yield and palm growth, other areas of improvements with the collaboration of KLK include improving and mechanising processes to increase productivity of labour.

Development of spraying drones

Rhinoceros beetle is a serious pest of immature oil palms. When felling is carried out for replanting, trunks of old palms are usually chipped into thin slices and sometimes pulverised to hasten decomposition. This exercise is necessary in order to destroy the breeding ground of beetles and reduce the risk of disease infection, particularly Ganoderma basal stem rot. To further minimise the risk of rhinoceros beetle damage, as often as twice a month insecticide spraying during the first three years of planting is usually required.

Efforts are taken to look into the feasibility of using a spraying drone to deliver just the right amount of insecticide to the shoot of the palm. Successful development and deployment of the autonomous spraying drone will reduce labour requirement and improve the efficiency of Rhinoceros beetle control.

Crop Evacuation Machine

A number of crop evacuation machines and harvesting systems have been evaluated in harvesting productivity or reduction in labour requirement. This has resulted in the development of a locally fabricated, low-cost in-field FFB collection machine that allow collected bunches to be dumped with a scissor-lift directly into bins parked at roadsides for hauling to the palm oil mill.

The well pollinated long stalk bunches from AAR

OUTLOOK

With an expected 10,000 ha of area coming into maturity and improving yields in FY2019, the impact to CPO prices will pose a challenge for us as supply of other vegetable oils continue to pile up with no new catalysts to push for demand.

Group-wide efforts to roll out our mechanisation programme will remain a main push towards improving productivity to mitigate crop losses in view of labour shortage and high dependency on foreign workers. The replanting programme remains on course and will be accelerated in poor yielding fields as we review and manage the age profile of our palms. The newly acquired asset of P.T. Putra Bongan Jaya in East Kalimantan will also contribute to our future production growth and we will continue to monitor and improve standards and practices to achieve the Group's target of 20.00 mt/ha FFB for the first year of harvest and achieving an average of 6.00 mt/ha CPO for the mature areas.

MANAGEMENT DISCUSSION & ANALYSIS

PLANTATION

5-YEAR PLANTATION STATISTICS

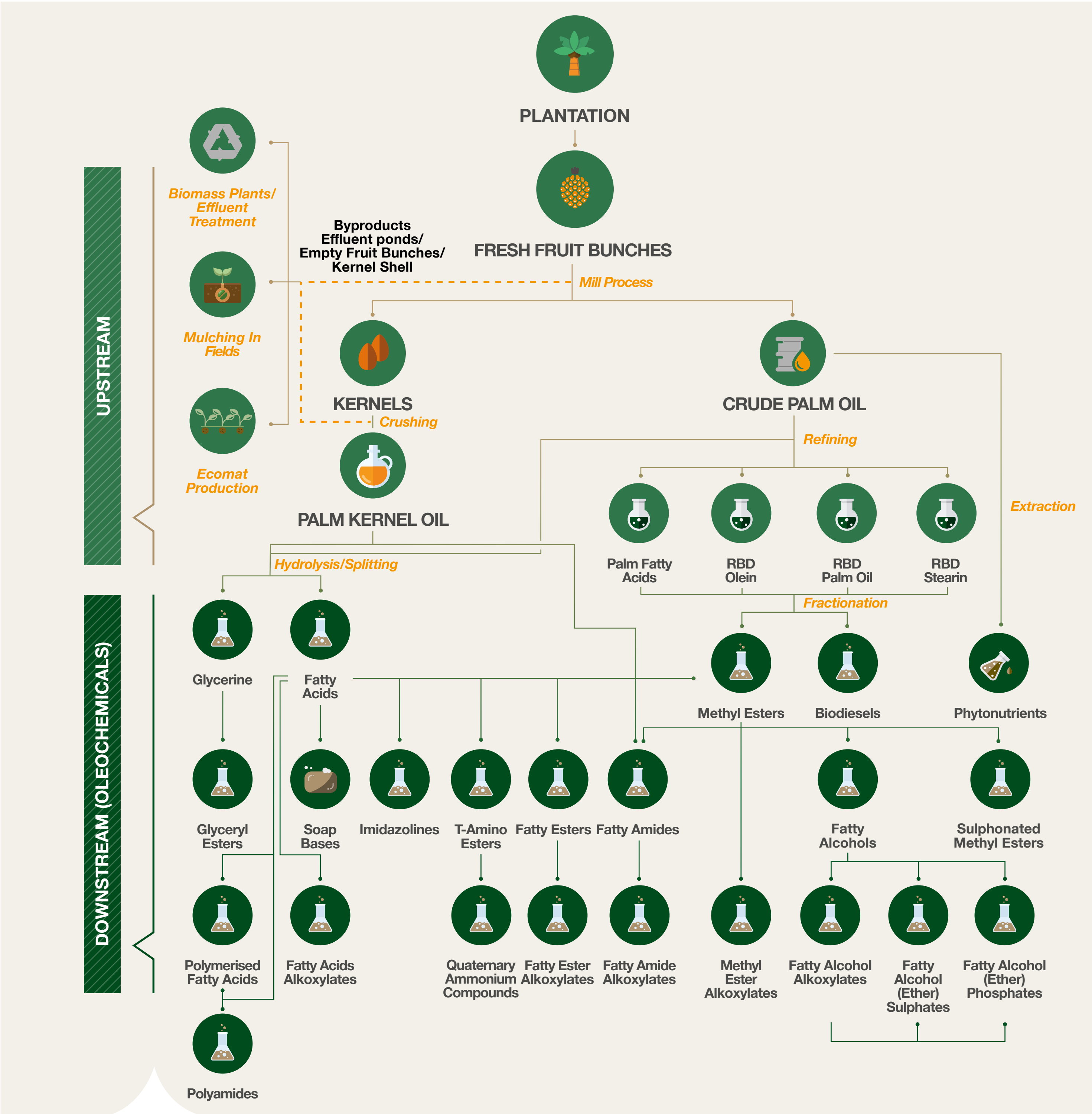
		2018	2017	2016	2015	2014
OIL PALM						
FFB Production						
- Own estates	(mt)	**3,928,616**	3,873,805	3,495,931	3,806,043	3,733,867
- Sold	(mt)	**139,455**	85,964	58,461	36,373	40,630
- Purchased	(mt)	**800,014**	791,128	715,644	886,918	1,052,395
- Total processed	(mt)	**4,589,175**	4,578,969	4,153,114	4,656,588	4,745,632
Weighted Average Hectarage						
- Mature	(ha)	**181,559**	181,139	176,391	173,313	166,781
- Immature	(ha)	**41,996**	33,686	35,183	35,936	38,000
Total planted area	(ha)	**223,555**	214,825	211,574	209,249	204,781
FFB yield per mature hectare	(mt/ha)	**21.64**	21.39	19.82	21.96	22.39
CPO yield per mature hectare	(mt/ha)	**4.72**	4.64	4.42	4.91	4.93
Mill Production						
- CPO	(mt)	**999,981**	992,524	925,421	1,040,171	1,044,099
- PK	(mt)	**200,576**	199,157	187,986	217,310	218,952
Oil Extraction Rate						
- CPO	(%)	**21.79**	21.68	22.28	22.34	22.00
- PK	(%)	**4.37**	4.35	4.53	4.67	4.61
Cost of Production						
- FFB	(RM/mt ex-estate)	**244**	240	244	222	208
- CPO (exclude windfall profit levy and Sabah sales tax)	(RM/mt ex-mill)	**1,370**	1,389	1,381	1,268	1,197
Average Selling Prices						
- Refined palm products	(RM/mt ex-refinery)	**2,501**	2,884	2,392	2,227	2,519
- CPO	(RM/mt ex-mill)	**2,335**	2,735	2,270	2,106	2,396
- PKO	(RM/mt ex-mill)	**4,425**	5,985	4,191	3,205	3,294
- Palm kernel cake	(RM/mt ex-mill)	**430**	323	277	262	430
- PK	(RM/mt ex-mill)	**1,967**	2,534	1,881	1,424	1,576
- FFB	(RM/mt)	**476**	579	575	462	520
Average profit per mature hectare (after replanting expenditure)	(RM)	**4,121**	6,815	4,014	4,381	5,964
RUBBER						
Production						
- Own estates	('000 kg)	**10,807**	12,975	16,007	15,224	16,547
- Sold	('000 kg)	**-**	-	-	-	70
- Purchased	('000 kg)	**2,011**	1,803	1,282	1,314	1,726
- Total processed	('000 kg)	**12,818**	14,778	17,289	16,538	18,203
Weighted Average Hectarage						
- Mature	(ha)	**9,047**	9,746	10,305	10,777	12,456
- Immature	(ha)	**3,367**	3,309	3,364	3,500	3,678
Total planted area	(ha)	**12,414**	13,055	13,669	14,277	16,134
Yield per mature hectare	(kg/ha)	**1,194**	1,331	1,553	1,413	1,328
Cost of Production	(sen/kg ex-estate)	**467**	420	382	409	426
Average Selling Prices (net of cess)	(sen/kg)	**803**	895	667	681	800
Average (loss)/profit per mature hectare (after replanting expenditure)	(RM)	**(302)**	3,256	974	404	1,602

MANAGEMENT DISCUSSION & ANALYSIS

PLANTATION

INTEGRATED BUSINESS VALUE CHAIN

The vertical integration between the upstream business (Plantation) and downstream business of oleochemical is able to generate synergic benefits to the KLK Group. This value chain enables the Group to further diversify into different market segments and mitigate risks of volatilities in the respective business sectors.



MANUFACTURING

OLEOCHEMICAL DIVISION

Since the 1990's, the Group had diversified into resource-based manufacturing (predominantly oleochemical) and vertically integrated both its upstream and downstream businesses. Its operations have expanded through joint-ventures, acquisitions and organic growth in Malaysia, the People's Republic of China, Europe and Indonesia, allowing the Oleochemical division (i.e. KLK OLEO) to venture further downstream.

WIDE SPECTRUM OF OLEOCHEMICALS

VISION

Growing to be the most trusted global partner in oleo-based products and solutions, thus enriching human lives in a sustainable manner every day.

MISSION

- Consistent delivery of competitive high-quality products and solutions that are focused on meeting and exceeding customer expectations.
- Value addition through commitment to the highest standards of operational excellence driven by a culture of continuous improvement and innovation.
- Cultivating a team that values and develops people of all backgrounds through empowerment and recognition.
- Values built on the legacy of ethical practices embraced by its founder, committed to operate responsibly and with integrity.

OUR PRODUCTS ARE USED IN DIVERSE END-USE APPLICATIONS

MANAGEMENT DISCUSSION & ANALYSIS

MANUFACTURING

Oleochemicals plant at Palm-Oleo in Rawang, Malaysia

Manufacturing Presence in **7** Countries

Total Manufacturing Facilities **15**

Production Capacity **3** MIL MT PA

Supplying to over **120** Countries

SECTORAL PERFORMANCE

The KLK OLEO Group performed strongly in FY2018 to register profits of RM368.0 million compared to RM115.5 million in FY2017. The FY2018 started with relatively high raw materials prices allowing the KLK OLEO Group to reposition itself to take advantage of market conditions to regain significant growth bringing sustainable improvement to the results. However, as weaker market conditions and economic uncertainty continued to prevail towards the end of the FY, both offtake and margin also came under tremendous pressure.

For our Malaysian operations, we saw strong pick up across most business units. Strong fatty alcohol sales generated higher demand for the feedstock fatty acids, further reinforcing our integrated value chain strategy. Fatty alcohol sales volume was strong but the margin was very low due to the very competitive environment created among the South East Asian producers. However, the main challenge was the cheaper crude palm kernel oil ("CPKO") price from Indonesia giving advantage to Indonesian producers. Managing plant efficiency will be one of the very key factors to remain competitive.

Our fatty acid offering to external customers had also increased, as we worked on enlarging our customer base to absorb the additional quantities. Sales across our specialties also improved with most of our plants almost fully utilised even though the competition was fierce. The general sentiment in the business community remains cautious with the looming global economic slowdown in the automotive and steel industries, which in turn will impact lubricant demand. We have also introduced a new product in our amides range, which is a foam booster targeted for the cosmetic & toiletries market.

MANAGEMENT DISCUSSION & ANALYSIS

MANUFACTURING

During the FY, the High Purity Carotene Extraction and Purification Plant in Davos Life Science was completed. This plant was able to meet stringent quality specifications and produce 30% purity carotene to meet food grade standards. With the completion of the carotene project, focus will now shift to marketing activities, bearing in mind that marketing gestation period could take some time.

Our sulphonated methyl ester ("SME") business continue to incur heavy losses. The business took a further asset impairment adjustment of RM21.6 million to reflect the slow demand. With high petroleum prices, we see increased interest for our SME. After joint efforts to resolve some product applications and technical issues, several major Fast-Moving-Consumer-Goods ("FMCGs") companies have resumed their offtake. We believe that with better awareness, SME being a natural ingredient, will be the preferred substitute for petroleum-based products. The efforts from the reorganised business team on building market awareness and market seeding are translating into better offtake in several countries, especially countries where environmental protection awareness is high.

Indonesia's EU GSP status continues to put European plants at a disadvantage with their higher manufacturing cost base. This has put cost pressure on KLK Emmerich's basic oleochemical business. Our Malaysian exports are similarly affected. Compared to Indonesian co-producers, Malaysian-origin fatty alcohol is subject to EU GSP Import Duty, at 3.8% for binary & 5.5% for pure cut. Although the competition in the basic oleochemical segment is fierce, the KLK Emmerich business is harnessing some benefits from its downstream integrated value chain strategy, with the business doing well in the specialties range. The business is also looking into expanding sales outside of Europe.

MANUFACTURING

The Kolb Group performed well for the FY but faced some operational difficulties with the tight ethylene oxide feedstock situation in Europe moving forward. The team managed to keep up a steady business performance with a good product mix strategy. The completion of the new jetty and storage tank facilities as part of the Group's European supply chain hub in the Netherlands has enabled us to deliver superior support to our customers in the region. KLK Tensachem also performed well, with their anionic surfactants going into personal care and home care sectors. The product portfolio finds a wide application in hair care, skin care, body cleansing and oral hygiene care, also in pharmaceutical excipients, as well as in the home care sector for liquid and powder detergents. The acquisition of Elementis Specialties Netherlands BV (renamed KLK Kolb Specialties BV) was completed at the end of February 2018, expanding our product portfolio in the nonionic, anionic, cationic surfactants and specialty chemicals segments. Debottlenecking and plant efficiency projects are currently being carried out to further enhance the cost competitiveness of the site.

While low feedstock prices had helped our China unit Taiko Palm-Oleo Zhangjiagang ("TPOZ") to fill up more of its expanded capacity, the unit continues to face stiff challenge from Indonesian imports. Indonesian fatty acids are imported free of duty under the ASEAN-China Free Trade Agreement ("ACFTA"), compared to RBD Palm Stearin feedstock imports which are dutiable, which puts further cost disadvantage on a local producer like TPOZ. The Sino-US trade war is also impacting business and making it very difficult to manage with our large capacities. Downstream demand is weak, and most buyers are unwilling to buy forward, due to uncertainties. With the RMB weakening, many customers prefer to source locally as the hedging cost for them is very high. The China team will continue to intensify efforts to overcome the change in market conditions as the overall economy may be faced with very tight cashflow in the coming FY.

Glycerine plant at KLK Emmerich (Duesseldorf site), Germany

OUTLOOK

The Oleochemical division foresees a lot of uncertainties in managing the market conditions going forward into the new FY. The First Quarter of FY2019 is seeing strong challenge from the previous quarter's spillover effect and this may likely continue into Second Quarter of FY2019 due to major seasonal holidays ahead. Raw material costs are currently hovering at relatively low levels and there is strong resistance on upward price movement. However, should the latter happen, we may see a margin squeeze.

Overcapacity is another major risk that we will have to manage, hence Management is focusing resources and priority on further finetuning our operational excellence and developing a broader customer base.

PROPERTY DEVELOPMENT

KLK LAND

Hemingway Residences at North Haven

In 1990s, the Group looked to capitalise on its strategic location of its land bank in Peninsular Malaysia and ventured into the property development business with the Sierramas project.

Bandar Seri Coalfields ("BSC") is its latest township offering, located in the vicinity of Sg. Buloh, Selangor and will be developed over the next 15 years.

Future developments are expected to take place in Johor namely at Iskandar North Kulai and Gerbang Nusajaya.

VISION
Developer of Choice

MISSION
The Nation's Preferred Property Developer

MANAGEMENT DISCUSSION & ANALYSIS

PROPERTY DEVELOPMENT

INDUSTRY OVERVIEW

The property sector continued to operate in a challenging landscape. Landed properties remain the better selling product albeit by a small margin. However, a slight improvement in general sentiment had been observed post the 14th general election in Malaysia. Prior to the elections, there was a wait and see sentiment and transactions reduced tremendously in the months preceding the elections.

With the increasing property overhang as reported by NAPIC, most developers are focusing on disposing existing stocks while launching more affordable products. Developers have been seen to undertake more aggressive marketing campaigns such as rebates, discounts, freebies, 'deferred payments' on differential sums for shortfalls seen in many buyers' margin of finance to clear inventories.

Weak sentiments are expected to continue throughout the coming FY. We expect the performance of the property division to remain flat.

PERFORMANCE

In FY2018, this sector recorded a revenue of RM177.7 million which was 26% higher compared with the corresponding period last year. However, the profit before taxation was lower at RM37.8 million (FY2017:RM40.5 million) as our main focus was on Hibiscus (an affordable landed home project under the Selangor state's *Rumah Selangorku* programme) which had very narrow margin.

The unbilled sales as at 30 September 2018 stood at RM121.1 million and is expected to grow in tandem with the sales of products offered in North Haven, BSC which is expected to contribute positively in the coming years.

During the FY, we completed the Wesley Methodist School, upgraded the 50-acre BSC Central Park (featuring a play deck area for children, viewing tower and a garden maze) and started construction of the club house which will be equipped with sporting facilities. Efforts are on-going to bring in more amenities such as banks, national schools and medical centres to benefit the residents and enhance the living quality and vibrancy of the BSC township.

Following from the improvements brought into BSC, we launched our premier home series, Hemingway Residence at North Haven, BSC, consisting of superlink terrace houses and semi-detached homes. The responses for these products have been favourable, hence we will launch another phase of similar products in FY2019.

A successful achievement for us is the completion of the 600 units of Hibiscus, our affordable landed double storey Selangorku homes. Sales prices had ranged from RM200,000 to RM220,000 per unit and the current market value for these homes are in the range of RM350,000 per unit. This has generated an immense wealth for the B40 income group with this immediate appreciation in value.

Artist impressions showing recreational area and yard of semi-detached homes at North Haven, BSC

Sustainability Statement and Report

SUSTAINABILITY MISSION STATEMENT

KLK is committed to creating sustainable stakeholders' values by integrating environmental and societal concerns into its business strategies and performance.

Such values are realised through continuous balanced assessment and development of its operations, which is simultaneously conserving and improving the natural environment and uplifting the socio-economic conditions of the employees and communities. The management of sustainable business and corporate responsibility activities are focused on four (4) core areas, namely:

- MARKETPLACE
- WORKPLACE
- COMMUNITY
- ENVIRONMENT

SUSTAINABILITY STATEMENT AND REPORT

ABOUT THIS REPORT

The structure and content of this report draw upon guidance from Bursa Malaysia Securities Berhad's Sustainability Reporting Framework and the Global Reporting Initiative ("GRI") Standards 2016 - Core. The economic, environmental and social ("EES") performances in the following pages cover data which have been compiled internally for the 12-month period from 1 October 2017 to 30 September 2018. Where available and relevant, historical data of the preceding year has been included for comparison. Unless otherwise stated, all data is correct as at 30 September 2018.

This report focuses on our Plantation sector and the Oleochemical division ("KLK OLEO"), which are our largest and most established business sectors.

This Report is intended to share our progress, development and improvements relating to sustainability. More specifically, in addition to managing sustainability governance, sustainable product development and environmental stewardship, we also advance our people and partner with the community for balanced development.

We are committed to pursuing our reporting journey and will move towards seeking external assurance for future reports.

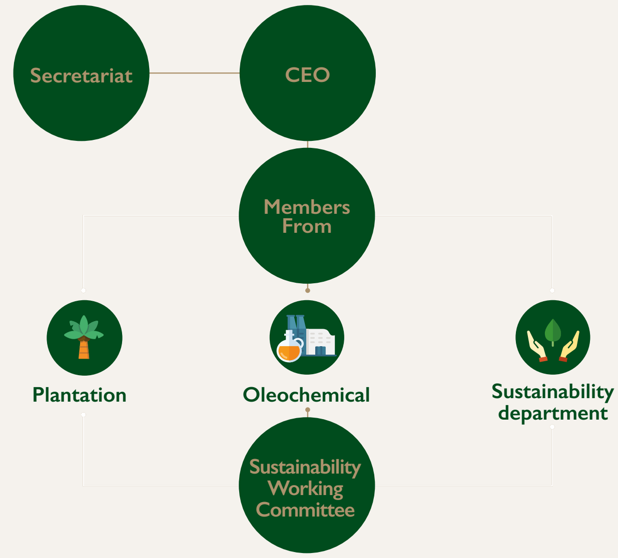
SUSTAINABILITY GOVERNANCE

At KLK, sustainability is a fundamental aspect of how it conducts its business. This requires effective governance, leadership and ongoing focus on compliance procedures. It also requires mechanisms to monitor external developments, and means by innovative ways of working can be adopted where relevant.

We endeavour to realise the above mentioned through the formation of the Sustainability Steering Committee ("SSC") in September 2015, which is headed by KLK's Chief Executive Officer ("CEO"), with members comprising the Group Plantations Director, Managing Director of KLK OLEO and representatives of the Sustainability team. The mandate of the SSC is to develop sustainable strategies and policies, and to guide decision-making efforts for the Group. The SSC also has the monitoring role to ensure KLK meets both its compliance and sustainable development responsibilities. The CEO consistently updates the Board of Directors throughout the year on the Group's progress pertaining to its Sustainability Agenda.

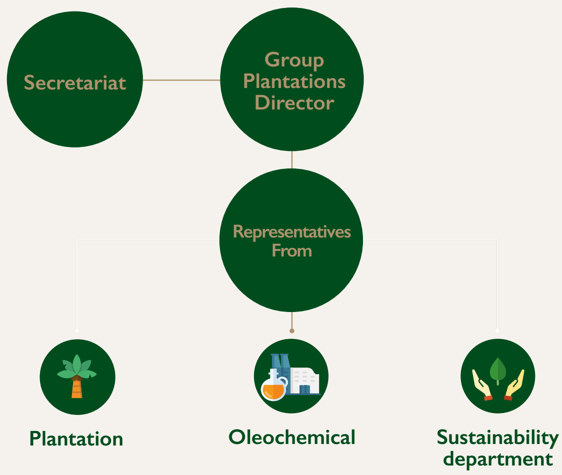
The SSC is supported by the Sustainability Working Committee ("SWC"). With representatives from Plantation, KLK OLEO and the Sustainability team, its role include developing and driving the policies and strategies from the SSC with time-bound plans.

SUSTAINABILITY STEERING COMMITTEE



Roles:
- Develop Group strategies and policies
- Monitoring sustainable performance

SUSTAINABILITY WORKING COMMITTEE



Roles:
- Ensure consistent implementation of sustainability practices and standards
- Raising sustainability practices awareness amongst employees
- Continue stakeholders engagement efforts

KLK SUSTAINABILITY MILESTONES

1999 APR

ASEAN adopted Zero Burning Policy.

2004 OCT

KLK became a Member of Roundtable on Sustainable Palm Oil ("RSPO").

2009 MAR

KLK received its first RSPO Principle & Criteria ("P&C") certification for two of its palm oil mills in Sabah.

2012 SEPT

RSPO Supply Chain Certification ("SCC") Multisite Certificate awarded to KLK OLEO.

2014 FEB

All KLK refineries and kernel crushing plants successfully certified under RSPO SCC.

JUN

KLK OLEO RSPO SCC Multisite Certification extended to Indonesia site.

NOV

All KLK Malaysian palm oil mills successfully certified under RSPO P&C.

OCT

KLK Sustainability Policy launched.

2015 JAN

KLK OLEO RSPO SCC Multisite Certification extended to China site.

SEPT

KLK Sustainability Steering Committee chaired by CEO was formed.

2016 APR

KLK OLEO Sustainability Initiatives (Social & Environment) Training Programs were conducted: ISO 14001, OHSAS 18001 and SA 8000.

JUL

KLK OLEO RSPO SCC Multisite Certification extended to Germany (Dusseldorf) and Belgium sites.

OCT

Malaysian Sustainable Palm Oil ("MSPO") Certification awarded to Kekayaan Palm Oil Mill.

2017
APR

Through its Bornion Smallholders' project, KLK successfully assisted 55 smallholders in obtaining their certifications.

JUL

KLK OLEO launched Supplier Code of Conduct for its palm sourcing suppliers.

DEC

All KLK upstream operations (its supplying estates and palm oil mills) in Malaysia have been certified under the MSPO standards.

2018
JUN

Together with partners, KLK completed a two-year study on application of Filter Belt-Press and its relation to potential GHG reduction. The calculation methodology was submitted to a leading journal, "Springer" and has been accepted and included in ISCC's emission factor for GHG calculations.

JUL

KLK published the suppliers list of all Malaysian and Indonesian palm oil mills, refineries and kernal crushing plants in its website.

AUG

KLK published its revised Sustainability Policy, enhancing its commitments towards the key economic, social and environmental issues.

OCT

- KLK named the winner of the National Energy Awards under Renewable Energy category for utilising biogas power plant into its operations and contributing to the national grid.
- KLK became a member of HSCA Steering Group.

SEP

KLK published its Grievance Redressal List in its website.

The Journey Continues...

SUSTAINABILITY STATEMENT AND REPORT

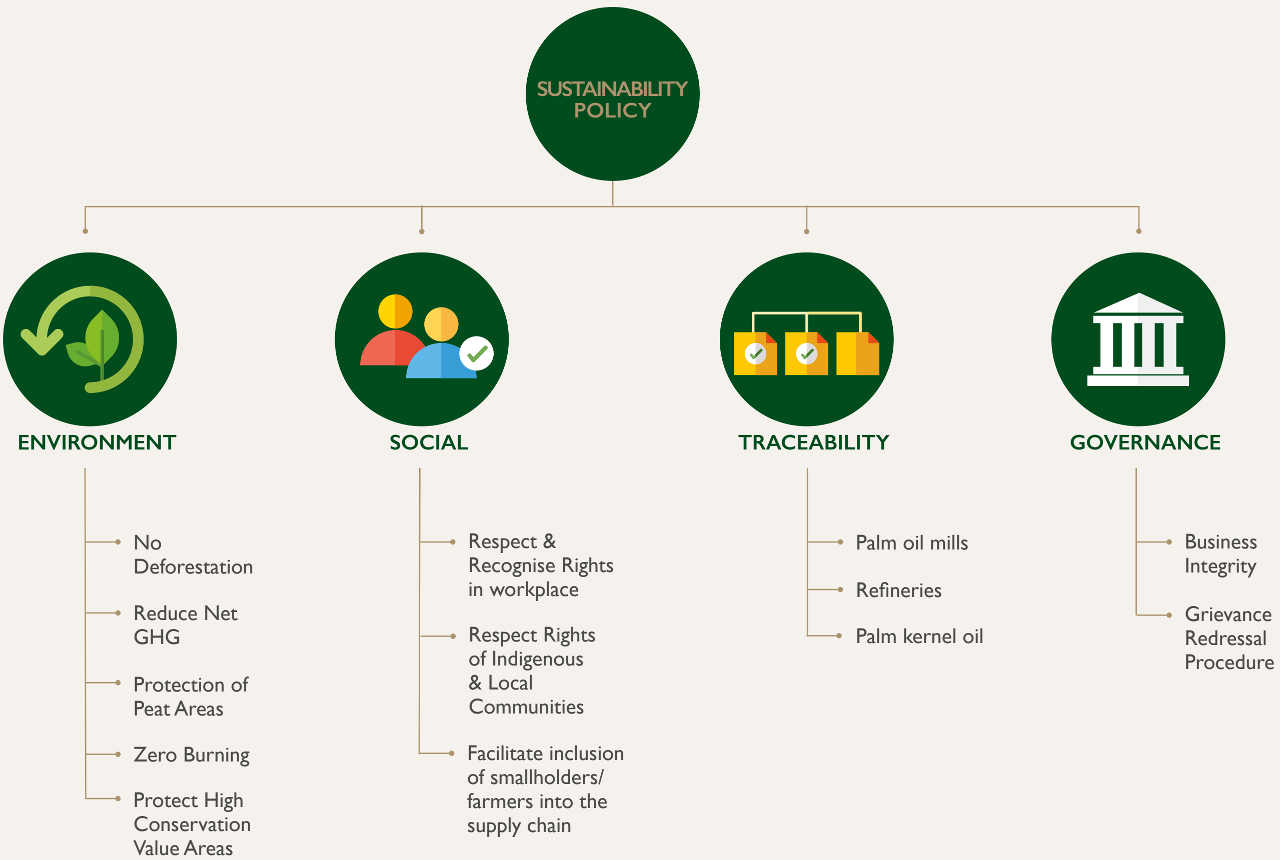
Sustainability Policy

Sustainability has been embedded in our operations since early 2000s. This is evidenced by our longstanding implementation of Good Agricultural Practices, including a strict Zero Burning Policy for new planting and replanting.

In line with this, in December 2014, we developed our comprehensive Sustainability Policy ("Policy"). This publicly available Policy helps us keep our values, sustainability pillars and commitments in check. Through our engagements with stakeholders, we constantly receive constructive inputs on developments and concerns which have taken place during the last four (4) years since the Policy's inception.

With that, we have incorporated them into the revised Policy, which was released on 30 August 2018. The revised Policy outlines KLK's enhanced commitments towards the key socio-economic, social and environmental issues faced by the palm oil industry.

KLK adopts the RSPO Principles & Criteria ("P&C") as the foundation of its sustainable practices. On 15 November 2018, the RSPO P&C has been revised and endorsed at the 15th Annual General Assembly. The revised RSPO P&C aims to halt deforestation, protect peatlands and strengthen human and labour rights across the sustainable palm oil chain. Our revised Policy aligns with these commitments.



KLK has also set clear deliverables timeline indicating the Group's commitment towards driving change for its material sustainability issues. These commitments include: -

1. Traceability

a) Ensuring **palm oil mills** ("POMs") work with its direct upstream fresh fruit bunch ("FFB") suppliers to trace up to the oil palm plantations level by 31 December 2019.

b) Ensuring **refineries** work with its supply chain to trace up to oil palm plantations level by 31 December 2020.

c) Ensuring all **palm kernel oil** traceable to POMs by 31 December 2020.

d) Insisting third party suppliers and dealers to adopt the same timeline for traceability as stated above.

2. No Deforestation

Reaffirm the existing commitment of applying the High Carbon Stock Approach ("HCSA") methodology for new oil palm development. New areas will undergo integrated High Conservation Value Areas ("HCV") and HCSA assessments to determine eligible planting areas with priority given to low carbon stock areas which have no demonstrable HCV, and where Free, Prior and Informed Consent has been obtained from rights-holders.

3. Protection of Peatlands

Introduce additional holistic practices on peatlands protection which include but not limited to periodical monitoring of water table level and also evaluating the existing peatlands planted with oil palm for its sustainability for replanting.

Policy Non-Compliance Protocol

Sustainability is an ongoing journey and it is challenging especially in the palm oil supply chain due to the involvement of multiple stakeholders. KLK will continually monitor and analyse the implementation process with the support and co-operation of its business associates. All suppliers should respect the principles stipulated in the revised Policy and/or Supplier Code of Conduct and adopt practices within their operations and supply chains which are consistent with it.

In our revised Policy, we had stated, together with relevant stakeholders, we would develop and publish a non-compliance protocol by December 2018. However, at the moment of writing, the protocol is still being fine-tuned. KLK believes in a protocol which is robust that serves all stakeholders. Therefore, our new target of publication is January 2019.

SUSTAINABILITY STATEMENT AND REPORT

Policy Action Plan

To demonstrate our commitment towards driving change on key socio-economical, social and environmental issues faced by the palm oil industry, KLK has set clear deliverables and timelines. "Action Plan FY2018" documents our achievement during the FY.

Action Plan FY2018	Summary of Implementation
Environment	• All new developments underwent the integrated HCV and HCSA assessments in accordance to the HCSA methodology – HCSA toolkit Ver. 2. • During FY, this assessment was conducted at one of our concessions in Indonesia, which included a plasma unit. • There was no new development on peatland (please refer to "Peatland Protection" section.) • Undertook a joint study on the potential of filter belt-press to reduce GHG emission with Neste Corporation, IDH and ISCC. (please refer to "Filter Belt Press" section.)
Stakeholder engagement	Continuous stakeholder engagement throughout the FY. (please refer to “Stakeholder Groups & Engagement” section.)
MSPO certification	MSPO certification of all Malaysian operations was completed in December 2017, a year ahead of the deadline stipulated by MPOCC.
Approach for Traceability	• Initiated NDPE Compliance Verification of external suppliers and continued engagements during FY • KLK refineries and KCPs achieved 100% traceability to POM level • Published the suppliers list of all Malaysian and Indonesian POMs, refineries and KCPs in our corporate website • Conducted Suppliers Engagement Workshops on KLK’s revised Policy
Social	• Developed FPIC flowchart • Continuous engagement with communities (please refer to “Stakeholder Engagement in Liberia” section)

With our recently revised Policy, we have developed a two-prong structured Action Plan, whereby we focus on two (2) main components concurrently. First, NDPE Compliance within the KLK Group and its supply chain. Second, Traceability Compliance for 3rd party suppliers. The tables below showcase our projected target on achieving the goals:

Policy Compliance - Internal

Action Plan	Timeline / Target
NDPE Compliance Verification	
• Certification Body accredited by RSPO	• Commitment remains
• Quality review by High Conservation Value Resource Network - HCVRN* and HCSA quality panel	• Commitment remains
• Internal audit by KLK Sustainability Team	• Commitment remains
• Engagement with independent party to conduct NDPE Compliance Verification	• January 2020
**HCVRN is a member based organisation that strives to protect HCV areas*	
Newly Acquired Operations	
• Conduct NDPE Compliance Verification by KLK Sustainability Team	• Commitment remains
• Strive to achieve RSPO Certification within 3 years	• Commitment remains

SUSTAINABILITY STATEMENT AND REPORT

Policy Compliance - Internal

Action Plan	Timeline / Target
New Development Area • Conduct integrated HCV and HCSA assessments • Engagement with Civil Society Organisations ("CSOs") and local communities during the course of preparing Integrated Conservation and Land Use Planning ("ICLUP")	 • Commitment remains • Commitment remains
Develop Supplier Code of Conduct and Supplier Non-Compliance Protocol	• December 2018 – February 2019
Conduct Sustainability Workshops on Revised RSPO P&C and KLK's Sustainability Policy, including relevant requirements of HCS Approach and its social requirements • For Senior Management and all Operating Centres	• December 2018 – February 2019
Labour related Matters A special labour task force will be set up internally to conduct the following studies: • Due diligence on contractors and recruitment agencies • Recruitment fees structure • Living wage assessment	• December 2018 – June 2019

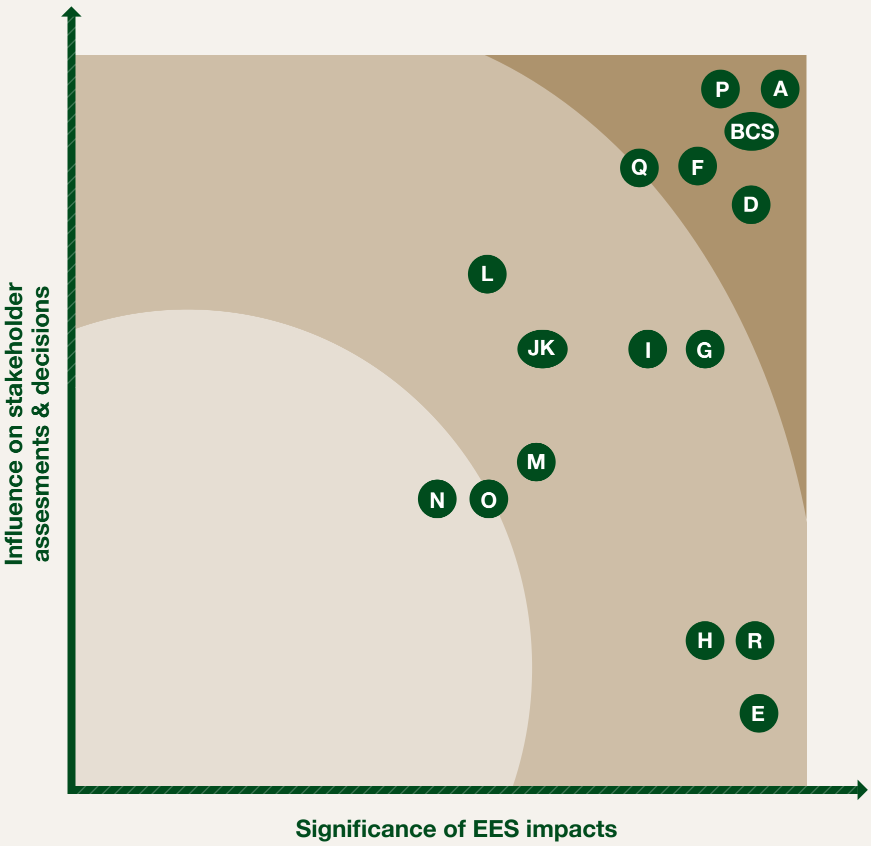
Traceability Compliance

Action Plan	Timeline / Target
KLK POMs – 100% traceable to plantations by end of 2019	
• Conduct engagement with 1st tier supplier (direct) • Suppliers mapping and carry out desktop analysis of 1st tier suppliers	• December 2018 – February 2019
• Conduct engagement with 1st tier suppliers, including NDPE Compliance Verification at "high risk" suppliers • Data collation from collection centres/dealers on 2nd tier suppliers (indirect)	• March 2019 – June 2019
• Conduct 2nd tier suppliers mapping and desktop analysis of 2nd tier suppliers.	• July 2019 – August 2019
• Conduct engagement with 2nd tier suppliers together with collection centres/dealers including NDPE Compliance Verification at "high risk" suppliers	• September 2019 – November 2019
KLK Refineries – 100% traceable to plantations by end of 2020	
Update and publish the suppliers list quarterly	• Commitment remains
Continuous engagement with suppliers and update the status in Grievance list	• Commitment remains
Engage Daemeter on assisting KLK to achieve 100% traceability to plantations by end of 2020, which includes: • Supply Chain Analysis and Supplier Profiling • Action Plan Development • Supplier Engagement • Traceability Verification	• December 2018 – November 2019

SUSTAINABILITY STATEMENT AND REPORT

MATERIALITY MATRIX

As mentioned earlier, this year's Sustainability Report is compiled internally with guidance from the GRI Standards 2016 - Core, instead of prior years' G4. Although the definition of Materiality defers slightly from G4, our assessment exercise remains as robust. It involves a combination of in-house risk assessment and identification of external stakeholder expectations and trends. The Senior Management reviewed the Company's significant Economic, Environmental and Social ("EES") impacts and its influence on the assessments and decisions of stakeholders. This year, we have identified four (4) additional material concerns, namely Ethical Practice, Grievance Redressal, Market and Commodity Prices and Evaluation of Suppliers'/Contractors' Sustainability Commitment. The Materiality Matrix was drawn up based on this.



A. Deforestation of HCS Forests and Peatlands
B. Degradation of High Conservation Value and Biodiversity
C. Traceability
D. Legal Compliance
E. Employee Retention
F. Free, Prior and Informed Consent
G. Product Certification
H. Operational & Development Cost
I. Health and Safety
J. Labour Relations and Human Rights
K. Sustainable Development of Smallholders
L. Carbon Footprint
M. Water Footprint
N. Community Investment
O. Training and Education
P. Ethical Practice
Q. Grievance Redressal
R. Market and Commodity Prices
S. Evaluation of Suppliers'/Contractors' Sustainability Commitment

- High Importance
- Very High Importance
- Extremely High Importance

It should be noted that material issues that fall outside the scope of coverage are no less important considerations to us and disclosure of our progress in addressing these concerns continue to be made through other appropriate channels.

ALIGNMENT WITH THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

On 1 January 2016, the 17 SDGs of the 2030 Agenda for Sustainable Development – adopted by world leaders in September 2015 at an historic UN Summit – officially came into force. These 17 Goals seek to abolish extreme poverty, to reduce inequality and injustice and to solve the global climate crisis.

KLK advocates the comprehensive approach of the SDGs. With agriculture, specifically oil palm as our core business, our products and innovations enable us to contribute to the Goals. The table below summarises key areas in which KLK can make a difference.

KLK Focus Areas

	Goal	KLK's Course of Action
3 GOOD HEALTH AND WELL-BEING	**Healthcare to rural areas**	Within our OCs, infrastructure and facilities such as clinics are set up giving employees and workers easier access to healthcare. Combined with higher earnings from palm oil, it also allows them access to better nutrition, leading to better well-being.
4 QUALITY EDUCATION	**Knowledge for all**	We believe that education is an important catalyst for positive change in the community. We create appropriate educational inroads and pathways in areas where we operate to provide basic education to children who have no access to mainstream education.
6 CLEAN WATER AND SANITATION	**Water**	KLK realises water is not an in exhaustible source. Our water management strategies center on water use optimisation and reduction in water consumption or wastages, optimisation of use with minimal impact to the environment.
7 AFFORDABLE AND CLEAN ENERGY	**Sustainable energy**	We are highly concerned with the world's depletion of non-renewable resources (oil, gas and coal). Therefore, we have in place renewable energy resources (biogas power plants, gas turbine generators, etc), efficiency initiatives which reduce energy consumption and continuous improvement of process systems for increased efficiency and sustainability.
8 DECENT WORK AND ECONOMIC GROWTH	**Labour practices**	Human capital is the backbone of KLK. We offer employees jobs with fair compensation, safe working condition and social protection. We reward good performance and actively promote "lifelong learning", helping them to reach their full potential.
13 CLIMATE ACTION 15 LIFE ON LAND	**Environment and Biodiversity**	Commercial palm oil cultivation and care for the environment should not be viewed as opposing pursuits. They can be mutually enforcing in securing a new sustainable future for all. KLK pledges to conserve biodiversity by identifying, protecting and maintaining areas of HCV. This would include areas that contain significant concentration of biological value, rare, threatened and endangered species and areas that provide ecosystem services.

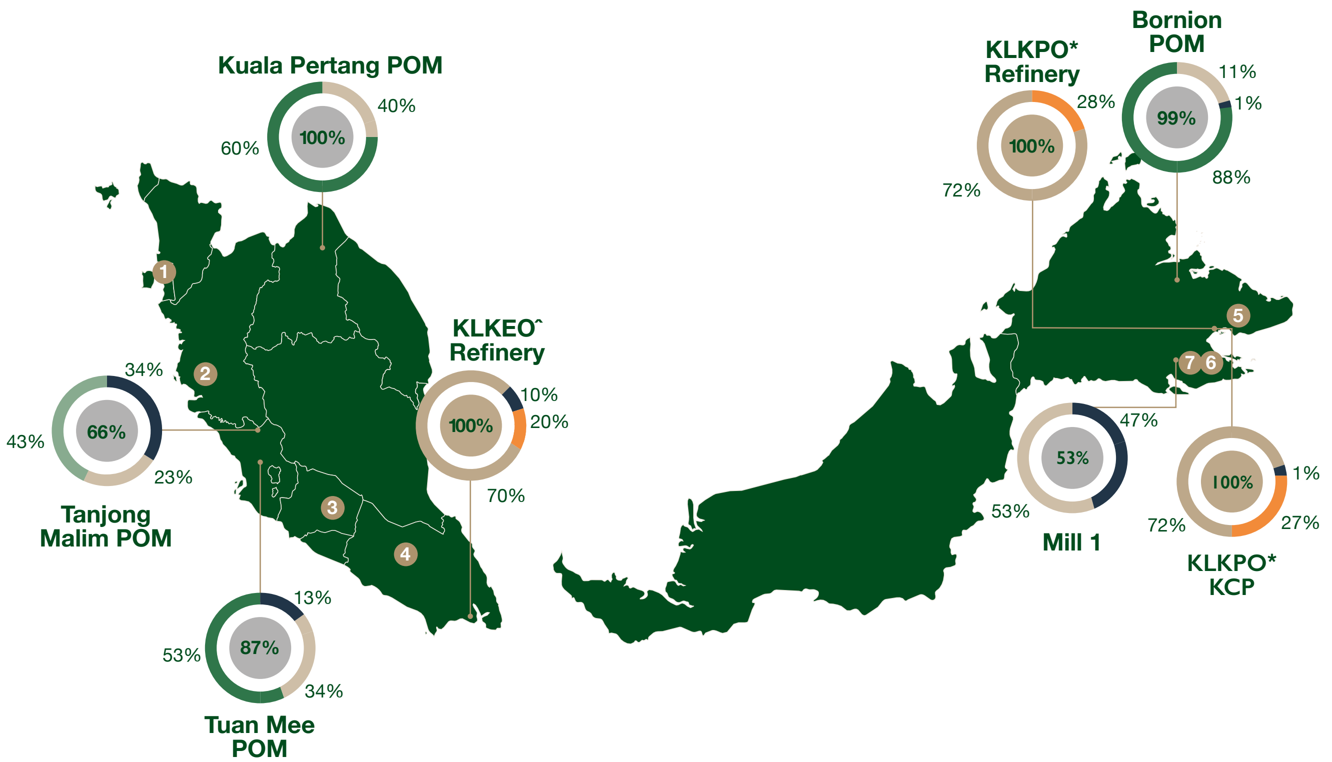
SUSTAINABILITY STATEMENT AND REPORT

MARKETPLACE

TRACEABILITY

Traceability is of utmost importance to our business where supply chains run across business sectors i.e. Plantation and KLK OLEO. It is to ensure that our end products are sustainably produced, which is an increasingly important consideration for our stakeholders.

KLK POMs, REFINERIES AND KCPs IN MALAYSIA FY2018



- KLK Plantation
- Third Party POMs
- KLK Managed Plantations
- Small Farmers & Independent Estates
- KLK POMs
- Dealers
- % Traceable to Mills
- % Traceable to Plantations

POM RECEIVING 100% FFB FROM KLK PLANTATION:

1. Batu Lintang POM
2. Changkat Chermin POM
3. Jeram Padang POM
4. Kekayaan POM
5. Lungmanis POM
6. Pinang POM
7. Mill 2 POM

^ KLKEO - KL-Kepong Edible Oils Sdn Bhd

** KLKPO - KLK Premier Oils Sdn Bhd*

SUSTAINABILITY STATEMENT AND REPORT

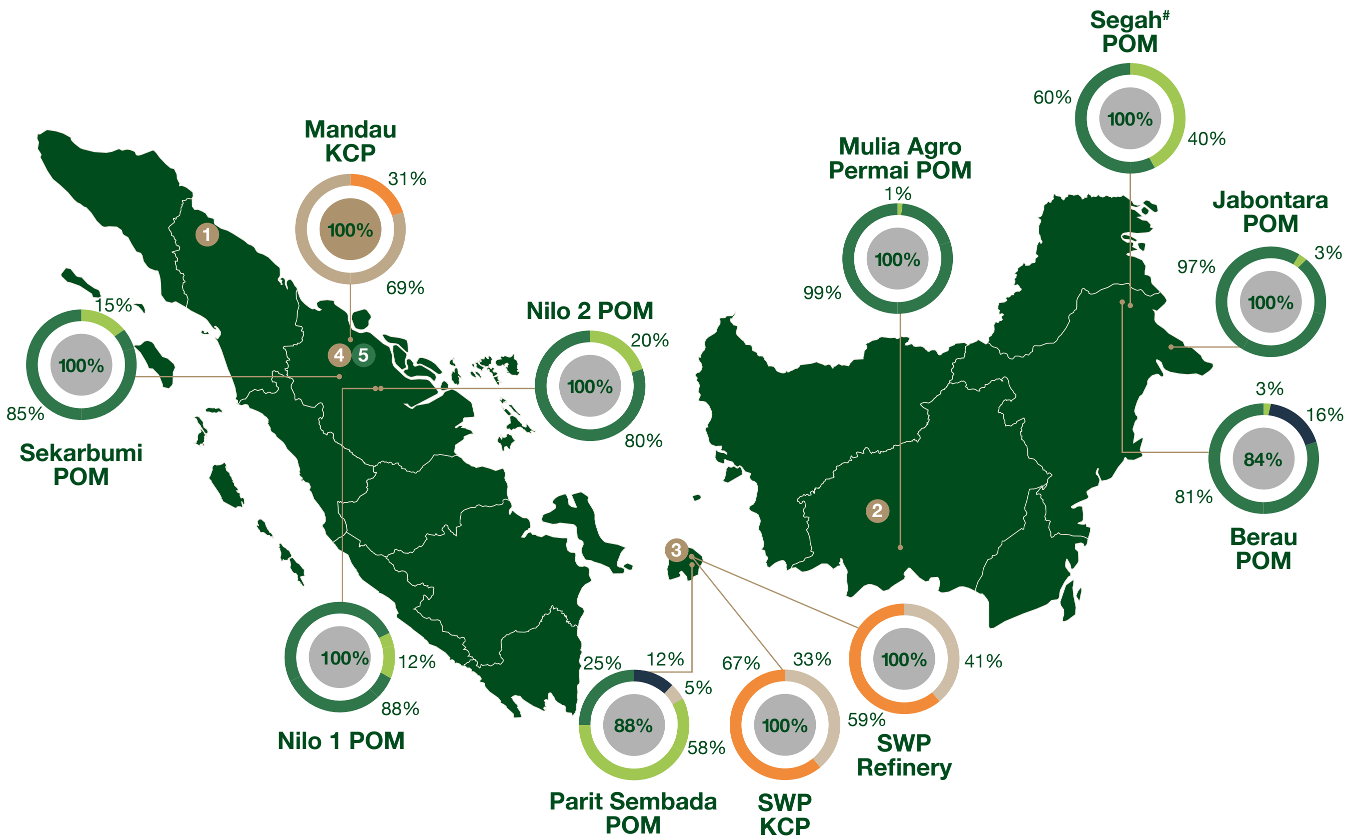
MARKETPLACE

Traceability at Plantation

The palm products produced at KLK are traceable to its respective palm oil mills ("POMs"), refineries and kernel crushing plants ("KCPs"). However, third-party suppliers which include Smallholders, Small Growers and external POMs remain a challenge. KLK has taken steps to understand the practices of its third-party suppliers and to include them in its traceability data. This is a long-term process and KLK will strive to convince its third-party suppliers, the importance of adopting traceability requirements.

We are glad to announce that KLK refineries and KCPs have achieved 100% traceability to POM level. To further improve transparency towards traceable palm products, KLK has also made available the mill suppliers list of its refineries and KCPs which include GPS coordinates in the Company's website, *www.klk.com.my.*

KLK POMs, REFINERIES AND KCPs IN INDONESIA FY2018



- KLK Plantation
- Third Party POMs
- KLK Managed Plantations
- Small Farmers & Independent Estates
- KLK POMs
- Dealers
- % Traceable to Mills
- % Traceable to Plantations

POM RECEIVING 100% FFB FROM KLK PLANTATION:	REFINERY RECEIVING 100% PKO FROM MANDAU KCP:
1. Stabat POM	5. Mandau Refinery
2. Karya Makmur Abadi POM	
3. Steelindo Wahana Perkasa POM	
4. Mandau POM	

 # Managed by KLK

SUSTAINABILITY STATEMENT AND REPORT

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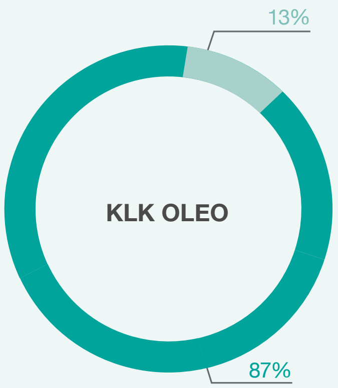
Traceability at KLK OLEO

For KLK OLEO, traceability is defined as traceable to POMs level for both palm-oil-based and palm-kernel-oil-based feedstock, excluding internal transfer within KLK OLEO group of companies for the FY2018.

The percentages disclosed were tabulated based on the weighted average purchases for oils and derivatives processed in China, Europe, Indonesia and Malaysia OCs.

The source of information shared, non-verified, included but not limited to:
1. Supplier specific traceability disclosure: Suppliers submitted traceability information upon request for certain period*, based on cloud of POMs. Traceability percentage is calculated based on POMs information provided. Should suppliers provide statements of certain percentage traceable to POM level, this was also used to represent traceability.
2. CIF Rotterdam Traceability ("CRT") Template: Specific for Europe OCs, CRT templates were used as source of information for traceability calculation.
3. Supplier website traceability disclosure*: information from supplier dashboard traceability.
4. RSPO certified purchases: Declaration of POMs by suppliers in the RSPO PalmTrace.

TRACEABILITY STATUS FY2018



Non-Traceable
Number of suppliers:

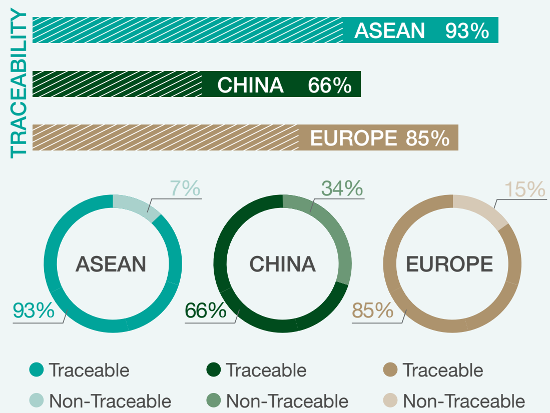
ASEAN	: **19**
China	: **11**
Europe	: **20**

Note: Some suppliers supply > 1 region

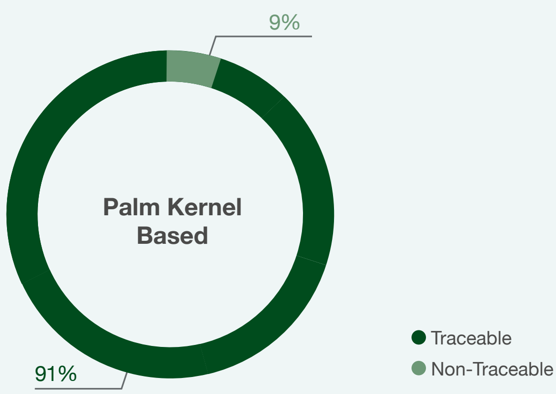
Traceable

Third party mills	: **1,226**

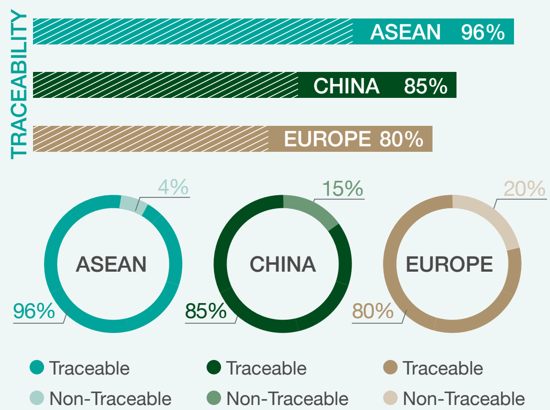
TRACEABILITY (BY REGION) FY2018



TRACEABILITY (BY FEEDSTOCK) FY2018



Palm Kernel Based (By Region)

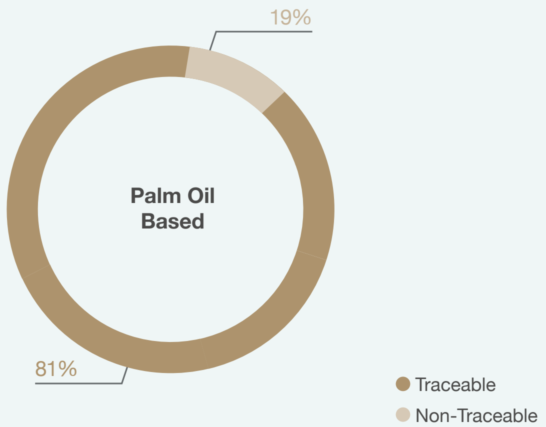


* Traceability information does not necessarily match sourcing period. Only RSPO's Segregation Supply Chain Model can provide exact matching of traceability against sourcing period.

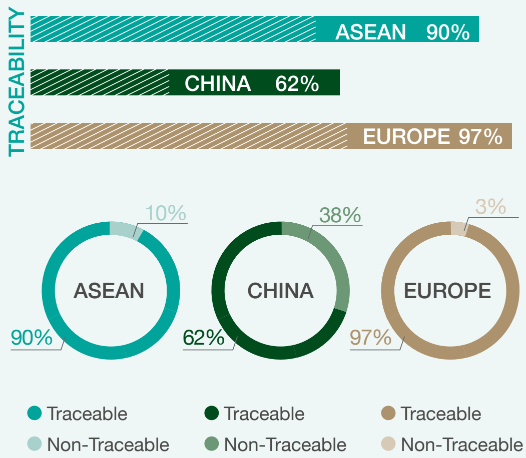
SUSTAINABILITY STATEMENT AND REPORT

MARKETPLACE

TRACEABILITY (BY FEEDSTOCK) FY2018



Palm Oil Based (By Region)



SUPPLY CHAIN SUSTAINABILITY RISK MANAGEMENT

Sustainability practices are the core values of KLK OLEO's corporate culture. These values are incorporated into an extensive self-regulating practice which integrates the principles of sustainability into a stringent supply chain management. With the surge in world demand for environmental protection, high awareness for downstream compliance to sustainability regulations and standards is fast becoming a necessity. To achieve this, KLK OLEO established a risk-based Sustainability Sourcing Framework, with a time-bound plan:

Milestones - Third Party Supply Chain Management Programme

MILESTONE	DELIVERABLE & TIMELINE	STATUS
1. **Phase 1 – Primary Assessment**	August 2017 – May 2018	✔
2. **Phase 1 – Secondary Assessment**	April – October 2018	✔
3. **Phase 1 – Tertiary Assessment (On-site audit)**	August – Septermber 2018	✔
4. **Phase 2 – Primary Assessment**	November 2018 onwards	★
5. **Review Risk Mitigation Plan of High-Risk Suppliers**	2018 – 2020	★

Legend :
✔ Completed ★ In Pipeline

- Phase 1 covers ASEAN suppliers who supplied 68% of the total third-party palm volume to KLK OLEO during FY2018.
- Phase 2 would involve the remaining active suppliers based on supply volume as priority.

SUSTAINABILITY STATEMENT AND REPORT

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STAKEHOLDERS ENGAGEMENT

With stakeholders engagement as one of KLK's cornerstones of sustainability approach, we actively meet, converse, consult and work with a broad cross-section of stakeholders to address areas of shared interests and concerns.

Regular engagements are held with internal and external stakeholder groups to keep them updated on the latest developments within our Company. At least once a year, all of our OCs hold both internal and external stakeholder meetings. These meetings allow us to communicate information on Company policies and activities and further discuss issues that could impact stakeholders' interests. We record these communication sessions in stakeholder meeting minutes, which are available at our OCs. Apart from official meetings, information is also provided to stakeholders upon request.

Our Company's website, *www.klk.com.my* is another channel to further enhance stakeholders communication. Information pertaining to the Group including announcements, news releases, stakeholders' responses, financial announcements and reports are made available online. All such communications are guided by our Corporate Disclosure Policy.

We also have a dedicated email account, *sustainability@klk.com.my* for direct communication with us and an e-Grievance Redressal Procedure (*https://www.klk.com.my/corporate-sustainability/market-place/grievance/*) in place. We aim to address any grievances or complaints between the Group and other parties fairly and effectively. These channels provide a framework for non-discriminatory and fair treatment to all parties.

Stakeholder Groups and Key Engagement Conducted in FY2018

STAKEHOLDER GROUP	HOW KLK ENGAGES WITH STAKEHOLDERS	OUTCOME
Local Communities & Smallholders	• Meetings, engagements and dialogues • Joint exercises and training • Community outreach activities and development programmes	• Amicable solutions to conflicts and grievances • Enhance smallholders' agriculture practices with sustainable options and create awareness of KLK's Policy and commitment to sustainable palm oil production • Development and implementation of shared initiatives • Community activities such as "gotong-royong" at villages, health talks/checks and festive celebrations
NGOs	• Formal and informal meetings, engagements and dialogues • Regular correspondence • Collaborations and project partnerships • Policy and documentation reviews • Official grievance mechanism	• Better understanding of their concerns and issues with the palm oil industry and KLK • Enhance their understanding of KLK's Policy, sustainability practices, status, progress and initiatives • Development and implementation of shared initiatives
Certification Bodies (RSPO, MSPO, ISPO, ISCC)	• Meetings, engagements and dialogues • Regular reporting and meetings • OC visits and inspection • Constructive partnerships	• Audit and certification • Compliance with policies and latest changes in requirements
Government (Ministries, Agencies, Regulators, Industry Associations)	• Meetings, engagements and dialogues • Collaborations in constructive schemes • OC visits and inspections	• Development and implementation of shared initiatives • Compensation process and avenue • Compliance with regulations and latest changes in laws
Investors, Bankers & Analysts	• Formal and informal briefings and meetings • AGMs • Corporate website	• Provide insight into our sustainable business progress and performance

SUSTAINABILITY STATEMENT AND REPORT

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STAKEHOLDER GROUP	HOW KLK ENGAGES WITH STAKEHOLDERS	OUTCOME
Customers	• Formal and informal briefings and meetings • Site visits	• Create awareness of KLK's Policy and commitment to sustainable palm oil production and their role in it
Suppliers & Contractors	• Formal and informal briefings and meetings • Surveys • Third-party Supply Chain Management Programme	• Create awareness of KLK's Policy and commitment to sustainable palm oil production and their role in it
Employees	• Employee wellness activities • Intranet news updates and quarterly newsletter • Training programmes • Annual appraisals	• Awareness of KLK's policies, culture and core values • Enrich inclusiveness and teamwork, creating a better work environment toward a shared goal • Improve awareness of our commitment to sustainable practices
Schools & Universities	• Provision of scholarships • Internship programmes • Talks and participation in roadshows	• Opportunities for underprivileged students to further their studies • Exposure to work life and expectations • Awareness about palm oil industry

Engagement with students from higher learning Institution

MARKETPLACE

Stakeholder Engagement in Liberia

Our commitment to respecting local communities' rights at our concessions in Liberia, i.e. Palm Bay Estate and Butaw Estate during this period focused on stakeholder engagements between our subsidiary, Equatorial Palm Oil plc (EPO) with the respective land owners.

Free, prior and informed consent (FPIC)

Initial community engagement
Including formation of community engagement team (CET); presentation of draft FPIC process (including grievance & redress mechanism, draft development plan and draft social agreement) to communities; and formation of community representative committee (CRC)

Opt not to proceed
If communities do not agree entirely with the initial proposals put forward by the management through CET; respective areas are enclaved

Further negotiations*
Where communities are uncertain. Such situations can happen at any point along the engagement and transparent negotiation process

Obtain written consent
From communities agreeing to the FPIC processes, CRC and conduct of all relevant processes

Engagement negotiation with CRC

Participatory mapping & assessment

Presentation
Of development map to communities

Social agreement
Negotiated with communities and presented to government for review, then signed by all relevant stakeholders

There may be situations where consensus cannot be reached on the social agreement. This warrants the negotiation process to stop

Monitoring
Through a joint committee composed of all relevant stakeholders and an agreed grievance mechanism

** Communities can decide not to proceed with the negotiation at any stage of this process*

MARKETPLACE

From the table below, it is clear FPIC is of utmost importance to KLK. We have engaged with the same communities numerous times to ensure information is clearly communicated and their grievances addressed.

MONTH	SPECIFIC STAKEHOLDER MEETING IN LIBERIA
October 2017	• Met with Weleysama land owners to discuss on results of land survey by Ministry of Lands, Mines and Energy • Conducted community engagement with Kayah clan, Rivercess to explain EPO's development plan
November 2017	• Met with Sustainable Development Institute to propose FPIC engagement work of Palm Bay Phase 2 and to share the Human Rights Impact Assessment Executive summary • Met with Sustainable Trade Initiative to share the Human Rights Impact Assessment Executive Summary • Met with Bah family of Winston Farm to discuss land deed and development matters • Community engagement with Kan Whea Clan
December 2017	• Discussed expansion plans with community in Phase 2 Palm Bay, Gezee Town • Conducted a meeting with communities in Palm Bay to raise awareness on FFB theft • Continued engaging with Kan Whea and Gono Tarr Clans on EPO's development plan
January 2018	• Engaged with communities at Damadama Town in Palm Bay to explain EPO's development plan • Continued engaging with Gono Tarr Clan on EPO's development plan
February 2018	• Met with Bah family and the communities of New and Mboe towns of Palm Bay to discuss their consent to develop and subsequently conduct a participatory mapping on the respective area • Continued engagement with communities at Damadama Town in Palm Bay pertaining to their interest in EPO's development plan • Continued engagement with Kayah Clan pertaining to their interest in EPO's development plan
March 2018	• Crop counting exercise by New and Mboe towns together with representatives from Ministry of Agriculture (MOA) • Engaged with Bloba Town to discuss expansion plan • Continued engagement with Gonoh Tarr Clan pertaining to their interest in EPO's development plan
April 2018	• Continued community engagement for the setup of a Community Representative Committee ("CRC") • Discussed seasonal work prioritisation of local communities for all contract, permanent and seasonal work at Palm Bay Estate
May 2018	• CRC setup by Palm Bay communities • Discussed social agreement with Butaw's Tarsue-Karbor
June 2018	• Continued engagements and planning of land identification exercise with Palm Bay communities • Met with Bright Farm, Palm Bay to discuss options for leasing their oil palm plantation • Continued discussion on social agreement with Butaw's Tarsue-Karbor
July 2018	• Continued engagements and planning of land identification exercise with Palm Bay communities • Conducted preliminary boundary survey exercise with Ministry of Lands, Mines and Energy ("MLME")
August 2018	• Land identification for 8 Palm Bay towns/villages • Met with community representatives to discuss strategy on how the community members could be empowered to be registered contractors for contract work within our plantations • Visited by MOA Minister to Palm Bay site and Smallholder Tree Crop Revitalisation Support Project Liberia smallholder farmers • Engaged with National Bureau of Concessions, Palm Bay and Butaw communities and EPO • Met and discussed with Inclusive Development Consultancy on verification exercise
September 2018	• Continued engagement with other villages' CRCs • Resurveyed Bright Farm with MLME

SUSTAINABILITY STATEMENT AND REPORT

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SMALLHOLDERS' PROJECTS

Our engagement with stakeholders goes beyond mere dialogue, as we seek also seek to empower and enable our stakeholders to fulfill their aspirations. Our Plantations sector has has led us to interiors, placing us at the doorsteps of often isolated communities. By having a presence in these remote localities, we are in a unique position to make a positive impact to the livelihoods of rural folks.

Bornion Smallholders' Project

KLK's Bornion Smallholders' Project is a testament of our commitment to this cause. Together with Neste and Fuji Oil Holdings Inc. as partners, facilitated by Wild Asia, the project successfully led to the certification of 58 smallholders and small growers to date. It is now our intention to provide continuous support for them to maintain their certification via engagement sessions, considering the many challenges faced by these producers when it comes to complying with the requirements of major players in the palm oil industry.

Indonesian Plasma Scheme

Our commitment to support smallholders and small growers extends to Indonesia as well. With the above model in mind, we have kick-started our Indonesian Plasma Scheme, which is an initiative designed for the development of oil palm plantations for smallholders and small growers by large plantation companies.

KLK has a total of 13,862 ha designated for the Plasma Scheme. We actively engage with them to offer assistance in obtaining RSPO certification and have set target timelines. Our support comes in form of monetary funding, technical expertise and monitoring exercises. As for certification, we are committed to certifying them under RSPO three (3) years after the mill's certification.

CERTIFICATIONS

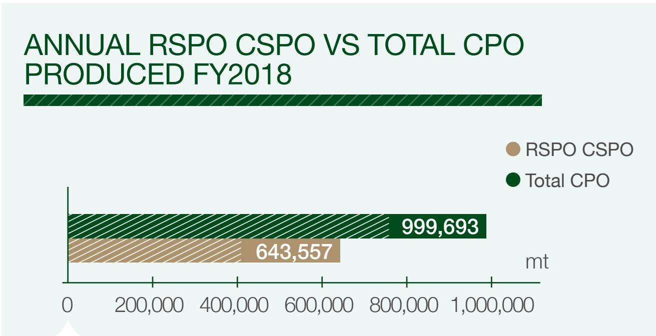
Certification is indispensable and central to any meaningful pursuit. It serves to provide reliable source of assurance to stakeholders that the Company's products are produced sustainably, responsibly and ethically, with the necessary safeguards put in place to mitigate risks. We prioritise recognised standards which are consistent with our core commitments and add value through improved market access, enhanced brand reputation and advancement of best-in-class practices.

Certifications for Plantation

RSPO is a multi-stakeholder initiative that aims to transform the market to make sustainable palm oil the norm. Members consist of supply chain members namely producers and processors, consumer goods manufacturers, retailers, banks and investors as well as environmental and social non-governmental organisations. KLK is one of its pioneer members and fully committed to certify all of its OCs. KLK's Malaysian operations have been fully certified since 2014. For Indonesia, we were able to complete our audits for certification for the remaining POMs and are on target to be fully certified in FY2019.

RSPO Certified Sustainable Palm Oil ("CSPO")

Our current annual production of RSPO CSPO is 643,557mt. It represents 64% of our total CPO produced during the FY.



Certified Sustainability Palm Kernel (CSPK)

During the FY, KLK's production of CSPK reads 83,043mt under the RSPO certification scheme, which represents 86% of our total palm kernel produced.

For Indonesia, production of CSPK reads 57,668mt under the RSPO certification scheme, which represents 55% of our total palm kernel produced.

SUSTAINABILITY STATEMENT AND REPORT

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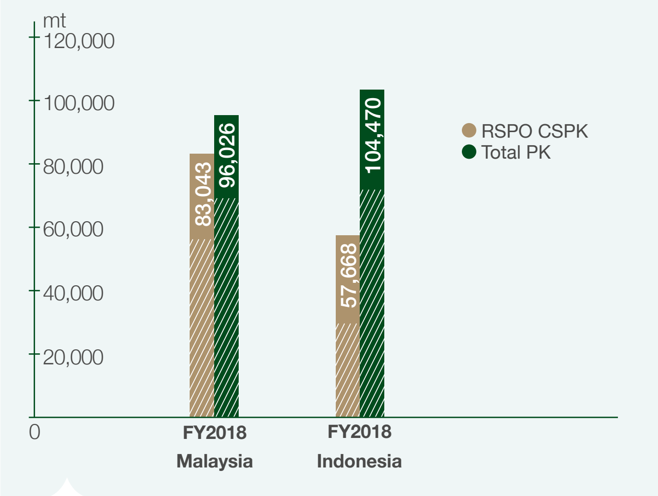
ANNUAL RSPO CSPK VS TOTAL PK PRODUCED (BY COUNTRY)



RSPO Supply Chain Certificate ("SCC")

Four (4) refineries and three (3) KCPs in Malaysia and Indonesia, together with KLK OLEO in Malaysia, Indonesia, China and Europe, are RSPO SCC certified.

Malaysian Standard on Sustainable Palm Oil ("MSPO")

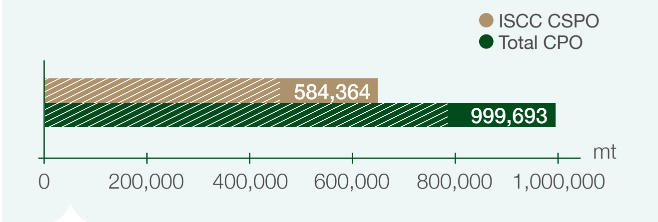
The MSPO Certification Scheme is the national scheme in Malaysia which covers the oil palm industry supply chain comprising plantations, independent and organised smallholders and POMs. It also includes grouping smallholders into Sustainable Palm Oil Clusters ("SPOC"). KLK's Malaysian operations has achieved full certification at the end of 2017, a year ahead of the mandatory timeline for producers who are already RSPO-certified.

International Sustainability and Carbon Certification ("ISCC")

ISCC is a system for certifying biomass and bioenergy industries. The system focuses on reducing Greenhouse Gas ("GHG") emissions, sustainable use of land, protection of natural biospheres and social sustainability. It has received official state recognition through the German government's Biomass Sustainability Ordinance (BioNachV) and is recognised by the European Commission as a certification scheme compliant with the EU Renewable Energy Directive's ("RED") requirements. As of September 2018, KLK reaches a production of approximately 584,364mt of ISCC certified palm oil.

Indonesia Sustainable Palm Oil ("ISPO")

ANNUAL ISCC CSPO VS TOTAL CPO PRODUCED FY2018



The Indonesian government established the mandatory ISPO certification scheme to improve the sustainability and competitiveness of the Indonesian palm oil industry. This scheme also supports the Indonesian government's objectives to reduce GHG emissions and draw attention to environmental issues. Similar to the RSPO, ISPO Standard includes legal, economic, environmental and social requirements, which are largely based on existing national requirements. Currently, seven (7) of KLK's POMs in Indonesia are ISPO certified. We were able to complete our audits for the remaining POMs and are on target to be fully certified in FY2019.

Certifications for KLK OLEO

Many of KLK OLEO's products and processes have been certified by various international bodies as on par with world-class standards.

ENVIRONMENT

HIGH CARBON STOCK ("HCS")

KLK's commitment in this aspect has brought about refinement to its No Deforestation pledge in KLK's Policy. In this revised Policy dated 30 August 2018, the HCS Approach methodology has been adopted to implement this commitment.

New developments in regions where KLK operates will undergo integrated HCV and HCSA assessments in accordance to the HCSA methodology – HCSA Toolkit version 2.0. During the financial year, this assessment was conducted at one of KLK's concessions in Indonesia. It also included a plasma unit. As a result, areas eligible for development has been determined taking into consideration of the high carbon stock areas.

With the strengthening of its Policy, KLK is seeking to become a member of HCSA – the organisation which developed and champions the above-mentioned methodology. As at 2 October 2018, KLK is officially a HCSA Steering Group member.

PEATLAND PROTECTION

Peatland is a natural area that is accumulated with partially decayed vegetation or organic matter, vital stores of carbon. It plays an important role in providing drinking water, biodiversity management, carbon-water storage and regulation. Undoubtedly, peatland has significant functional roles in environmental conservation and the provision of eco-system services.

KLK is committed to play its part in preserving ecosystems of conservation value and ensuring no development in peat areas for its new plantation areas, regardless of depth. We apply best management practices to peatland that exists within its plantations. We also introduced additional holistic practices on peatlands protection such as periodical monitoring of water table level and evaluating peatlands planted with oil palm for its sustainability for replanting.

ZERO BURNING POLICY ("ZBP")

KLK maintains a strict ZBP in relation to all new planting, replanting and other related development. This policy also extends to all plasma schemes managed by our Company.

Recognising the higher risk in our Indonesia OCs, the Haze Task Force was set up at our Indonesia Head Office to monitor and manage the haze situation in our OCs. Standardised practices of managing the possibility of any fire outbreak within or outside the OCs have been adopted. These include mapping of any high-risk zones, setting up of hotlines in each plantation, building of additional fire monitoring towers, making available more fire-fighting equipment like the Shibaura water pump, setting up of fire index signages to create awareness, daily satellite monitoring of hotspots in and outside our plantations (within the radius of three (3) km). Canal blocking has also been set up with the assistance of the local police force to ensure sufficient water is available during dry periods.

Each OC is also equipped with a fire-fighting team, trained by the local government fire-fighting department (Dinas Pemadam Kebakaran). Managers, assistant managers, staff, workers and members from the communities in surrounding areas also participate in training to equip them with the relevant information and knowledge in combating incidences of fire. Our fire patrol teams continue to monitor the estates and also neighbouring villages.

Ground water-table monitoring using a piezometer

SUSTAINABILITY STATEMENT AND REPORT

ENVIRONMENT

SOIL ENRICHMENT AND CHEMICAL REDUCTION

Soil Enrichment

Decomposed biomass eventually adds back the soil organic matter and reduces the use of pesticides. Recycling biomass improves soil organic matter, moisture retention and soil fertility. Agronomic benefits can be enhanced if oil palm seedlings are planted directly on residue of pulverised palm piles rather than on bare soil. Through this approach, higher levels of nitrogen, potassium, calcium and magnesium can be obtained, releasing nutrients over a longer period of time.

Minimising Usage of Agrochemicals

In order to develop and improve the quality of KLK's plantations, it is essential to cut back the reliance on fertilisers, pesticides and herbicides.

By knowing where and how fertiliser losses occur, we are able to minimise these losses, enabling us to use less fertiliser to achieve the same impact. This reduces the overall requirement for inorganic fertilisers and decreases the risk of water pollution through leaching or surface run-off. The fertiliser consumption for both Malaysia and Indonesia is 1.21 mt/ha.

Focusing on the use of non-chemical pest control i.e. plants, barn owls, the herbicide consumption for both Malaysia and Indonesia is 2.94 litres/ha.

We adopted a policy to stop the use of paraquat with effect from July 2011 in Malaysian operations and subsequently Indonesian and Liberian operations in January 2017, as it has been highlighted as a chemical of concern by stakeholders due to widespread misuse.

BIODIVERSITY PROTECTION

Commercial oil palm cultivation and care for the environment should not be viewed as opposing pursuits. In fact, the two can be mutually enforcing in securing a new sustainable future for all.

KLK pledges to conserve biodiversity by identifying, protecting and maintaining areas of HCV. This would include areas that contain significant concentration of biological value, rare, threatened and endangered species and areas that provide ecosystem services. Examples are hot springs and riparian boundaries.

In the context of RSPO, HCV areas would also include:

- Areas fundamental to meeting basic needs of local communities (e.g. subsistence and health); and
- Areas critical to the local communities' traditional cultural identity (areas of cultural, ecological, economic or religious significance identified in cooperation with local communities).

Our Group works closely with local NGOs and the State Wildlife Agency when rare and endangered species are found within these HCV sites. Their habitats are conserved and appropriate management and monitoring plans are implemented. For example, when we discovered falcons at some of our European sites, we recognise the significance of their presence and consider it our responsibility to provide a suitable habitat for their return.

In line with this objective, KLK also adheres to the best soil conservation practices. In order to minimise soil degradation, we cultivate leguminous cover crop during replants, resulting in minimum top soil losses and enrichment of soil.

Integrated Pest Management System ("IPMS")

We adopt environmentally-friendly techniques and use them to innovate IPMS. These techniques are used when we clear old palm. Shredded palm biomass spread across the field, effectively destroys the potential breeding sites of pests such as rhinoceros beetles and rodents.

Plants such as antigonon leptopus, turnera subulata and cassia cobanensis provide shelter and supplementary food such as nectar for beneficial insects. These plants also encourage the population of predators and parasites. Barn owls cull rat population, resulting in major reduction of rodent damage. It is a much more sustainable, less risky and simpler approach to pest management.

GHG MANAGEMENT

In producing sustainable palm oil, attention should duly be given to GHG emissions across all aspects of plantation development and KLK OLEO activities. In this regard, the measurement of relevant GHG emission data is important in serving as a basis for objective evaluation of the impact of businesses on the environment, which in turn provides essential guidance on effective mitigation measures to be taken. As noted in our Policy, we are committed to reduce our GHG emissions with two (2) approaches: First, through the installation of biogas plants. Second, by employing the use of the filter belt-press system. Not only are these safe methods of managing waste, they also promote greater energy self-sufficiency and provide input cost savings.

SUSTAINABILITY STATEMENT AND REPORT

ENVIRONMENT

GHG Management at Plantation

Biogas Power Plants for Renewable Energy

Our biggest source of emissions come from POM effluent ("POME"). POME is the waste water discharge from the milling process and produces methane gas from anaerobic digestion. Methane gas is very potent as it traps about 34 times as much heat as carbon dioxide ("CO_2"). To reduce methane gas emission, KLK has six (6) operational biogas plants; 3 in Malaysia and 3 in Indonesia. These biogas plants generated 62,209,909 kWh, of which 20,388,340 kWh was sold to the national grid and 41,821,569 kWh used as green energy.

At the time of writing this report, KLK was named the winner of the National Energy Awards under the Renewable Energy Category for utilising biogas plants in its operations and contributing to the national grid.

Filter Belt-Press ("FBP")

Besides the use of methane capture facilities, KLK also installs FBPs at its POMs. The FBP system removes bottom slurry solids from effluent ponds. This reduces soluble organic matter and substantially lowers the biological nutrient loading to effluent ponds. The biomass can be used as organic fertiliser in the estates. Also, water extracted from this system is recycled for cleaning purposes. We are glad to announce five (5) more POMs have installed FBPs during the FY2018, bringing a total of 22 POMs todate.

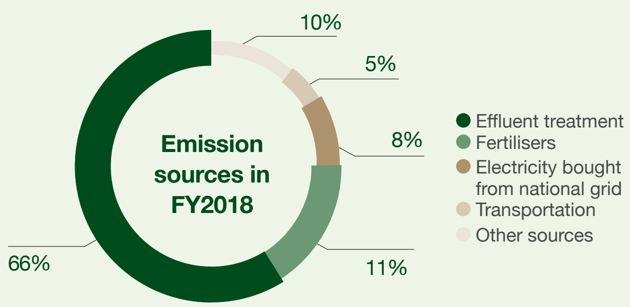
A two-year study project was conducted in collaboration with Neste Corporation, IDH and ISCC. The objective of the study aimed to explore the benefits gained from the application of FBPs especially on the potential of GHG reduction and removal of organic matter from POME.

The findings of the study verified that a significant 54% of GHG emission reduction was measured in the single POME pond where the FBP was installed. The study was recently submitted to a leading journal, Springer and the calculation methodology has been accepted and included in ISCC's emission factor for GHG calculations.

As of 30 September 2018, KLK's plantations and POMs recorded an emission of 779.32 kg CO_2 eq/day mt CPO, where we achieved 62.7% GHG savings compared to fossil fuel emission. KLK will strive to achieve 65% GHG savings by 2019.

Note:
This calculation is based on EU RED II's new fossil fuel comparator of 94g CO_2 eq/MJ (previously 83.8g CO_2 eq/MJ)

KLK PLANTATION EMISSION SOURCES FY2018




Biogas power plant at an Indonesian palm oil mill

SUSTAINABILITY STATEMENT AND REPORT

ENVIRONMENT

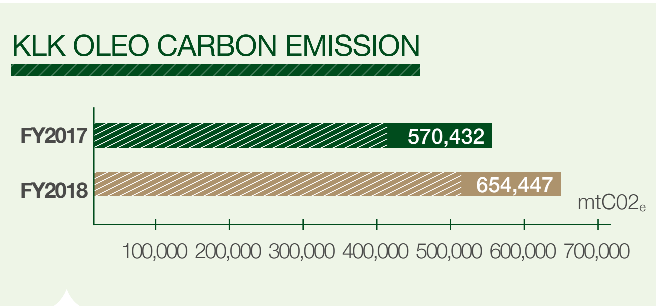
GHG Management at KLK OLEO

KLK OLEO also strives to reduce GHG emissions to lower the negative environmental impact. It is a delicate balance between increasing the efficiency of our industrial process and attempting to reduce the use of non-renewable resources and fossil fuels.

GHG Emission Intensity

0.24	0.21
FY2017	FY2018

(mt CO_2 eq/mt prod vol)



ENERGY MANAGEMENT

Recognising that energy has implications on the environment, our Group commits to sound energy management which addresses energy conservation, green energy usage and energy efficiency. We are mindful that while usage of non-renewable energy sources cannot be avoided altogether for now, earnest efforts are made to ensure these resources are used optimally and efficiently.

Energy Management at Plantation

At our POMs, by-products such as Palm Pressed Fiber ("PPF") and kernel shells are increasingly used as alternative energy sources. The use of PPF as a green energy source presents multiple benefits as it helps reduce consumption of fossil fuels. Improved thermal efficient boilers and steam turbines are installed for more efficient energy utilisation. Energy efficiency is also a primary consideration in designing new POMs. In 2018, we use an average of 0.39GJ/mt of CPO produced.

Energy Management at KLK OLEO

Energy management at KLK OLEO is two-pronged: efficiency initiatives which reduce energy consumption, and continuous improvement of process systems for increased efficiency and sustainability.

At our Palm-Oleo Sdn Bhd ("POR") plant in Rawang, Malaysia, we saved:

- 272,993 kWh/year of power or 127 mt/year of CO_2 by reducing the running speed of the Thermal Oil Heater ("TOH") pump;
- 10,569 mmBtu/year of natural gas or 628 mt/year of CO_2 by optimising the TOH to produce more fatty acids with the same amount of heat;
- 90,491 kWh/year or 42 mt/year of CO_2 by optimising operation of the blowers in the waste water treatment plant;
- 95,306 kWh/year of power or 44 mt/year of CO_2 by optimising the water flow to the Chiller Condenser; and
- 385,410 kWh/year of power or 179 mt/year of CO_2 by replacing conventional lighting with LED lighting.

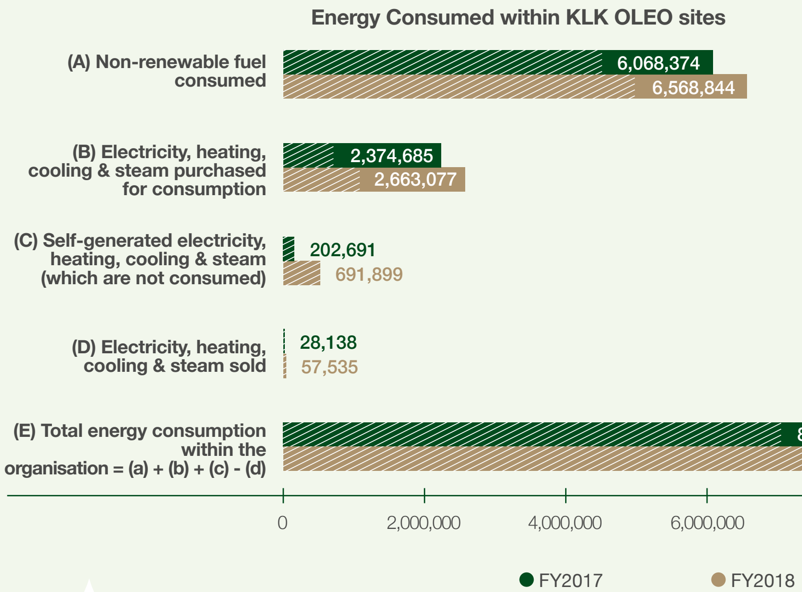
Our KLK Kolb Specialties site in Delden, Netherlands, participates in the Dutch energy covenant (2% energy savings each year in the period of 2017-2020). By replacing 4 old natural gas fired steam boilers with 2 new energy efficient natural gas fired steam boilers, we saved:

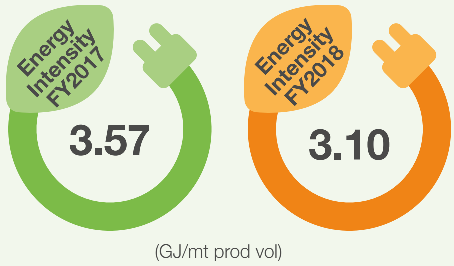
- 23,564 GJ/year of natural gas or 1,334 mt/year of CO_2; and
- less emission of NOx which complies with the new Dutch emission directive for NOx (<70 mgr NOx/Nm^3).

SUSTAINABILITY STATEMENT AND REPORT

ENVIRONMENT

ENERGY MANAGEMENT AT KLK OLEO





New boilers at KLK Kolb Specialties BV, Delden, Netherlands

ENVIRONMENT

WASTE MANAGEMENT

Proper waste disposal has wide ranging implications on the environment and the surrounding communities' health. Eliminating waste altogether is obviously the ideal scenario. Though it is admittedly a daunting goal for the palm oil industry, KLK seeks to contribute to whatever extent feasible towards its eventual realisation.

All waste products, including domestic waste, agricultural waste, biomass or by-products generated by our Plantation or KLK OLEO, are, if not recycled, then required to be safely disposed of in accordance with the prevailing regulations and best practices.

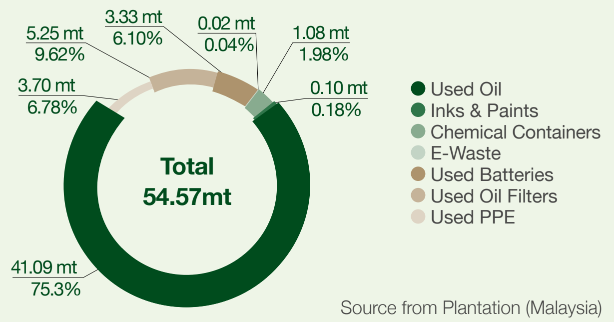
Waste Management at Plantation

Palm oil waste management is often a challenge due to the large quantity of waste generated during production. However, with our sustainable waste management system, biogas plants and FBPs, all biomass by-products are either returned to the soil as natural fertiliser or used as renewable energy source at POMs.

The relatively little waste generated by our OCs is collected and disposed of in accordance to prevailing regulations via licensed waste disposal contractors by the Department of Environment.

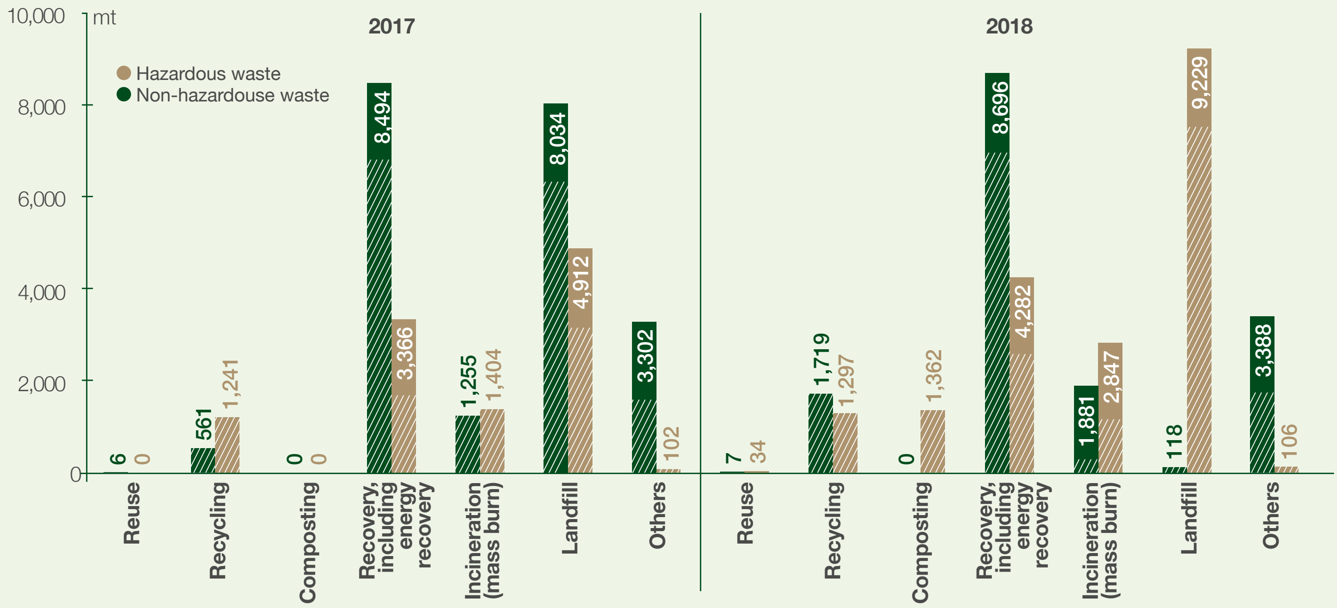
OCs' employees are well-informed in scheduled waste management via KLK's intranet.

SCHEDULED WASTE BREAKDOWN (FY2018)



Source from Plantation (Malaysia)

KLK OLEO NON-HAZARDOUS & HAZARDOUS WASTE BY TYPE AND DISPOSAL METHOD



WASTE MANAGEMENT AT KLK OLEO

Total Solid Waste

32,675 mt
FY2017

34,996 mt
FY2018

Solid Waste Generation Intensity

0.014
FY2017

0.011
FY2018
(mt/mt prod vol)

ENVIRONMENT

WATER MANAGEMENT

Water sources are critical to the environment, human health and wildlife ecosystem. We also realise water is not an inexhaustible resource.

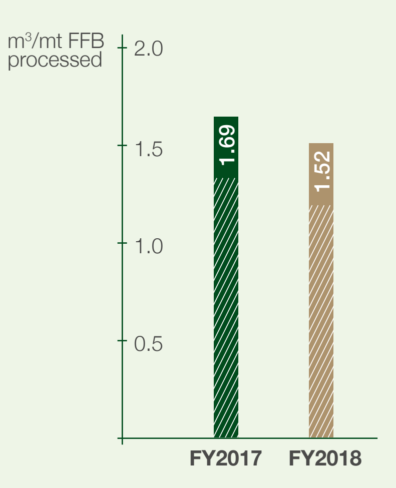
Our water management strategies center on water use optimisation and reduction in water consumption or wastages, taking into account the prevailing land conditions, topography and changes in the weather (impact of droughts and floods). KLK strives to ensure water resources are utilised in the most optimum way with minimal impact to the environment.

Water Management at Plantation

In our Plantation sector, we monitor water usage in processing FFB to reduce the generation of POME.

Riparian reserves are maintained to act as a filter to preserve the quality of water entering the waterways. Soil water retention is enhanced further by stacking oil palm fronds, applying empty fruit bunches as mulch and growing legume cover crops.

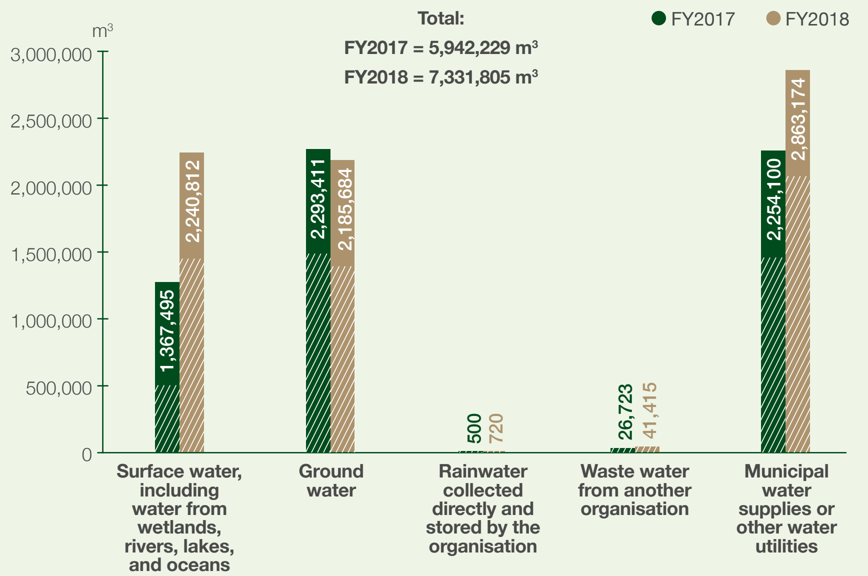
TOTAL WATER USAGE AT PLANTATION



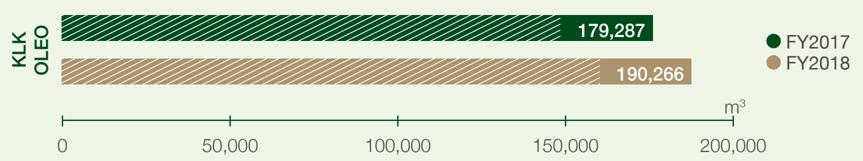
Water Management at KLK OLEO

Instead of relying solely on raw water, collected rainwater can be used for general cleaning. At our POR plant, rainwater is recovered from the boiler house roof top. We collected 720m^3/year, which directly translates to 720m^3/year in water savings.

TOTAL WATER WITHDRAWAL AT KLK OLEO



QUANTITY OF WATER RECYCLED AND REUSED



Percentage of total water recycled and reused

3%
FY2017

2.6%
FY2018

Water Intensity

2.46
FY2017

2.30
FY2018
(m^3/mt prod vol)

WORKPLACE

KLK believes that its employees are one of its greatest assets and employee welfare remains its top priority. We have a workforce of close to 38,000, at locations all over the world. We value our people, and reward their hard work with fair remuneration, career development opportunities, scholarships and further training prospects.

FAIR EMPLOYMENT PRACTICES

In an industry with strong competition and a shortage of skilled labour, we are conscious of the need to maintain our edge as a preferred and fair employer. KLK embraces diversity within its workforce, which comprises a mix of employees from different genders, age groups and ethnicity. We also believe in practising non-discrimination regardless of race, caste, national origin, religion, marital status, union membership or political affiliation.

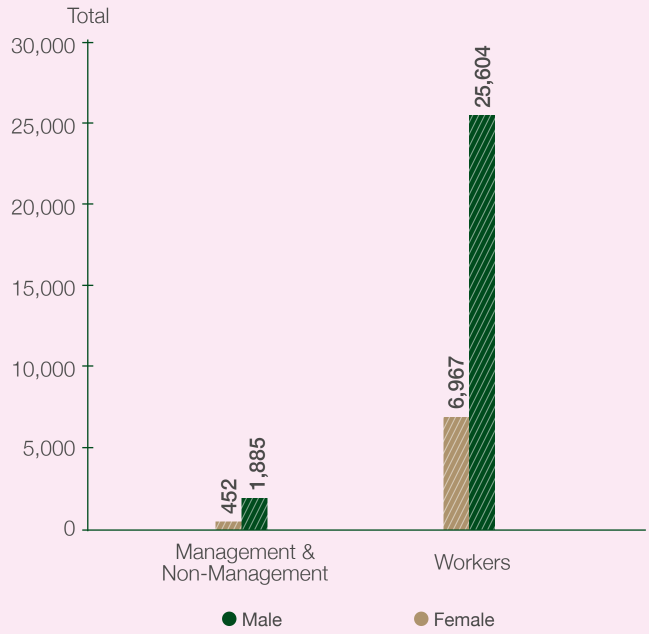
Freedom of Association and Collective Bargaining

Employees and workers have the right to form and become members of labour unions recognised by KLK. Through unions, workers have the right to carry out collective bargaining as permitted under Malaysia and Indonesia laws.

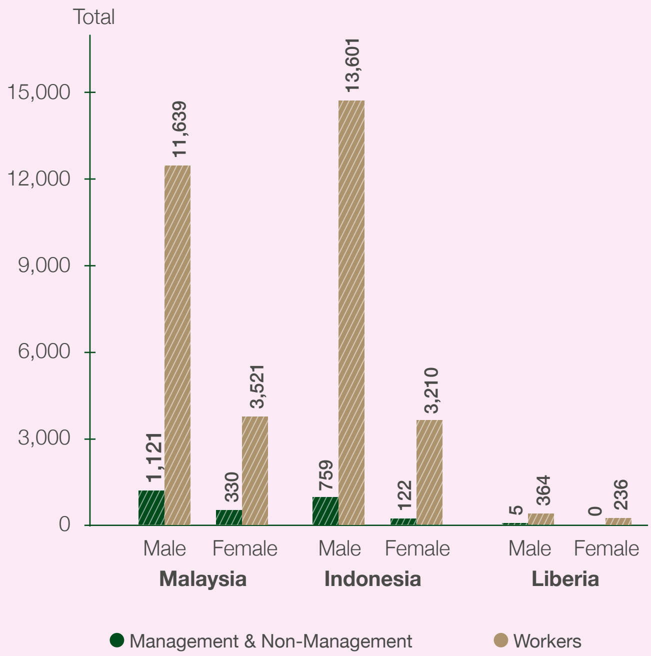
For FY2018, 57% and 6% of our Peninsular Malaysia employees are members of The Malaysian Agricultural Producers Association/The National Union of Plantation Workers ("MAPA/NUPW") and The Malaysian Agricultural Producers Association/The All Malayan Estates Staff Union ("MAPA/AMESU") respectively.

KLK PLANTATION

POSITION



GENDER (BY REGION)

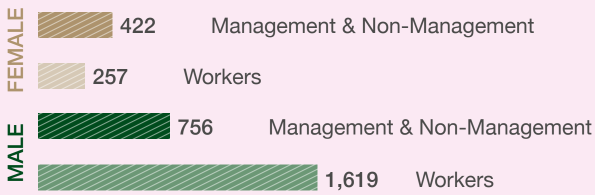


SUSTAINABILITY STATEMENT AND REPORT

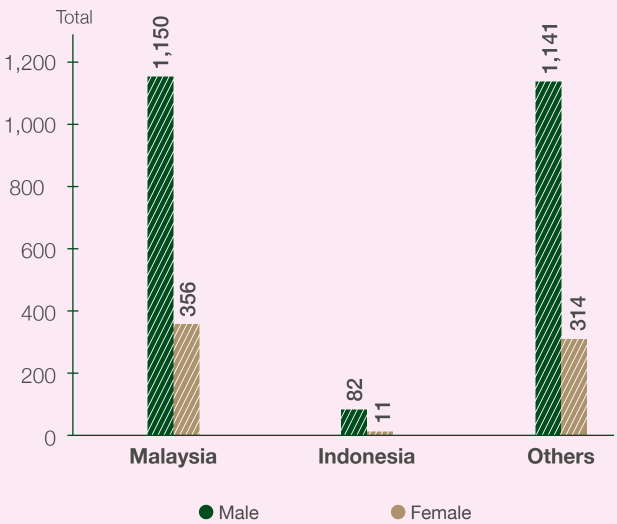
WORKPLACE

KLK OLEO

POSITION



GENDER (BY REGION)



CAREER DEVELOPMENT OPPORTUNITIES

We place significant importance in upgrading our people's skills as we firmly believe that our success is founded on their abilities. We invest in talent development and training sessions for our employees which cover areas such as technical skills, business and human resources, personal development and leadership excellence.

Human Capital Development

Human capital is the backbone of KLK and it places great emphasis in developing its people to reach their full potential. This development is achieved through structured training programmes and exposure on the job.

Training at Plantation

We have set up a two-phased Intentional Mentoring Programme ("IMP") for all newly recruited staff and executives at our KLK Training Centre. The IMP lasts a minimum of nine (9) months with 11 fields modules, and covers all necessary knowledge surrounding oil palm and rubber plantation management. During the course, trainees are rotated through five (5) selected OCs. For the purpose of monitoring, on a quarterly basis, the Estate Manager will submit a progress report for each trainee on the scheduled and completed subjects. These reports will then be compiled by the Training Manager at the KLK Training Centre, where they will be evaluated by Senior Management as a source of reference for the next phase of the training programme.

Trainees then continue to the KLK Training Centre in Ipoh to address any knowledge gaps. A wide range of topics are covered in the Phase Two modular courses, ranging from technical and administrative knowledge to soft skills and motivational talks. These week-long courses are conducted twice a year.

Apart from the IMP, selected Plantation employees participate in KLK OLEO's training programmes which are pertinent to them. They include training sessions focusing on soft skills and emotional intelligence development to complement their occupational knowledge and skill set.

Training at KLK OLEO

Training at KLK OLEO differs from Plantation sector. This is due to the fact that most employees recruited already possess the skill set and technical knowhow required of their position.

However, success in the workplace is strongly influenced by personal attributes such as communication, teamwork, adaptability, problem solving and conflict resolution. Thus, it is important to cultivate and develop these qualities. To facilitate this, KLK OLEO organises trainings which emphasise on development of emotional intelligence and soft skills.

SUSTAINABILITY
STATEMENT AND REPORT

WORKPLACE

The FISH! Philosophy Training Programme at Kolb Distribution AG, Hedingen, The Netherlands

Emergency response training with the Indonesian National Board for Disaster Management

Training for tractor drivers

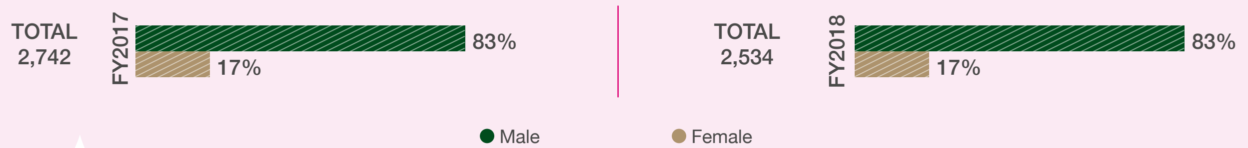
HEALTH AND WELL-BEING OF EMPLOYEES

The welfare of our people is a major priority. We are committed to providing an inclusive and conducive working and living environment for our employees. Being a responsible company, KLK conducts its business with a high standard of safety and health protection for our employees and stakeholders. Creating awareness, education and improved reporting are our key tools to achieving this goal.

Safety and Health Committee ("SHC")

In order to effectively identify and manage occupational risk, a SHC is set up at every OC. KLK currently has 2,000 OSH Committee representatives at its Plantation OCs. Compliance with Chemical Health Risk Assessment ("CHRA"), Chemical Exposure Monitoring, Medical Surveillance, Audiometric Testing, use of Personal Protective Equipment and annual medical surveillance are mandatory and strictly monitored across all OCs.

OSH COMMITTEE REPRESENTATIVES



Source from Plantation (Peninsular Malaysia, Sabah, Indonesia, Liberia) and KLK OLEO

SUSTAINABILITY STATEMENT AND REPORT

WORKPLACE

Accidents and Occupational Diseases October 2017 - September 2018

	ACCIDENTS			LOST DAYS	
	FATALITY	MAJOR	MINOR	MAJOR	MINOR
KLK Plantation					
Peninsular Malaysia	0	136	563	4,135	898
Sabah	0	2	234	63	278
Indonesia	2	25	1,964	15,663	
Liberia	0	0	180	Unavailable	
	LTI Frequency Rate	(No. of accident x 1,000,000) / total man-hour worked		5.32*	
	LTI Severity Rate	(No. of day lost due to LTI x 1,000,000) / total man-hour worked		160.64*	
KLK OLEO	0	20	8	940	
	LTI Frequency Rate	(No. of accident x 1,000,000) / total man-hour worked		4.13	
	LTI Severity Rate	(No. of day lost due to LTI x 1,000,000) / total man-hour worked		138.73	

* Source from Plantation (Peninsular Malaysia)

Safety and Health Committees

	MALE	FEMALE	TOTAL SHC
KLK Plantation			
Peninsular Malaysia	749	147	896
Sabah	300	72	372
Indonesia	878	173	1,051
Liberia	20	0	20
KLK OLEO	152	43	195

Occupational Safety and Health ("OSH") Compliance at Plantation

The Plantation OSH Department at the Group's Head Office is headed by an OSH Senior Manager, working alongside a team of OSH Green Book certified officers. They are guided by the KLK OSH Manual and Guidelines to ensure that OSH requirements are applied uniformly and consistently across all OCs. They also attend seminars and courses consistently as part of our continuous learning culture.

OSH audits are carried out twice a year ensuring all OCs are in compliance and any uncertain issues are addressed accordingly.

Internal and external training are conducted for all OCs, machinery (steam engines, boilers), equipment, vehicles (lorries, tractors, forklifts), agrochemical usage (PPE, chemical and fertiliser application), safety practices (confined space training) and OSH skills (CPR, first-aid, emergency response, fire-fighting).

Our target is to achieve zero fatal accidents and to reduce serious incident cases by 10% compared to the previous FYE. We have no reported cases of fatalities at our Group's estates and POMs in Malaysia for the previous FYE and have achieved zero fatal accident record in Malaysia for three (3) consecutive years.

We also strive to prevent accidents and injuries and take necessary preventive steps to reduce them. Lower accident rates bring lower staff turnover, lower absenteeism and higher productivity. Our accident severity rate, which refers to absenteeism of more than 5 days due to an accident, remains low, with most accident cases involving minor injuries such as cuts and thorn pricks. Operating under a system of continuous improvement, the Plantations OSH Department reviews the Lost time Injury ("LTI") on a monthly basis. The results collated will be monitored and aspects of our operations which may pose OSH impacts will be identified. Through this, we take action to improve the LTI rate and the severity rate of the LTI. Our low LTI rate is a reflection of the commitment and joint efforts between Management, Safety and Health Officers, Safety and Healthy Committees, workers and contractors.

Compliance at KLK OLEO

Similar to our Plantation sector, KLK OLEO also provides internal and external training to enhance our employees' OSH skills and awareness, specifically tailored to downstream operations.

SUSTAINABILITY STATEMENT AND REPORT

WORKPLACE

Housing and Living Amenities

Apart from safe workplace, we provide conducive living environment with high quality housing amenities and other necessary facilities such as places of worship, clinics, kindergartens, creches, recreational and sports facilities to our employees and their families at the plantations.

Get Together Activities

A workplace that is safe and promote well-being is the key element of ensuring a healthy and sustainable workforce. Hence, we actively engage and promote sporting activities to encourage healthy lifestyle amongst our employees. Apart from improving health and wellbeing, the sports activities also serve as a platform for social interaction to foster closer relationships and build team work amongst employees.

COMMUNITY

At KLK, we believe in growing our business in a sustainable and responsible manner. We strive to drive positive social change in the areas where we operate in.

INFRASTRUCTURE & AMENITIES

KLK is committed to develop a sustainable community and enriching lives by improving the infrastructures such as roads, bridges for the communities in rural areas.

Apart from the infrastructure, KLK strives to enhance access to essential primary health care for its employees on the plantations and the local community surrounding the plantation estates. In addition to the free medical services, we regularly organise disease prevention and hygiene practices awareness campaigns for the villagers near our OCs.

EDUCATION

Education is fundamental to development and growth, we at KLK believe in the power of education to transform lives of the community. In this respect, we strive to seek continuous strategic partnership to provide basic education to the children with no access to mainstream education especially those living at the plantations and the undocumented children in urban settings. Special partnerships have been forged with organisations such as Humana Child Aid Society in Sabah, the Indonesia Heritage Foundation in Indonesia and the Ministry of Education in Liberia for this specific purpose.

We are committed to assist in providing adequate infrastructure, skills and expertise that are needed to make a positive change. In FY2018, we have provided basic education to more than 10,000 students at our 77 learning centres, kindergartens and schools. We hope that with proper education, the children may achieve better prospect in life and become active participants in their society.

Provision of water pump to supply clean drinking water in Liberia


Children at one of KLK learning centres in Sabah


Measles vaccine for villagers in Liberia


Students learning music and discipline in Indonesia

SUSTAINABILITY STATEMENT AND REPORT

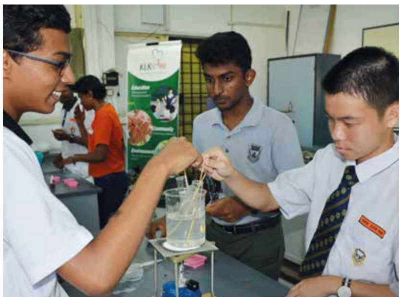
COMMUNITY

KLK Palm Oil Education Programme - Educating Young Minds

As a leading company in the palm oil industry, KLK believes that it is essential for the young generation to have the right knowledge of the palm oil sector and its contribution to the Malaysia economy. To fulfill the growing global needs for oils and fats sustainably and to stay at the forefront of this industry, it is important that we raise the right awareness on palm oil industry as well as to build up a more relevant talent pool for Malaysia's economy.

KLK had collaborated with Science Bridge Academy to initiate the KLK Palm Oil Education Programme aimed at creating an awareness about palm oil's attributes and career opportunities amongst young generation. Todate, a total of 3,650 students from 17 schools within the proximity of KLK offices and manufacturing sites in Ipoh and Klang Valley participated in this programme. These KLK Palm Oil Education workshops comprised of a talk on the importance and uses of palm oil in our daily lives, economy development and career opportunities in the palm oil industry. The students also participated in interactive quizzes and hands-on soap making activities.

KLK Palm Oil Education Programme classroom session


Students taking part in soap making activity


KLK volunteer assists students in soap making activity

2018 Yayasan KLK Scholars

Yayasan KLK Scholarship

In line with our corporate responsibility initiatives, KLK has been providing scholarships to deserving and outstanding Malaysians to pursue full time undergraduate studies at local private and public universities through its Foundation, Yayasan KLK since 1985.

KLK is humbled by the opportunity to make a difference in the lives of young Malaysians by enabling them to pursue their academic goals and acheive their dreams. Apart from financial assistance, the scholars are also given the opportunity to gain working experience through KLK's internship programme during the course of their studies.

GROUP CORPORATE STRUCTURE
AS AT 30 SEPTEMBER 2018

PLANTATION

- 100% Agro Putra Pte Ltd (formerly known as Taiko Cambodia Rubber Pte Ltd)
- 100% Betatechnic Sdn Bhd
- 63% Bornion Estate Sdn Bhd
- 82% Collingwood Plantations Pte Ltd
  - 82% Ang Agro Forest Management Ltd
- 63% Equatorial Palm Oil Plc
  - 63% Equatorial Biofuels (Guernsey) Limited
- 100% Fajar Palmkel Sdn Berhad
- 100% Golden Complex Sdn Bhd
  - 92% P.T. Malindomas Perkebunan
- 100% KL-Kepong Edible Oils Sdn Bhd
- 100% KL-Kepong Plantation Holdings Sdn Bhd
  - 51% Astra-KLK Pte Ltd
  - 100% Gunong Pertanian Sdn Bhd
  - 100% Jasachem Sdn Bhd
    - 90% P.T. Karya Makmur Abadi
  - 95% P.T. ADEI Plantation & Industry
  - 95% P.T. Anugrah Surya Mandiri
  - 95% P.T. Bumi Makmur Sejahtera Jaya
  - 92% P.T. Hutan Hijau Mas
  - 95% P.T. Jabontara Eka Karsa
  - 100% P.T. KLK Agriservindo
  - 60% P.T. Langkat Nusantara Kepong
  - 80% P.T. Menteng Jaya Sawit Perdana
  - 90% P.T. Mulia Agro Permai
  - 75% P.T. Perindustrian Sawit Synergi
  - 65% P.T. Sekarbumi Alamlestari
    - 62% P.T. Alam Karya Sejahtera AKS
  - 95% P.T. Steelindo Wahana Perkasa
    - 90% P.T. Parit Sembada
- 100% KL-Kepong (Sabah) Sdn Bhd
- 100% KLK Agro Plantations Pte Ltd
  - 50% Liberian Palm Developments Limited[1]
    - 50% EBF (Mauritius) Limited[1]
      - 50% Liberia Forest Products Inc[1]
      - 50% LIBINC Oil Palm Inc[1]
    - 50% EPO (Mauritius) Limited[1]
      - 50% Equatorial Palm Oil (Liberia) Incorporated[1]
      - 50% Liberian Agriculture Developments Corporation[1]
- 85% KLK Premier Oils Sdn Bhd
  - 85% Golden Yield Sdn Bhd
- 100% Rubber Fibreboards Sdn Bhd[2] *[In Members' Voluntary Liquidation]*
- 100% Sabah Cocoa Sdn Bhd
- 70% Sabah Holdings Corporation Sdn Bhd
- 100% Taiko Plantations Sendirian Berhad
- 51% Uni-Agro Multi Plantations Sdn Bhd

PROPERTY DEVELOPMENT

- 100% KL-K Holiday Bungalows Sendirian Berhad
- 100% KLK Land Sdn Bhd
  - 100% Colville Holdings Sdn Bhd
  - 100% KLK Landscape Services Sdn Bhd
  - 100% KLK Park Homes Sdn Bhd
  - 100% KLK Retail Centre Sdn Bhd
  - 100% KLK Security Services Sdn Bhd
  - 100% KL-Kepong Complex Sdn Bhd
  - 100% KL-Kepong Country Homes Sdn Bhd
  - 100% KL-Kepong Property Development Sdn Bhd
  - 100% KL-Kepong Property Management Sdn Bhd
  - 80% Kompleks Tanjong Malim Sdn Bhd
  - 100% Palermo Corporation Sdn Bhd
  - 60% Scope Energy Sdn Bhd
  - 100% Selasih Ikhtisas Sdn Bhd

GROUP CORPORATE STRUCTURE
AS AT 30 SEPTEMBER 2018

MANUFACTURING

- 100% Davos Life Science Sdn Bhd
- 100% Davos Life Science Pte Ltd
  - 100% Biogene Life Science Pte Ltd
  - 100% Centros Life Science Pte Ltd
- 100% Kolb Distribution AG
  - 100% Dr. W. Kolb AG
  - 100% Dr. W. Kolb Deutschland GmbH
  - 100% Dr. W. Kolb Netherlands BV
  - 100% KLK Chemicals Holding Netherlands BV
    - 100% KLK Kolb Specialties BV
  - 100% Kolb Distribution BV
  - 100% Kolb France SARL
- 100% KL-Kepong Industrial Holdings Sdn Bhd
  - 100% B.K.B. Hevea Products Sdn Bhd
    - 100% B.K.B. Flooring Sdn Bhd
  - 100% Capital Glogalaxy Sdn Bhd
  - 100% KL-Kepong Rubber Products Sdn Bhd
    - 100% Masif Latex Products Sdn Bhd
  - 100% P.T. KLK Dumai
  - 80% Palm-Oleo Sdn Bhd
    - 80% KSP Manufacturing Sdn Bhd
    - 80% Palmamide Sdn Bhd
    - 80% Palm-Oleo (Klang) Sdn Bhd
- 96% KL-Kepong Oleomas Sdn Bhd
  - 96% KLK Bioenergy Sdn Bhd
- 100% KLK Emmerich GmbH
- 80% KLK Premier Capital Limited
  - 80% Taiko Palm-Oleo (Zhangjiagang) Co Ltd
- 100% KLK Tensachem SA
- 100% Shanghai Jinshan Jingwei Chemical Co Ltd
  - 100% KLK OLEO (Shanghai) Co Ltd
- 51% Stolthaven (Westport) Sdn Bhd

Notes:
Shareholdings are shown as Group's percentage interest
1 Group's percentage interest is 81.5%
2 Commenced liquidation on 3 August 2018

INVESTMENT HOLDING & OTHERS

- 100% Draw Fields Sdn Bhd
- 100% Kersten Holdings Ltd
- 100% KL-Kepong Equity Holdings Sdn Bhd
  - 100% Ablington Holdings Sdn Bhd
  - 100% KL-Kepong International Ltd
  - 100% Quarry Lane Sdn Bhd
- 100% KLK Assurance (Labuan) Limited
- 100% KLK Farms Pty Ltd
- 100% KLK Global Resourcing Sdn Bhd
- 100% KLK Overseas Investments Limited
  - 100% Taiko Plantations Pte Ltd
    - 95% P.T. Putra Bongan Jaya
- 100% KLKI Holdings Limited
  - 100% Kuala Lumpur-Kepong Investments Limited
  - 100% Somerset Cuisine Limited
- 100% Ladang Perbadanan-Fima Berhad
- 100% Ortona Enterprise Sdn Bhd
- 100% Richinstock Sawmill Sdn Bhd

ASSOCIATES

- 50% Applied Agricultural Resources Sdn Bhd
- 40% Aura Muhibah Sdn Bhd
- 30% FKW Global Commodities (Pvt) Limited
- 50% Kumpulan Sierramas (M) Sdn Bhd
- 38% Malaysia Pakistan Venture Sdn Bhd
- 30% MAPAK Edible Oils (Private) Limited
- 30% MEO Trading Sdn Bhd
- 23% Phytopharma Co Ltd

JOINT VENTURES

- 50% P.T. Kreasijaya Adhikarya
- 50% Rainbow State Limited

Governance


AGROW
AWARDS 2018
KUALA LUMPUR KEPONG BERHAD
GOLDEN AGROW - MALAYSIA
ASEAN
NEGOSYO
OCTOBER 1, 2018 • SMX CONVENTION CENTER, PASAY CITY, PHILIPPINES

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("the Board") of KLK recognises corporate governance as being essential for the long term sustainability of the Group's businesses and performance. To this end, the Board devotes considerable effort to identify and formalise best practices to continue maintaining its high standards of corporate governance throughout the Group. Such commitment is based on the belief that sound and effective corporate governance practices are fundamental to the smooth, effective and transparent operation of a company and its ability to enhance long term shareholders' value, increase investors' confidence and protect stakeholders' interests.

In implementing its governance framework, the Board has been guided by the principles and practices as propounded by the Malaysian Code on Corporate Governance 2017 ("the Code"). To further demonstrate the Company's commitment in upholding good corporate governance with appropriate standards of ethical conduct and behaviour at all levels of the Company's businesses, a number of initiatives were undertaken during the financial year ended 30 September 2018 which include, among others, the establishment and implementation of the Code of Conduct and Ethics for the Company. The Terms of References ("TORs") of all Board Committees, the Board Charter and the Code of Conduct for Directors were also reviewed and updated.

The Board is pleased to present this statement on the overview of the corporate governance of the Group during the financial year ended 30 September 2018. This Corporate Governance Overview Statement ("CG Overview Statement") is made in compliance with paragraphs 15.08A and 15.25 of the Main Market Listing Requirements ("Main LR") of Bursa Malaysia Securities Berhad. It shall be read together with the Group's first standalone Corporate Governance Report 2017 ("CG Report") which elaborates further on the detailed application for each practice as set out in the Code. The CG Report is available on the Company's website, *www.klk.com.my*.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

Board Leadership

KLK continues to be led by an experienced, competent and diversified Board that is made up of Directors with appropriate competencies, knowledge, skills and experience from diverse sectors and backgrounds and also in the Group's core businesses. The Directors collectively, have wide and varied technical, financial and commercial experience which facilitates effective, thorough and considered discharge of the Board's statutory and fiduciary duties and responsibilities.

There is a clear division of functions between the Board and the Management to ensure that no single individual or group is dominating the decision-making process. The Board is focused on the Group's overall governance by ensuring the implementation of strategic plans and that accountability to the Group and stakeholders is monitored effectively; whereas the Management is responsible for the implementation of management goals in accordance with the direction of and delegation by the Board.

Roles and responsibilities of the Board

The principal functions and responsibilities of the Board (set out in the Board Charter) include, but are not limited to the following:

(a) Providing leadership to the Company by:

- Guiding the development of appropriate standards and values for the Company.
- Acting in a manner consistent with the Directors' Code of Conduct.

(b) Overseeing the development and implementation of corporate strategies by:

- Working with the Senior Management to ensure that an appropriate strategic direction and set of goals are in place.
- Regularly reviewing and amending or updating the Company's strategic direction and goals developed by the Senior Management.
- Providing guidance and leadership to the Senior Management and ensuring that adequate resources are available to meet its objectives.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

- Overseeing planning activities including the development and approval of strategic plans, major funding proposals, investment and divestment proposals, annual corporate budgets and long-term budgets including operating budgets, capital expenditure budgets and cash flow budgets.
- Reviewing the progress and performance of the Company in meeting these plans and corporate objectives, including reporting the outcome of such reviews.

(c) Ensuring corporate accountability to the shareholders primarily through adopting an effective shareholder communications strategy, encouraging effective participation at general meetings and, through its Chairman, being the key interface between the Company and its shareholders.

(d) Overseeing the control and accountability systems that seek to ensure the Company is progressing towards the goals set by the Board and which are in line with the Company's purpose, the agreed corporate strategy, legislative requirements and community expectations.

(e) Ensuring effective risk management, compliance and control systems (including legal compliance) are in place.

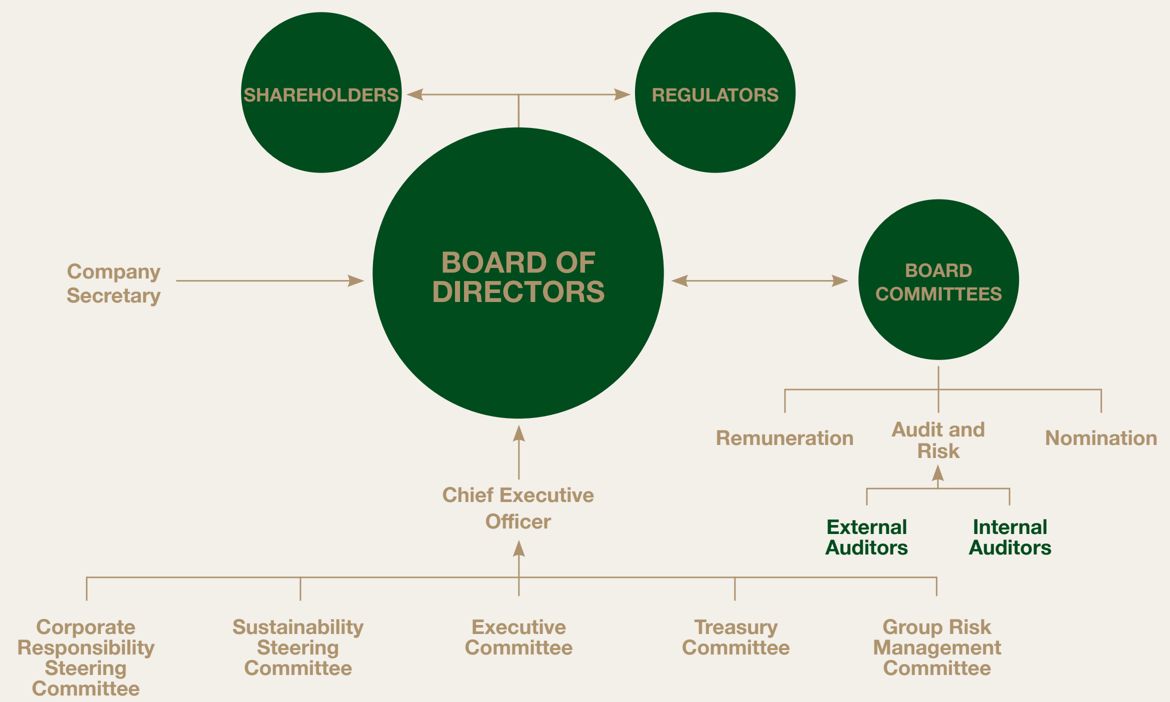
(f) Delegating appropriate powers to the Chief Executive Officer ("CEO"), Management and Committees to ensure the effective day-to-day management of the business, and monitoring the exercise of these powers.

(g) Reviewing potential candidates for the Board and Senior Management positions across the Group through the Nomination Committee ("NC") to ensure efficient succession planning and continuity of the vision and mission of the Group.

(h) Embedding sustainability and corporate responsibility practices as part of Group strategy.

Board Committees, namely the Audit and Risk Committee ("ARC"), NC and Remuneration Committee ("RC"), have been constituted to assist the Board in the discharge of specific duties and responsibilities. Each Committee operates within its respective defined TOR which have been approved by the Board.

The Group's governance model is set out below:



CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board meets at least four (4) times a year on a scheduled basis, with additional meetings convened as and when necessary. During the financial year ended 30 September 2018, a total of six (6) Board meetings were held. The following are the details of attendance of each Director:

DIRECTORS	NUMBER OF MEETINGS		ATTENDANCE PERCENTAGE
	HELD[1]	ATTENDED	
R. M. Alias	6	6	100%
Tan Sri Dato' Seri Lee Oi Hian	6	6	100%
Dato' Lee Hau Hian	6	5	83%
Dato' Yeoh Eng Khoon	6	6	100%
Tan Sri Azlan Bin Mohd Zainol	6	6	100%
Quah Poh Keat	6	6	100%
Anne Rodrigues	6	6	100%
Lee Jia Zhang[2]	4	3	75%

Notes:

1 Reflects the number of meetings held during the time the Directors held office

2 Appointed on 16 May 2018

The Board is satisfied with the level of commitment given by the Directors in carrying out their responsibilities which is evidenced by the attendance record of the Directors above. The Board is also mindful of the importance of devoting sufficient time and effort to carry out their responsibilities and enhance their professional skills. In this respect, none of the Directors holds more than five (5) directorships each in other listed corporations.

The Board Chairman

The Chairman of the Company, who was appointed by the Board, is responsible for leading the Board in discharging its duties effectively, and enhancing the Group's standards of corporate governance.

Roles and responsibilities of the Chairman

The roles and responsibilities of the Chairman include:

(a) Providing effective leadership to the Board, i.e. to see that the Board gets its job done;

(b) Setting the agenda for Board meetings together with the CEO and ensuring the provision of complete and accurate information to all Directors in a timely manner;

(c) Leading Board meetings and discussions, and ensuring the effective and efficient conduct of the Board meetings;

(d) Encouraging active participation and allowing dissenting views to be freely expressed to ensure that the key issues facing the Group are addressed;

(e) Promoting consultative and respectful relations between Board members and between the Board and Management;

(f) Chairing shareholders' meetings and ensuring appropriate steps are taken to provide effective communication with stakeholders to ensure their views are communicated to the Board as a whole; and

(g) Leading the Board in establishing and monitoring good corporate governance practices in the Company.

Separation of positions of the Chairman and the CEO

The respective roles of the Chairman and the CEO are clearly defined, so as to promote accountability and facilitate division of responsibilities between them. The Board believes that the separation of the roles and responsibilities of the Chairman and the CEO ensures an appropriate balance of power and authority.

The Chairman is responsible for leading the Board in discharging its duties effectively, and enhancing the Group's standards of corporate governance. He promotes an open environment for debate, and ensures that all Directors are able to speak freely and contribute effectively at Board meetings. The Chairman also provides clear leadership to the Board with respect to the Group's long-term growth and strategy.

The CEO focuses on the business, organisational effectiveness and day-to-day management of the Group. He also executes the Board's decisions and strategic policies, and chairs the Executive Committee, which comprises Senior Management executives to oversee the operations of the KLK Group.

Company Secretary

The Board is supported by an in-house Company Secretary, who is suitably qualified, experienced and competent. To ensure that Directors are well supported by accurate, complete and timely information, all Directors have unrestricted direct access to the services of the Company Secretary to enable them to discharge their duties and responsibilities effectively.

The Company Secretary is responsible to provide clear and professional advice to the Board on all governance matters and assist the Board on the implementation of an effective corporate governance system. In order to ensure uniformity of Board conduct, the Company Secretary also has oversight of the overall corporate secretarial functions of the Group, both locally and in the countries where its subsidiaries are operating, and serves as an adviser on matters pertaining to governance.

Supply of and Access to Information and Advice

All Directors are furnished with an agenda and a set of Board papers to Board meetings at least seven (7) days prior to the meetings. This would give sufficient time to the Directors to obtain further explanation or clarification, where necessary, in order to be properly briefed before the meeting. The Board papers include, amongst others, the following:

- quarterly financial report and a report on the Group's cash and borrowings position;
- a current review of the operations of the Group;
- minutes of meetings of all Board Committees; and
- minutes of previous Board meetings.

Monthly reports on the financial performance of the Company and the Group are also circulated to the Directors for their views and comments. All proceedings of Board meetings are minuted and filed in the statutory records of the Company, which is accessible by the Directors at all times. Notices on the closed periods for dealings in the shares of the Company are circulated to all Directors and principal officers of the Company in order for them to make necessary disclosure to the Company in advance of whenever the closed period is applicable.

In recognising the importance of sound and timely information flow to the Board effectively, all announcements made to Bursa Malaysia Securities Berhad will be circulated to all Directors on the day the announcements are released. Copies of Director's notices on changes of Director's interests and other directorships will also be given to the other Directors of the Company within the timeframe prescribed by the regulations.

Senior Management is requested to attend Board meetings to present and provide additional information on matters being discussed and to respond to any queries that the Directors may have.

In the furtherance of its duties, the Board is also authorised to obtain at the Company's expense, independent professional advice on specific matters, if necessary, to enable the Board to discharge its functions in the decision-making process.

Board Charter

The Board is guided by its Board Charter which clearly sets out the Board's strategic intent, roles and responsibilities in discharging its fiduciary and leadership functions. The Board Charter serves as a source reference and primary induction literature to provide insights to prospective Board members and Senior Management. Hence, the Board Charter is reviewed periodically and updated in accordance with the needs of the Company to ensure its effectiveness and consistency with the Board's objectives and corporate vision.

The Board Charter is published on the Company's website, *www.klk.com.my.*

Code of Conduct for Directors

The Board also adheres to the Code of Conduct for Directors which sets out the standard of conduct expected of Directors, with the aim to cultivate good ethical conduct that in turn promotes the values of transparency, integrity, accountability and social responsibility. The latest Code of Conduct for Directors is accessible for reference on the Company's website, *www.klk.com.my.*

Code of Conduct and Ethics for the Company

The Board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness. During the financial year under review, the Company has established the Code of Conduct and Ethics to demonstrate its commitment in upholding appropriate standards of ethical conduct and behaviour at all levels of the Company's businesses. The Code of Conduct and Ethics sets out the principles and standards of business ethics and conduct of the Group and is to be observed by all employees, officers and Directors of the Group.

The Code of Conduct and Ethics is made available for reference by all employees, officers and Directors of the Group on the Company's website, *www.klk.com.my*.

Code of Conduct for Management and Employees

In line with good corporate governance practices, the Board, the Management and employees of the Group are committed to a corporate culture which supports the operation of its businesses in an ethical manner, and upholds high standards of professionalism and exemplary corporate conduct at the work place.

The Code of Conduct sets out the standards of behaviour expected of all employees when dealing with stakeholders. It gives guidance in areas where employees may need to make personal and ethical decisions.

In addition to this, employees are also given access to grievance redressal procedures which provide a formal and transparent platform for employees to air their grievances, file complaints or report problems in relation to the Company and its operations.

Both the Code of Conduct for Employees and Group Employee Grievance Redressal Policy are available on the Company's website, *www.klk.com.my*.

Whistleblowing Policy

The Group has adopted a Whistleblowing Policy to enable stakeholders to raise in confidence possible corporate misdemeanours without fear of intimidation or reprisal. This Whistleblowing Policy provides an avenue for stakeholders to raise a legitimate concern about any actual or suspected improprieties involving the resources of the KLK Group at the earliest opportunity for expeditious investigation. The Group is committed to absolute confidentiality and fairness in relation to all matters raised and will support and protect those who report violations in good faith.

The details of the Whistleblowing Policy are available on the Company's website, *www.klk.com.my*.

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Sustainability of Business

KLK believes that doing business in a sustainable manner goes hand-in-hand with corporate responsibility and both are integral to generate and sustain short and long term value for its stakeholders. As such, the Board is committed to promote business sustainability strategies via continuous balanced assessment and development of its operations, whilst simultaneously conserving and improving the natural environment, and uplifting the socio-economic conditions of its employees and local communities.

The Sustainability Policy is available on the Company's website, *www.klk.com.my* and the sustainable development and corporate responsibility programmes of the Group are disclosed on pages 50 to 83.

II. BOARD COMPOSITION

There were eight (8) members on the Board of Directors for the financial year ended 30 September 2018, comprising two (2) Executive and six (6) Non-Executive Directors, five (5) of whom are Independent. One (1) of the Executive Directors is the CEO and the Chairman is an Independent Non-Executive Director.

The Board, through its NC, reviews annually the size and composition of the Board and each Board Committee, and the skills and core competencies of its members, to ensure an appropriate balance and diversity of skills and experience. The Board and its NC have upon their annual assessment, concluded that the current Board comprises of a balanced mix of skills, knowledge and experience in the business and management fields which are relevant to enable the Board to carry out its responsibilities in an effective and efficient manner.

Independent Directors

The Board recognises the importance of independence and objectivity in the decision-making process. The Board comprises five (5) Independent Directors, whom the Board had chosen one (1) as the Senior Independent Director.

The Board and its NC have upon their annual assessment, concluded that each of the five (5) Independent Non-Executive Directors continues to demonstrate conduct and behaviour that are essential indicators of independence, and that each of them continues to fulfil the definition and criteria of independence as set out in the Main LR.

Tenure of Independent Directors

The Board notes the Code's recommendations in relation to the tenure of an Independent Director which shall not exceed a cumulative term of nine (9) years. The NC and the Board have deliberated on the said recommendation and hold the view that a Director's independence cannot be determined solely with reference to tenure of service. Instead, a Director's health, attitude, integrity, ability for dispassionate discourse, business knowledge or judgement, and the discharge of his duties and responsibilities in the best interest of the KLK Group, are also valid criteria to determine his independence and effectiveness. Furthermore, board composition should reflect a balance between effectiveness on the one hand, and the need for renewal and fresh perspectives on the other.

The NC and the Board have determined that R. M. Alias and Dato' Yeoh Eng Khoon, who have served on the Board as Independent Directors, each exceeding a cumulative term of nine (9) years, remain unbiased, objective and independent in expressing their opinions and in participating in the decision-making of the Board. The length of their service on the Board had not in any way interfered with their objective and independent judgement in carrying out their roles as members of the Board and Committees. Furthermore, their pertinent expertise, skills and detailed knowledge of the Group's businesses and operations enable them to make significant contributions actively and effectively to the Company's decision-making during deliberations or discussions. In this respect, the Board has approved the continuation of R. M. Alias and Dato' Yeoh Eng Khoon as Independent Directors of the Company.

The Board is able to observe the conduct and behaviour of the Independent Directors through their regular interactions and discussions with the Independent Directors. Hence, the Board believes that it is in the best position to identify, evaluate and determine whether any Independent Director can continue acting in the best interests of the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Board Diversity

The Board acknowledges the importance of boardroom diversity and the establishment of a gender diversity policy. Despite no specific targets being set in relation to boardroom diversity, the Board is committed to improving boardroom diversity in terms of race, religion, gender, regional and industry experience, cultural and geographical background, ethnicity, age and perspective.

There were eight (8) members on the Board of Directors for the financial year ended 30 September 2018, one (1) of whom is a female. Notwithstanding the lack of gender diversity on the Board at this juncture, the Board remains committed to maintaining at least a 30% female representation on the Board. Hence, the Board will consider the appointment of additional woman Director as and when vacancies arise and circumstances permit. The Board will also take steps to nurture suitable and potential candidates equipped with the competency, skills, experience, character, time commitment, integrity and other qualities in meeting the future needs of the Company.

Board Appointment

The NC maintains a formal and transparent procedure for the selection and recruitment of new Directors. Apart from reviewing the size, composition and diversity of the Board annually, the NC also assesses the suitability of identified candidates for membership of the Board and its Committees. The criteria for selection thereto would include but not be limited to the candidates' skills, knowledge, expertise, experience, professionalism and integrity.

The Board continues to use independent sources or search firms to identify suitably qualified candidates, instead of relying solely on the existing Board, CEO or major shareholders should the need arises.

Nomination Committee

The NC has been established since 2001. The NC's responsibility, among others, is to identify and recommend the right candidate with the necessary skills, experience and competencies to be filled in the Board and Board Committees. Recruitment matters are discussed in depth by the NC before the entire Board makes the final decision on new appointments. The NC has its own written TOR which deals with its authority and duties.

The NC comprises three (3) Non-Executive Directors, the majority of whom are Independent. The members are:

Dato' Yeoh Eng Khoon (Chairman)
- Senior Independent Non-Executive Director

R. M. Alias
- Independent Non-Executive Director

Dato' Lee Hau Hian
- Non-Independent Non-Executive Director

The NC convened three (3) meetings for the financial year under review and the attendance of the members for the meetings held are as follows:

	NUMBER OF MEETINGS	
MEMBERS	HELD	ATTENDED
Dato' Yeoh Eng Khoon	3	3
R. M. Alias	3	3
Dato' Lee Hau Hian	3	3

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A summary of activities undertaken by the NC in the discharge of its duties for the financial year ended 30 September 2018 is set out herebelow:

(1) Reviewed and assessed the suitability of Mr. Lee Jia Zhang, and recommended to the Board his appointment as an Executive Director, by taking into consideration his age, qualification, experience, expertise, knowledge and skills. A rigorous process was conducted to determine whether the appointment is fit and proper in accordance with the requirements and needs of the Board;

(2) Reviewed and assessed the performance, and made recommendations to the Board for its approval, regarding the Directors who are seeking re-election at the forthcoming Annual General Meeting ("AGM");

(3) Reviewed the composition of the Board based on the required mix of skills, experience and other qualities considered important by the Board;

(4) Reviewed the composition of the Board Committees based on their compliances with the provisions of the relevant guidelines and regulations;

(5) Evaluated the size of the Board to ensure that the Board had the requisite competencies and capacity to effectively handle all matters pertaining to the Group;

(6) Conducted the annual assessment on effectiveness of the Board, the Board Committees and the individual Directors of the Company;

(7) Reviewed and assessed the independence of Independent Directors and their tenure of service;

(8) Reviewed the succession plans of the Board and Senior Management in order to ensure that there are appropriate plans in place to fill vacancies and to meet the Group's future needs;

(9) Reviewed the appointment or nominations of directors, commissioners, and supervisors, to the boards of certain subsidiaries in the Group;

(10) Reviewed and recommended to the Board for its approval, the adoption of the revised TOR of NC for compliance with the amendments of the Main LR (arising from the introduction of the Companies Act 2016 and the release of the Code);

(11) Assessed Directors' training needs to ensure all Directors receive appropriate continuous development programmes; and

(12) Reviewed and assessed the term of office and performance of the ARC and each of its members.

Evaluation for Board, Board Committees and Individual Directors

The Board, through the NC, had carried out the annual assessment facilitated by the Company Secretary to evaluate the performance of the Board, its Board Committees and each individual Director during the financial year under review. The assessment was carried out based on a questionnaire and feedback form which is divided into two (2) parts, ie. Part 1 – Director Self-Assessment; and Part 2 – Board of Directors and Board Committees Evaluation. In order to encourage open and frank evaluations, the evaluation process was managed by the Company Secretary, who had forwarded the questionnaire to each Director, as well as collated the duly completed forms from each Director and referred the same to the Chairman of NC on a no-name basis. A summary of the results and all feedback received were tabled to the NC for deliberation before appropriate action plans were recommended to the Board for further discussion and approval.

The results of the annual assessment for the financial year under review indicated that the Board, its Board Committees and the individual Directors had been effective as a whole in the overall discharge of their functions and responsibilities. The NC concluded that each Director has the requisite competence, integrity and character to serve on the Board and had sufficiently demonstrated their commitment to the Group in terms of time, participation and dialogue during the year under review.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board is of the view that it is not necessary to appoint an independent third party to conduct or facilitate in the evaluation process of the Board and Board Committees for the financial year under review. The NC will continue to assess the need for the appointment of an independent third party and will take the necessary action as and when deemed useful.

Induction or Orientation for new Director

The Board recognises the importance of conducting a comprehensive induction or orientation programme for a new director in order to familiarise the new director with the businesses and governance practices of the Group. The programme also allows the new director to get acquainted with Senior Management, thereby facilitating board interaction and independent access to Senior Management. Upon appointment, the new Director goes through a comprehensive induction or orientation programme and is briefed on the Group's activities, operations and policies during visits to various KLK Group operating centres to enable him/her to assimilate into the new role.

Continuous Development Programme for all Directors

The Board oversees the training needs of its Directors. Directors are regularly updated on the Group's businesses and the competitive and regulatory environment in which they operate. Directors are encouraged to visit the Group's operating centres to have an insight into the Group's various operations which would assist the Board to make effective decisions relating to the Group.

The Directors recognise the importance of continuing development by attending conferences, briefings and workshops to update their knowledge and enhance their skills. All Directors are encouraged to attend various external professional programmes relevant and useful in contributing to the effective discharge of their duties as Directors. In this respect, in-house briefings by External Auditors, solicitors and/or Management are organised from time to time to update Directors on relevant statutory and regulatory requirements and the Group's business and operational practices.

For the financial year under review, Directors have attended various programmes to keep abreast with general economic, industry and technical developments as well as changes in legislation and regulations affecting the Group's operations. Directors also visited the Group's marketing and operating centres in Malaysia, Singapore, Indonesia, Europe, China and Australia with the aim of enhancing their understanding and knowledge on the technical and operational aspects of industry-related issues.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Particulars of various training programmes attended by the Directors during the financial year ended 30 September 2018 are as follows:

CONFERENCE/SEMINAR/WORKSHOP	PRESENTER/ORGANISER	DATE
Shariah Programme: Global Perspective on Critical Success and Failure Factors in Islamic Financial Industry in 21st Century	RHB Banking Group (by Amanie Academy)	10/10/2017
Deforestation – Free Commodity Supply Chains by 2020: How to Accelerate Progress	Unilever	25/10/2017
Bankruptcy (Amendment) Act 2017	RHB Banking Group	1/11/2017
BDO Tax Seminar 2017	BDO Chartered Accountants	7/11/2017
Leaders Roundtable Meeting	30% Club Malaysia Chapter	8/12/2017
Anti-Money Laundering/Combating Financing of Terrorism and Regulatory Compliance Training	RHB Banking Group	10/1/2018
Malaysian Financial Reporting Standards ("MFRS") 9	RHB Banking Group (by Ernst & Young)	10/1/2018
Insolvency Act 1967/ Revamping The Bankruptcy Act 1967	Malaysian Resources Corporation Berhad (by Skrine)	15/1/2018
World Capital Markets Symposium 2018 – Renaissance of Capitalism: Markets for Growth	Securities Commission Malaysia	6 – 7/2/2018
Harvard Business School Talk: Public Policy Perspective – Some Thoughts and Contemplations from a Central Banker	Harvard Business School Alumni Club of Malaysia	9/2/2018
Navigating the VUCA World	FIDE FORUM (by Professor Tan Sri Dato' Dr. Lin See-Yan)	1/3/2018
Malaysian Institute of Accountants Technical Update Session 2018	Malaysian Institute of Accountants	6/3/2018
Corporate Governance Briefing Sessions: Malaysian Code on Corporate Governance Reporting & Corporate Governance Guide	Bursa Malaysia Securities Berhad and Securities Commission Malaysia	16/3/2018
Latest Emerging Issues for Company Directors and Officers	NAZA TTDI Sdn Bhd (by Leong Oi Wah)	28/3/2018
Global Economic and Markets Outlook	RHB Banking Group (by Dr Mark Zandi)	29/3/2018
Singapore's New Insolvency and Restructuring Regime	RHB Banking Group (by Shook Lin & Bok)	10/4/2018
Overview of MFRS 9, Financial Instruments	KPMG PLT	27/4/2018

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CONFERENCE/SEMINAR/WORKSHOP	PRESENTER/ORGANISER	DATE
Win the Innovation Race: Unlocking the Creative Power of Asians	FIDE FORUM (by Professor Roy Chua)	6/6/2018
1st *PIDM-FIDE FORUM Annual Dialogue (*Perbadanan Insurans Deposit Malaysia)	FIDE FORUM	10/7/2018
Sustainability Awareness Session	RHB Banking Group (by Ernst & Young)	13/7/2018
Blockchain in Financial Services Industry by IBM	FIDE FORUM	17/7/2018
Roundtable on "What Lessons Learned from Financial Crises of Recent Times"	ASEAN Business Club in collaboration with CIMB ASEAN Research Institute and Official Monetary and Financial Institutions Forum	18/7/2018
Islamic Finance Beyond Banking and Cryptocurrency, Blockchain & Beyond : A Cautionary Tale	Securities Industry Development Corporation	30/7/2018
Kuala Lumpur Business Club Fireside Chat with YB Lim Guan Eng	Kuala Lumpur Business Club	7/8/2018
Advocacy Programme on Corporate Governance Assesment using Revised Asean Corporate Governance Score Card Methodology	Minority Shareholder Watchdog Group	10/8/2018
Government-linked Companies: The Business of Government or the Government in Business?	Perak Academy (by Professor Edmund Terrence Gomez)	11/8/2018
Senior Leadership Programme	Duke Corporate Education	3 - 6/9/2018
New Corporate Liability Provision under Malaysian Anti-Corruption Commission Act 2009	KPMG Management & Risk Consulting Sdn Bhd	5/9/2018
Empowering Leaders Programme	Citi Private Bank in partnership with the Judge Business School of the University of Cambridge	10 - 13/9/2018
MFRS 15 on Revenue from Contracts with Customers and Overview of the General Data Protection Regulation	KPMG PLT and DLA Piper	19 - 20/9/2018

III. REMUNERATION

Remuneration Policy and Procedures for Directors and Senior Management

The Board has in place a formal Remuneration Policy for Directors and Senior Management ("Remuneration Policy"). The Remuneration Policy establishes a formal and transparent procedure for developing a structure for the remuneration of Directors and Senior Management of the Company with the objective of supporting and driving business strategy and the long-term interests of the Company.

The aim of the Remuneration Policy is to:

(i) determine the level of remuneration of Directors and Senior Management;
(ii) attract, retain and reward high performing, experienced and qualified Directors and Senior Management by providing remuneration commensurate with their responsibilities and contributions, and be competitive with the industry; and
(iii) encourage value creation for the Company by aligning the interests of Directors with the long-term interests of shareholders.

The Board, through the RC will conduct a periodic review of the criteria to be used in recommending the remuneration package of Directors and Senior Management to ensure that it is in line with current market practices and needs.

The Remuneration Policy is accessible on the Company's website, *www.klk.com.my*.

Remuneration Committee

The RC has been established since 1994. Its primary responsibility is to structure and review the remuneration policies and procedures for executives of the Group, with a view to ensure that compensation and other benefits encourage performance that enhances the Group's long-term profitability and value. The RC's recommendations on the remuneration package for Senior Management and that for the CEO, are subject to the approval of the Board, and in the case of Non-Executive Directors' fees including Board Committees' fees, the approval of the shareholders. The RC has a TOR which deals with its authority and duties. The TOR was reviewed in this financial year.

The members of the RC, the majority of whom are Independent Non-Executive Directors, are as follows:

R. M. Alias (Chairman)
- Independent Non-Executive Director

Tan Sri Azlan Bin Mohd Zainol
- Independent Non-Executive Director

Dato' Lee Hau Hian
- Non-Independent Non-Executive Director

The RC convened four (4) meetings for the financial year under review and the attendance of the members for the meetings held are as detailed below:

	NUMBER OF MEETINGS	
MEMBERS	HELD	ATTENDED
R. M. Alias	4	4
Tan Sri Azlan Bin Mohd Zainol	4	4
Dato' Lee Hau Hian	4	3

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Directors' Remuneration

The Company's framework on Directors' remuneration has the underlying objectives of attracting and retaining Directors of high calibre needed to run the Group successfully. In the case of the Executive Directors, the various components of the remuneration are structured so as to link rewards to corporate and individual performance. In the case of Non-Executive Directors, the level of remuneration reflects the expertise, experience and level of responsibilities undertaken by a particular Non-Executive Director concerned. The Non-Executive Directors are paid a meeting allowance for each Board meeting they attend. Similarly, members to Board Committees are also paid a meeting allowance for each Committee meeting they attend. The Directors are also reimbursed reasonable expenses incurred by them in the course of carrying out their duties on behalf of the Company.

Details of Directors' remuneration (including benefits-in-kind) and the aggregate remuneration of Directors at the Company and Group levels during the financial year are as follows:

CATEGORY (RM'000)	FEES		SALARIES#	BONUS#	BENEFITS-IN-KIND1#	OTHER EMOLUMENTS2#	GROUP TOTAL
	Company	Subsidiaries					
Executive Directors							
1. Tan Sri Dato' Seri Lee Oi Hian	-	-	4,110	3,425	95	1,352	8,982
2. Lee Jia Zhang^	-	-	316	-	-	84	400
Non-Executive Directors							
1. R.M. Alias*	515	-	-	-	35	16	566
2. Dato' Lee Hau Hian	270	-	-	-	-	11	281
3. Dato' Yeoh Eng Khoon	290	-	-	-	7	18	315
4. Kwok Kian Hai†	90	45	-	-	-	2	137
5. Tan Sri Azlan Bin Mohd Zainol	280	-	-	-	-	19	299
6. Quah Poh Keat	265	-	-	-	-	12	277
7. Anne Rodrigues	261	-	-	-	-	14	275

Notes:

1. Benefits-In-Kind include company car, petrol, driver, medical, insurance coverage and business travel
2. Other emoluments include meeting allowance, travelling allowance, employer's Employees Provident Fund, SOCSO, Employment Insurance System contributions and other claimables and reimbursables for the purpose of enabling the Directors to perform their duties

* Chairman of the Board
\# Received and receivable from the Company. None of the amount was received on group basis.
^ Appointed on 16 May 2018
† Retired on 13 February 2018

The Board has endorsed that the Directors' fees would be held constant for three (3) years. However, to ensure that the Directors' fees align with appropriate peer groups and are measured against profits and other targets set in accordance with the Company's annual budget and plans, the RC reviews the Directors' fees annually.

Having considered that the Non-Executive Directors' fees had been held constant over the past three (3) years and the Board Committees' fees had remained unchanged for more than seven (7) years, the Board approved the RC's recommendation for a proposed revision to the fees and meeting allowance, which will be tabled to shareholders for approval at the forthcoming AGM.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT AND RISK COMMITTEE

In recognising the key role of the Audit Committee of the Company, among others, in risk oversight and management, the Board took a decision to adopt the combined ARC approach in June 2018. Accordingly, the Committee had been formalised and renamed as ARC in August 2018. Following therefrom, the TOR of the Committee was revised and expanded to include the additional roles and functions of the Committee in oversight of the Group's risk management framework and policies.

The ARC of the Company is chaired by a Senior Independent Non-Executive Director, Dato' Yeoh Eng Khoon. The ARC comprises four (4) Independent Non-Executive Directors, who are with diverse backgrounds and extensive experience in legal practice, risk management, banking, finance, taxation etc. In May 2018, the Committee had revised its TOR and put in place a policy to include a cooling-off period of at least two (2) years before a former key audit engagement partner could be appointed as a member of the Committee to govern the independence of such appointment, if any.

The key function of the ARC is to assist the Board to assess the risks and control environment, oversee the financial reporting process, evaluate the internal and external audit process, and review any conflict of interest situations and related party transactions. The roles and responsibilities of the ARC are governed in its TOR which is periodically assessed, reviewed and updated by the ARC or as and when there are changes to the regulatory requirements and direction or strategies of the Company that may affect the ARC's role. Upon review, the proposed changes will be recommended to the Board for approval.

The term of office and performance of the ARC and each of its members are reviewed annually by the Board through the NC, to ensure the ARC and members have carried out their duties in accordance with their TOR.

Assessment of Suitability, Objectivity and Independence of External Auditors

The present External Auditors, Messrs. KPMG PLT will retire at the forthcoming AGM of the Company. The ARC, having assessed the qualification and capabilities of several audit firms (which includes their reputation and presence in the industry, qualifications and independence of its professionals, networking ability and competency to evaluate overseas subsidiaries not audited by the firm and the internal quality control processes in place) recommended to the Board the appointment of Messrs. BDO as the new External Auditors, in place of Messrs. KPMG PLT.

II. RISK MANAGEMENT FRAMEWORK

Risk Management and Internal Controls

The Board acknowledges the importance of a sound risk management system and internal control and is supported by the ARC and Group Risk Management Committee (headed by the CEO) respectively to ensure the risks in the Group are identified and managed with the appropriate risk management system. The risk management process includes identifying principal business risks in critical areas, assessing the likelihood and impact of material exposures and determining its corresponding risk mitigation and treatment measures.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

In this respect, the Board is briefed on any potential fraud, whistleblowing and internal audit findings in order to enable them to assess the integrity of the Group's financial information and the adequacy and effectiveness of the Group's system of internal control and risk management processes.

Under the risk management framework, the Board, through the Group Risk Management Committee, sets out the risk appetite of the Group whilst the Group Risk Management Committee ensures the effectiveness of risk management and adherence to the risk appetite established by the Board.

Having reviewed the adequacy and effectiveness of the Group's risk management and internal control system for the year under review, the Board is of the view that the risk management and internal control system is satisfactory and there were no material losses incurred during the year under review as a result of internal control weakness or adverse compliance events. The details of the Risk Management and Internal Control Framework are set out in the Statement on Risk Management and Internal Control of this Annual Report 2018.

Internal Audit Function

The Board recognises the importance of risk management and internal controls in the overall management processes. An adequately resourced Internal Audit division is in place to assist the Board in maintaining a system of internal control to safeguard shareholders' investment and the Group's assets. The Internal Audit division, which reports directly to the ARC, is responsible to conduct reviews on the system of internal controls and the effectiveness of the processes that are in place to identify, evaluate, manage and report risks.

An overview of the Group's risk management and state of internal controls is set out in the Statement on Risk Management and Internal Control and ARC Report of this Annual Report.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. COMMUNICATION WITH STAKEHOLDERS

KLK upholds a strong culture of continuous, timely and equal dissemination of material information with shareholders, stakeholders, media and regulators through practicable and legitimate channels. Its commitment, both in principle and practice, is to maximise transparency consistent with good corporate governance, except where commercial confidentiality dictates otherwise.

Effective Dissemination of Information

Announcements and release of financial results on a quarterly basis are posted on the Company's website, which will provide the shareholders and the investing public with an overview of the Group's performance and operations.

The Company's website is freely accessible to the public at *www.klk.com.my* and the Directors welcome feedback channelled through the website.

As there may be instances where investors and shareholders may prefer to express their concerns to an independent director, the Board has appointed Dato' Yeoh Eng Khoon, as the Senior Independent Non-Executive Director to whom concerns may be directed.

Investor Relations

The Board recognises the importance of keeping shareholders, investors, research analysts, bankers and the press informed of the Group's business performance, operations and corporate developments. The Board's primary contact with major shareholders is via the CEO and the Group CFO, who have regular dialogues with institutional investors and deliver presentations to analysts periodically.

For the financial year ended 30 September 2018, Management has attended approximately 30 meetings including tele-conferences and video-conferences with both local and foreign investors and analysts. These meetings are scheduled to keep the investment community abreast of the Group's strategic developments and financial performance.

The Company's website, *www.klk.com.my* serves as a channel of communication for shareholders, investors and the general public. Information such as disclosures made to Bursa Malaysia Securities Berhad (including interim and full year financial results, Annual Report and other announcements on relevant transactions undertaken by the Group), Company Profile, Corporate Information, Group Policies, Corporate Mission & Values, the respective TORs of the ARC, NC and RC etc., can be obtained from the website. Requests for information on the Company can be forwarded to its dedicated Investor Relations & Corporate Communications Department through the same website.

Pursuant to the best practices in corporate governance, Dato' Yeoh Eng Khoon continues to serve as the Senior Independent Non-Executive Director to whom concerns of investors and shareholders may be directed. Dato' Yeoh Eng Khoon is also the Chairman of the ARC and NC.

Compliance with Applicable Financial Reporting Standards

The Board takes due care and responsibility for presenting a fair, balanced and comprehensible assessment of the Group's operations, performance and prospects each time it releases its quarterly and annual financial statements to shareholders and the general public. The ARC plays a crucial role in reviewing information to be disclosed to ensure its accuracy, adequacy, transparency and compliance with the appropriate accounting standards and the financial statements give a true and fair view of the state of affairs of the Company and the Group.

In respect of the financial statements for the financial year ended 30 September 2018, the Directors have:

- adopted appropriate accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent; and
- ensured that all applicable accounting standards have been followed, subject to any explanations disclosed in the notes to the financial statements.

The Directors are responsible for ensuring that proper accounting records are kept and which disclose with reasonable accuracy the financial position of the Company and the Group to enable them to ensure that the financial statements comply with the Companies Act 2016. They have an overall responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company, to prevent and detect fraud and other irregularities.

Corporate Disclosure Policy and Procedures

The Company and the Group are committed to a policy which provides accurate, balanced, clear, timely and complete disclosure of corporate information to enable informed and orderly market decisions by investors. Importance is also placed on timely and equal dissemination of material information to the stakeholders, media and regulators. In this respect, the Company has in place a Corporate Disclosure Policy, which is accessible on the Company's website, *www.klk.com.my*, to ensure that comprehensive, accurate and timely disclosures are provided to shareholders and stakeholders.

The objectives of the Corporate Disclosure Policy and Procedures are to:

(a) confirm in writing KLK's existing disclosure policies, guidelines and procedures and ensure consistent approach to the Company's disclosure practices throughout the Company;

(b) ensure that all persons to whom this Disclosure Policy applies understand their obligations to preserve the confidentiality of material information;

(c) effectively increase understanding of the Company's business and enhance its corporate image by encouraging practices that reflect openness, accessibility and co-operation; and

(d) reinforce KLK's commitment to compliance with the continuous disclosure obligations imposed by the Malaysian securities law and regulations and the Main LR.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Material information will in all cases be disseminated broadly and publicly via Bursa Malaysia Securities Berhad, and other means. Summaries of the interim and the full year's results are advertised in the local newspaper. Interested parties may also obtain the full financial results and the Company's announcements from the Company's website at *www.klk.com.my* which are also posted on the Bursa Malaysia Securities Berhad's website.

II. CONDUCT OF GENERAL MEETINGS

Shareholders' Participation at AGMs

The AGM is the principal forum for dialogue and interaction with the shareholders of the Company, where they may present their views or to seek clarification on the progress, performance and major developments of the Company. The Board encourages shareholders' active participation at the Company's AGM and endeavours to ensure all Board members, the Company's Senior Management and the Group's External Auditors are in attendance to respond to shareholders' queries. Where it is not possible to provide immediate answers to shareholders' queries, the Board will undertake to provide the answers after the AGM.

To strengthen transparency and efficiency in the voting process and in line with the Main LR, the Company adopted electronic poll voting at its AGM. An independent external party was appointed as scrutineers for the electronic poll voting process. The Chairman announced the voting results of all the resolutions tabled before the closure of the AGM and the outcome of the AGM is released to Bursa Malaysia Securities Berhad on the same meeting day. The summary of the AGM proceedings is available on the Company's website, *www.klk.com.my*.

Interaction between Directors and Shareholders during General Meetings

At AGMs, the Chairman plays a pivotal role in fostering constructive dialogue between shareholders, the Board and Senior Management. Shareholders are also informed of the rules, including the voting procedures that govern the AGMs.

At the 45^{th} AGM of the Company held on 13 February 2018, all eight (8) Directors were present in person to engage directly with the shareholders of the Company. During the AGM, shareholders had actively taken the opportunity to raise questions on the agenda items of the AGM as well as current development of the Group. The Directors and Senior Management responded to all the questions raised and provided clarification as required by the shareholders. To ensure transparency, the Board also provided shareholders the Company's responses to questions submitted in advance by the Minority Shareholder Watchdog Group and Employees Provident Fund Board by distributing the replies before the commencement of the meeting.

Having considered the importance of maintaining good rapport with shareholders, the Company convened an Extraordinary General Meeting ("EGM") during the year under review to provide shareholders an additional opportunity to raise questions or seek clarification from the Board on the adoption of the Company's new Constitution. The adoption of the new Constitution was undertaken primarily to streamline the Memorandum & Articles of Association of the Company with the Companies Act 2016 and Main LR. This general meeting had provided an avenue for shareholders to communicate directly with the Board in a meaningful discussion on the specified agenda. It also allowed the Board to stay focused on the sole agenda of the meeting and enabled better anticipation of shareholders' concern and contentious issues on the specified matter.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

INTRODUCTION

Pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors of KLK is committed to maintain a sound risk management framework and internal control system in the Group and is pleased to present herewith the Statement on Risk Management and Internal Control which outlines the nature and state of risk management and internal control of the Group during the year.

BOARD RESPONSIBILITY

The Board affirms its overall responsibility in maintaining a sound risk management and internal control system at KLK to safeguard the interest of shareholders, customers, employees and the Group's assets. In view of the limitations inherent in any system of risk management and internal control, the system is designed to manage, rather than to eliminate, the risk of failure to achieve the policies, goals and objectives of the Group. It can therefore only provide reasonable, rather than absolute assurance against material misstatement of management and financial information, financial losses, fraud and breaches of laws or regulations.

CONTROL ENVIRONMENT AND ACTIVITIES

RISK MANAGEMENT FRAMEWORK

A formal risk management framework has been established with the aim of setting clear guidelines in relation to the level of risks acceptable to the Group. The framework is also designed to ensure proper management of the risks that may impede the achievement of the Group's goals and objectives.

The Group has in place an on-going process for identifying, evaluating and managing the principal risks that affect the attainment of the Group's business objectives and goals for the year under review and up to the date of approval of this statement for inclusion in the Annual Report.

The Board is supported by the Group Risk Management Committee ("GRMC"), headed by the Chief Executive Officer ("CEO") in overseeing the risk management efforts within the Group. The risk management process includes identifying principal business risks in critical areas, assessing the likelihood and impact of material exposures and determining its corresponding risk mitigation and treatment measures.

The Group's risk management framework is set out in the diagram below:

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

The GRMC directs the Risk Management Units ("RMUs") on the guidelines and timeline for the submissions of the risk reports to the GRMC. The RMUs revise or identify new risks based on risk appetite in terms of its magnitude of the financial or non-financial impact against the likelihood of the occurrence of the risk. The RMUs submit the risk reports to the Business Division Heads ("BDH") for review. The BDHs review the risks associated with the Group's strategic objectives and overall risks appetite to ensure all principal risks are adequately addressed by the RMUs. The principal risks and remedial actions are deliberated in the GRMC meeting and reported to the Board yearly. Any changes highlighted by the Board would then be cascaded to the RMUs for remedial action plans. Notwithstanding the above, any emerging principal risks that may arise during the year will be escalated immediately to the GRMC.

These on-going processes are co-ordinated by the Internal Audit division in conjunction with all BDHs within the Group and periodic reporting to the GRMC.

The principal risks for the financial year 2018 have been reviewed by the Board of Directors and are as follows:

Sustainability Risks

The proliferation of Sustainability Standards makes implementation increasingly onerous. Demand by consumers on traceability of palm products, in particular the palm oil supply chain, to enhance visibility and transparency of relevant operations at various stages has increased further. In addition, the Non-Governmental Organisations (NGOs) and Civil Society Organisations (CSO) post high expectations on sustainability commitments on matters such as deforestation, protection of peat land, violation of communities' rights and labour practices across its supply chain including third party suppliers. KLK has a Sustainability Policy and Grievance Procedure in place, to address these areas of concern. The revised Sustainability Policy was published in August 2018 outlining its enhanced commitments towards the key socio-economic, social and environmental matters. The revised Sustainability Policy and Grievance Procedure are available on the Company's website at *www.klk.com.my*.

KLK abides by the Principles & Criteria set by the Roundtable on Sustainable Palm Oil (RSPO), Malaysian Sustainable Palm Oil (MSPO) and Indonesia Sustainable Palm Oil (ISPO). KLK believes in open dialogue, transparency, cooperation and actively engaging with stakeholders, particularly the communities living in the vicinity of the Group's operations. The Group aims to contribute to the socio-economic development of the communities concerned and manage adverse impact, if any, to the communities arising from its operations. In addition to managing traceability trails in-house, the Group would engage external providers to expedite compliance with the new revised Sustainability Policy to achieve 100% traceability to plantations (for our palm oil mills and refineries) and to palm oil mills (for our kernel crushing plants) by end of 2020.

The Group also has in place a Sustainability Steering Committee which oversees the management policies, processes and strategies to manage social, environmental and reputational risks. The Group on a periodic basis, reports to the public in relation to its efforts and status of compliance with the KLK Sustainability Policy. The Group also works closely with major players in the industry and government to correct the negative perception propagated by anti-palm oil movements and promote the benefits of palm oil.

Regulatory Risks

The Group businesses are governed by relevant laws, regulations and standards. The Group as and when needed assesses the impact of new laws and regulations affecting its businesses to ensure its processes and infrastructure setting are able to operate under new requirements.

In countries where there are complex regulations governing the Group's businesses, the Senior Management had carried out intensive due diligence on the status of land and compliance to ensure regulatory risks are being addressed. In addition, the Management had also conducted intensive checks on all legal requirements, licences etc.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

Market and Commodity Risks

(i) Price uncertainties

Price of Crude Palm Oil ("CPO") remains volatile, driven by effects of geopolitical and policy uncertainties particularly those impacting major palm importing/exporting countries. Biofuels industry continues to reinforce price links to crude oil, leading to even greater market fluctuations based on energy demand. The Group projects base, upside and downside scenarios, assessing market environments from conducive to favourable and unfavourable respectively, where assessments of strategic decisions are based on.

To mitigate risks of destabilised price of CPO particularly in Indonesia due to favourable duties for refined products, the Management continues to optimise, whenever possible supply from the Group's mills with its own refineries.

In its refinery operations, where margin management is key, the Group will adopt clear standard operating procedures and limits for its trading activities both in physical and future positions.

(ii) Limited supply of lauric oil

The Oleochemical division, in particular its fatty alcohol business requires substantial lauric oil, i.e. the crude palm kernel oil ("CPKO") as raw material for its production process. Hence, huge fluctuations in CPKO prices and limited availability in its supply had rendered buyers extremely prudent in products' purchase. The price fluctuations would impact the margins of the Oleochemical division.

The Group manages this business risk with clear visibility of forward months' raw material price and cost structure. The Group also widens its sourcing from Indonesia and integrates with the Plantation sector wherever possible for long term supply of raw materials.

(iii) Oversupply of fatty alcohol in the market and significant production cost disadvantage over synthetic alcohol

The fatty alcohol business continued to be affected by the prolong CPKO price gap between Indonesia and Malaysia and buyers of fatty alcohol switching to synthetic-based creates an oversupply of fatty alcohol in the market currently. The oversupply of fatty alcohol has impacted the profitability of Oleochemical division. Most Southeast Asia Oleo producers have set up downstream integration operations in Europe to create competitiveness and market leadership, hence accessible fatty alcohol market has decreased as well.

The Group is managing the risk by acquiring more customers to spread the risk to a wider base of customers, improving its product management and production efficiency in producing high quality of alcohol products.

Operational Risks

(i) Labour Shortages and Escalating Operational & Development Costs in the Plantation Sector

Plantation operations are labour intensive. The Group faces challenges in the form of inadequate skilled workers for its harvesting operations. Though efforts are being made to recruit local workers, the reliance on foreign workers particularly for Malaysian's operations remains heavy. Labour supply in Malaysia is also tightening due to rising wages in Indonesia resulting in less Indonesian workers being incentivised to work abroad. Further increase in the minimum wages and other operational costs such as chemicals and fertiliser would also be a cause of concern.

To mitigate the above risk, the Group is continuously devising ways to mechanise and increase efficiency and productivity by reducing 'workers to hectare ratio'. The Group has sourced workers from other countries to reduce dependency on Indonesian workers. The Group is continuously devising efforts to achieve higher productivity in harvesting areas. Prudent cost control measures are in place through budgeting process and monitoring system. Management also carried out consistent replanting programmes and introduced new planting materials to increase the production yields.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

(ii) Industrial Risks

The Oleochemical division uses hydrogen/methanol/hydrogen peroxide in its production processes. Likewise, in the Plantation sector, the Palm Fibre Oil Extraction Plant and Palm Kernel Cake Oil Extraction Plant use solvent, i.e. hexane to recover residual oil from the palm pressed fibre and palm kernel cake respectively. These gases and solvent are hazardous and can cause explosion and fire. The smoke and haze pollutions resulting from forest and land fires besides posing serious health concerns, could also stunt fruit growth and cause disruption to harvest during peak production seasons.

The Group adhered strictly to the safety and sustainability policies which takes into account the changing risk landscape to manage industrial risks. The Emergency Response Team is properly trained to contain and control leakages or fire. To mitigate the financial impact, these plants are adequately insured under Industrial All Risk Policy and Fire-Industrial Policy for Oleochemical division and Plantation sector respectively.

(iii) Cyber Security Risk

The business environment is global and highly interconnected, increasing the organisation's probability of cyber threats. To manage this risk, controls have been put in place to manage and protect the confidentiality, integrity and availability of data and critical infrastructure. Amongst others, adequate IT Industrial standard network security layer equipment, encryption protocols, virus scanning tools and application are in place to protect and secure the accessibility to the Group's IT environment. As proactive measure, notification alerts have been set up to alert any suspicious network traffic or incident which will be triggered and investigated till its resolution. Continuous security awareness trainings are provided to the employees to ensure IT security protocols are adhered to. Disaster Recovery Plan (DRP) has been implemented to recover and protect the business IT infrastructure in the event of adverse events.

OTHER ELEMENTS OF RISK MANAGEMENT AND INTERNAL CONTROL

Board Meetings

At a minimum, the Board meets on a quarterly basis and has a formal agenda on matters for discussion. The CEO leads the presentation of board papers and provides explanation on pertinent issues. A thorough deliberation and discussion by the Board is a prerequisite before arriving at any decision. In addition, the Board is kept updated on the Group's activities and operations on a timely and regular basis.

Organisational Structure with Formally Defined Responsibility Lines and Delegation of Authority

There is in place an organisational structure with formally defined responsibility lines and authorities to facilitate quick response to changes in the evolving business environment, effective supervision of day-to-day business conduct and accountability for operation performance. Capital and non-capital expenditures and acquisition and disposal of investment interest are subject to appropriate approval processes. The limit of authorities for approval levels is established for budgeted and non-budgeted capital expenditure.

Performance Management Framework

Management reports are generated on a monthly and consistent basis to facilitate the Board and the Group's Management in performing financial and operation reviews on the various operating units. The reviews encompass areas such as financial and non-financial key performance indicators, variances between budget and operation results and compliance with laws and regulations.

The Group has in place a well-controlled budgeting process that provides a responsible accounting framework. The Group's annual budget is approved by the Board prior to implementation.

Operational Policies and Procedures

The documented policies and procedures form an integral part of the internal control systems to safeguard shareholders' investment and the Group's assets against material losses and ensure complete and accurate financial information. The documents consist of approved memoranda, circulars, manuals and handbooks that are continuously being revised and updated to meet operational needs.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

Whistleblowing Policy

A Whistleblowing Policy has been established to provide clarity of oversight of the whistleblowing process, protection and the confidentiality provided to whistleblowers. The Policy provides a protocol to employees and stakeholders to raise genuine possibilities of improprieties, malpractices and misconduct within the Group for remedial action. In addition, the Group had also implemented an Employee Grievance Redressal Policy to provide a clear and transparent framework for employees to raise any grievances. These policies are available on the Company's website at *www.klk.com.my.*

Group Internal Audit

The Internal Audit division, which reports directly to the Audit and Risk Committee, conducts reviews on the system of internal controls and the effectiveness of the processes that are in place to identify, evaluate, manage and report risks. Routine reviews are conducted on units under the Group's major core activities.

REVIEW OF STATEMENT BY EXTERNAL AUDITORS

The External Auditors have reviewed this Statement on Risk Management & Internal Control pursuant to the scope set out in the Audit and Assurance Practice Guide ("AAPG") 3, Guidance for Auditors on Engagements to Report on Statement on Risk Management and Internal Control issued by the Malaysian Institute of Accountants for inclusion in the Annual Report of the Group for the year ended 30 September 2018, and reported to the Board that nothing has come to their attention that caused them to believe that the Statement intended to be included in the Annual Report of the Group, in all material aspects:

(a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers; or

(b) is factually inaccurate.

AAPG 3 does not require the External Auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board and Management thereon. The Auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the Annual Report will, in fact, remedy the problems.

CONCLUSION

The Board has reviewed the adequacy and effectiveness of the Group's risk management and internal control system for the year under review and up to the date of approval of this Statement for inclusion in the Annual Report, and is of the view that the risk management and internal control system is satisfactory and there were no material losses incurred during the year under review as a result of internal control weakness or adverse compliance events.

For the period under review, the CEO and the Group Chief Financial Officer have provided assurance to the Board that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects.

This Statement on Risk Management & Internal Control was approved by the Board of Directors on 7 December 2018.

AUDIT AND RISK COMMITTEE REPORT

The Board of Directors ("the Board") of KLK is pleased to present the Audit and Risk Committee Report for the financial year ended 30 September 2018.

The Audit Committee was established in 1993 in line with the Main Market Listing Requirements ("Main LR") of Bursa Malaysia Securities Berhad. Subsequently, on 14 August 2018, the Audit Committee was renamed as the Audit and Risk Committee ("ARC") to recognise the importance of the risk oversight and management functions carried out by the ARC. The Terms of Reference ("TOR") of the ARC was also revised and expanded to include the additional roles and functions conducted by the ARC.

The TOR of the ARC is available on the Company's website at *www.klk.com.my*.

COMPOSITION AND MEETINGS

The ARC convened six (6) meetings during the financial year ended 30 September 2018. Details of the membership and their attendance at the meetings, are as follows:

MEMBERS	NUMBER OF MEETINGS	
	HELD[1]	ATTENDED
Dato' Yeoh Eng Khoon (Chairman) Senior Independent Non-Executive Director	6	6
Tan Sri Azlan Bin Mohd Zainol Independent Non-Executive Director	6	6
Quah Poh Keat Independent Non-Executive Director	6	6
Anne Rodrigues[2] Independent Non-Executive Director	5	5

Notes:

1 Reflects the number of meetings held during the time the ARC members held office

2 Appointed on 1 December 2017

Tan Sri Azlan Bin Mohd Zainol, Mr. Quah Poh Keat and Mrs. Anne Rodrigues are members of the Malaysian Institute of Accountants. The ARC, therefore, fulfils the requirements of having at least one (1) of its members to be a qualified accountant pursuant to Paragraph 15.09(1)(c) of the Main LR.

SUMMARY OF THE WORK OF THE ARC

In line with the TOR of the ARC, the work carried out by the ARC in the discharge of its functions and duties for the financial year ended 30 September 2018 are as follows:

Financial Reporting

- Reviewed the Group's quarterly results and financial statements, and made recommendations to the Board for approval of the same, as detailed below:

DATE OF MEETINGS	QUARTERLY RESULTS/FINANCIAL STATEMENTS REVIEWED
11 February 2018	Unaudited first quarter results for the period ended 31 December 2017
15 May 2018	Unaudited second quarter results for the period ended 31 March 2018
14 August 2018	Unaudited third quarter results for the period ended 30 June 2018
13 November 2018	Unaudited fourth quarter results for the period ended 30 September 2018 and the unaudited results of the Group for the financial year ended 30 September 2018
6 December 2018	Audited Financial Statements for the year ended 30 September 2018

AUDIT AND RISK COMMITTEE REPORT

The review of the unaudited quarterly financial results is to ensure the disclosures are in compliance with the Financial Reporting Standard 134 – Interim Financial Reporting and applicable disclosure provisions in the Main LR.

The ARC had also reviewed the audited financial statements of the Company and the Group for the financial year ended 30 September 2018 to ensure it presented a true and fair view of the financial position and performance for the year and ensure that it complied with all disclosures and regulatory requirements and recommended the audited financial statements to the Board for approval.

- Reviewed the significant matters highlighted by the External Auditors in the financial statements and significant judgements made by Management.

Risk Management and Internal Control

- Reviewed the Group Risk Management Committee's meeting minutes and reports, and deliberated on the principal risks highlighted and the controls to mitigate the risks.

Internal Audit

- Reviewed the risk-based annual audit plan to ensure adequate scope and coverage on the activities of the Company and the Group.
- Reviewed and deliberated on reports of audits conducted by the Internal Audit division ("IAD").
- Appraised the adequacy of actions and remedial measures taken by the Management in resolving the audit issues reported and recommended further improvement measures.
- Reviewed the adequacy of staff resources and access to information to ensure audit works were carried out effectively.

External Audit

- Reviewed and endorsed the External Auditors' audit strategy, scope of work and audit plan for the year, including the review on audit documentation of significant component auditors in the subsidiaries.
- Met with the External Auditors at least once a year without the presence of Management to review and discuss on the key issues within their duties and responsibilities. There were no major concerns raised by the External Auditors at the meetings.
- Reviewed and approved the audit and non-audit services provided by the External Auditors. The amounts of audit and non-audit fees are disclosed in the Additional Compliance Information on page 112.
- Obtained written assurance from the External Auditors to confirm on their independence throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.
- The present External Auditors, Messrs. KPMG PLT will retire at the forthcoming Annual General Meeting of the Company. The ARC, having assessed the qualification and capabilities of several audit firms (which includes their reputation and presence in the industry, qualifications and independence of its professionals, networking ability and competency to evaluate overseas subsidiaries not audited by the firm and the internal quality control processes in place) recommended to the Board for the appointment of Messrs. BDO as the new External Auditors, in place of Messrs. KPMG PLT.

AUDIT AND RISK COMMITTEE REPORT

Related Party Transactions which include Recurrent Related Party Transactions ("RPT")

- Reviewed the RPTs entered into by the Company and the Group and disclosure of such transactions pursuant to Chapter 10 of the Main LR, Financial Reporting Standard 124 and the Companies Act 2016.
- Reviewed the Circular to Shareholders in relation to the proposed shareholders' mandate for recurrent related party transactions.
- Reviewed the processes and procedures in the Policy on RPTs to ensure that related parties are appropriately identified and that RPTs are appropriately declared, approved and reported.

Other Duties

- Reviewed and revised its TOR for compliance with the amendments of the Main LR (arising from the introduction of the Companies Act 2016 and the release of the new Malaysian Code on Corporate Governance 2017), and to include the additional roles and functions of the ARC in oversight of the Group's risk management framework and policies, for recommendation to the Board for approval.
- Reviewed the ARC Report, Statement on Risk Management and Internal Control, and additional compliance information before submitting for the Board's approval and inclusion in the Company's Annual Report.

SUMMARY OF THE WORK OF THE INTERNAL AUDIT FUNCTION

The Group has an independent in-house IAD whose primary function is to assist the ARC in discharging its duties and responsibilities. Currently, there are a total of 58 Internal Auditors across the Group in Peninsular Malaysia, Sabah and Indonesia.

The IAD's role is to provide the ARC with independent and objective reports on the adequacy and effectiveness of the internal controls and procedures in the operating units within the Group and the extent of compliance with the Group's established policies, procedures and guidelines, and also compliance with the applicable laws and regulations.

The Internal Audit's activities are guided by the Internal Audit Charter and the IAD adopts a risk-based approach focusing on high risks areas. The IAD conducts regular and systematic reviews on the effectiveness of key controls and processes in the operating units to provide reasonable assurance that such systems would continue to operate satisfactorily and effectively.

For the financial year under review, the IAD conducted audit assignments on various operating units in Malaysia, Indonesia, China, Europe and Liberia. The audit reports incorporating audit recommendations and management responses on the control issues were submitted to the ARC on a quarterly basis. Periodic follow-up audits were carried out where appropriate to ensure recommendations for corrective actions were implemented and enforced.

The IAD had reviewed the quarterly financial reports to ensure disclosures are in compliance with the Financial Reporting Standard 134 – Interim Financial Reporting and Main LR. IAD had participated in User Requirement Study and System Design on the implementation of new IT systems in the Group to ensure that pertinent controls are adequately in place. IAD will continue to leverage on data analytics tools to improve the efficiency and effectiveness of data retrieval and analytics capabilities for the audit processes.

IAD had conducted in-house audit training for Auditors to enhance competencies and practices. IAD also conducted training for the operating units' personnel to enhance their internal control awareness.

The total costs incurred for the internal audit function of the Group for the financial year ended 30 September 2018 was RM5.16 million.

ADDITIONAL COMPLIANCE INFORMATION

The following information is provided in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad:

UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

There were no proceeds raised from any corporate proposals during the financial year.

AUDIT AND NON-AUDIT FEES

(i) The amount of audit fees paid or payable to the External Auditors, Messrs. KPMG PLT, for services rendered to the Company and the Group for the financial year ended 30 September 2018 amounted to RM265,000 and RM885,000 respectively.

(ii) The amount of non-audit fees paid or payable to the External Auditors, Messrs. KPMG PLT and its affiliates, for services rendered to the Company and the Group for the financial year ended 30 September 2018 amounted to RM180,000 and RM1,651,000 respectively.

MATERIAL CONTRACTS

There were no material contracts other than in the ordinary course of business entered into by the Company or its subsidiaries involving the interest of Directors and major shareholders during the financial year.

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("RRPT")

The details of the RRPTs entered into by the Company and its subsidiaries during the financial year are disclosed in Note 38 to the financial statements on pages 166 to 167.

Accountability

FINANCIAL STATEMENTS

REPORT OF THE DIRECTORS

The Directors of Kuala Lumpur Kepong Berhad have pleasure in submitting their Report together with the audited financial statements of the Group and of the Company for the financial year ended 30 September 2018.

PRINCIPAL ACTIVITIES
The Company carries on the business of producing and processing palm products and natural rubber on its plantations. The Group's subsidiaries, associates and joint ventures are involved in the business of plantations, manufacturing, property development and investment holding.

ULTIMATE HOLDING COMPANY
The Company is a subsidiary of Batu Kawan Berhad, of which is incorporated in Malaysia and regarded by the Directors as the Company's ultimate holding company, during the financial year and until the date of this report.

SUBSIDIARIES
The details of the Company's subsidiaries are disclosed in Note 42 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Profit before taxation	1,117,380	568,003
Tax expense	(313,276)	(57,012)
Profit for the year	804,104	510,991
Attributable to:		
Equity holders of the Company	753,328	510,991
Non-controlling interests	50,776	-
	804,104	510,991

DIVIDENDS
The amounts paid or declared by way of dividends by the Company since the end of the previous financial year were:

(i) a final single tier dividend of 35 sen per share amounting to RM372,738,000 in respect of the year ended 30 September 2017 was paid on 13 March 2018, as proposed in last year's report; and

(ii) an interim single tier dividend of 15 sen per share amounting to RM159,745,000 in respect of the year ended 30 September 2018 was paid on 7 August 2018.

The Directors authorised the payment of a final single tier dividend of 30 sen per share amounting to RM319,490,000 for the year ended 30 September 2018 which will be paid on 5 March 2019. The entitlement date for the dividend shall be 25 February 2019.

RESERVES AND PROVISIONS
There were no material transfers to or from reserves and provisions during the financial year except as disclosed in the statements of changes in equity and Note 34 to the financial statements.

ISSUED AND PAID-UP CAPITAL
During the financial year, the Company has not made any purchase of its own shares or re-sale of the treasury shares since the fresh mandate for the share buy back scheme approved by the shareholders of the Company at the Annual General Meeting ("AGM") held on 13 February 2018. Details of the shares bought back and retained as treasury shares are as follows:

		Per Share			
Month	No. Of Shares Bought Back And Held As Treasury Shares	Highest Price Paid RM	Lowest Price Paid RM	Average Price Paid RM	Total Consideration RM'000
February 1999	1,208,000	5.90	5.10	5.58	6,823
March 1999	1,131,000	5.25	4.72	4.86	5,559
January 2002	200,000	5.30	5.30	5.30	1,065
	2,539,000				13,447

The mandate given by the shareholders will expire at the forthcoming AGM and an ordinary resolution will be tabled at the AGM for shareholders to grant a fresh mandate for another year.

There were no changes in the issued and paid-up capital of the Company during the financial year.

REPORT OF THE DIRECTORS

DIRECTORS OF THE COMPANY
The Directors who served during the financial year until the date of this report are shown on page 13.

DIRECTORS' SHAREHOLDINGS
The Directors holding office at the end of the financial year and the details of the Directors' shareholdings in the Company and its ultimate holding company as recorded in the Register of Directors' Shareholdings were as follows:

	Number of Shares			
Shares in the Company	**Balance at 1.10.2017/ Date of Appointment**	**Bought**	**Sold**	**Balance at 30.9.2018**
Direct interest				
R. M. Alias	337,500	-	-	337,500
Tan Sri Dato' Seri Lee Oi Hian	72,000	-	-	72,000
Dato' Lee Hau Hian	83,250	-	-	83,250
Dato' Yeoh Eng Khoon	335,000	-	-	335,000
Anne Rodrigues nee Koh Lan Heong	1,500	-	-	1,500
Deemed interest				
R. M. Alias	1,000	-	-	1,000
Tan Sri Dato' Seri Lee Oi Hian	496,372,027	5,000,000	-	501,372,027
Dato' Lee Hau Hian	496,372,027	5,000,000	-	501,372,027
Dato' Yeoh Eng Khoon	3,189,850	-	-	3,189,850
Shares in the ultimate holding company, Batu Kawan Berhad				
Direct interest				
Tan Sri Dato' Seri Lee Oi Hian	854,355	-	-	854,355
Dato' Lee Hau Hian	1,425,530	-	-	1,425,530
Dato' Yeoh Eng Khoon	315,000	-	-	315,000
Lee Jia Zhang *	10,000	-	-	10,000
Deemed interest				
Tan Sri Dato' Seri Lee Oi Hian	213,728,705	-	-	213,728,705
Dato' Lee Hau Hian	212,531,980	-	-	212,531,980
Dato' Yeoh Eng Khoon	15,391,000	100,000	-	15,491,000

* Lee Jia Zhang was appointed director of the Company on 16 May 2018.

By virtue of their deemed interests in the shares of the Company and its ultimate holding company, Tan Sri Dato' Seri Lee Oi Hian and Dato' Lee Hau Hian are deemed to have an interest in the shares of all the subsidiaries and related corporations to the extent that the Company and the ultimate holding company have interests.

Other than as disclosed above, no other Directors who held office at the end of the financial year has any shares in the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS
Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the Group's financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except for any deemed benefits that may accrue to certain Directors by virtue of normal trading transactions by the Group and the Company with related parties as disclosed in Note 38 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

REPORT OF THE DIRECTORS

INDEMNITY AND INSURANCE COSTS
During the financial year, Directors and Officers of the Group are covered under the Directors' and Officers' Liability Insurance Policy in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and Officers of the Group subject to the terms of the Policy. The total amount of directors' and officers' liability insurance effected for the Directors and Officers of the Group was RM50 million.

OPTIONS GRANTED OVER UNISSUED SHARES
No options were granted to any person to take up unissued shares of the Company during the financial year.

OTHER STATUTORY INFORMATION
Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

(i) all known bad debts have been written off and adequate provision made for doubtful debts; and

(ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors of the Company are not aware of any circumstances:

(i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent; or

(ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading; or

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person; or

(ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year except as disclosed in Note 41 to the financial statements.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 30 September 2018 have not been substantially affected by any item, transaction or event of a material and unusual nature nor have any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS
The auditors' remuneration is disclosed in Note 5 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

R. M. ALIAS
(Chairman)

TAN SRI DATO' SERI LEE OI HIAN
(Chief Executive Officer)

7 December 2018

STATEMENTS OF PROFIT OR LOSS
FOR THE YEAR ENDED 30 SEPTEMBER 2018

		Group		Company	
	Note	**2018 RM'000**	2017 RM'000	**2018 RM'000**	2017 RM'000
Revenue	4	**18,400,500**	21,004,036	**1,367,519**	1,554,813
Cost of sales		**(16,156,446)**	(18,291,454)	**(531,897)**	(627,188)
Gross profit		**2,244,054**	2,712,582	**835,622**	927,625
Other operating income		**216,779**	138,001	**66,582**	124,526
Distribution costs		**(258,726)**	(331,443)	**(12,310)**	(13,427)
Administration expenses		**(536,338)**	(536,872)	**(85,070)**	(81,864)
Other operating expenses		**(369,951)**	(357,878)	**(122,717)**	(85,765)
Operating profit	5	**1,295,818**	1,624,390	**682,107**	871,095
Finance costs	6	**(174,943)**	(169,849)	**(114,104)**	(115,931)
Share of profits of equity accounted associates, net of tax		**10,319**	12,932	**-**	-
Share of losses of equity accounted joint ventures, net of tax		**(13,814)**	(17,268)	**-**	-
Profit before taxation		**1,117,380**	1,450,205	**568,003**	755,164
Tax expense	9	**(313,276)**	(383,329)	**(57,012)**	(89,922)
Profit for the year		**804,104**	1,066,876	**510,991**	665,242
Attributable to:					
Equity holders of the Company		**753,328**	1,005,130	**510,991**	665,242
Non-controlling interests		**50,776**	61,746	**-**	-
		804,104	1,066,876	**510,991**	665,242
		Sen	Sen	**Sen**	Sen
Earnings per share	10	**70.7**	94.4	**48.0**	62.5

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Group		Company	
	2018 RM'000	2017 RM'000	**2018 RM'000**	2017 RM'000
Profit for the year	**804,104**	1,066,876	**510,991**	665,242
Other comprehensive (loss)/income that will be reclassified subsequently to profit or loss				
Currency translation differences	**(461,957)**	115,626	**-**	-
Net change in fair value of available-for-sale investments	**76,672**	519,458	**39,183**	198,962
Realisation on fair value of available-for-sale investments	**(2,278)**	(5,238)	**-**	-
	(387,563)	629,846	**39,183**	198,962
Other comprehensive income that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans (Note 34)	**2,139**	28,011	**-**	-
Total other comprehensive (loss)/income for the year	**(385,424)**	657,857	**39,183**	198,962
Total comprehensive income for the year	**418,680**	1,724,733	**550,174**	864,204
Attributable to:				
Equity holders of the Company	**388,950**	1,663,987	**550,174**	864,204
Non-controlling interests	**29,730**	60,746	**-**	-
	418,680	1,724,733	**550,174**	864,204

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Assets					
Property, plant and equipment	12	**5,254,777**	5,220,852	**1,162,720**	1,169,811
Prepaid lease payments	13	**375,120**	309,611	**700**	721
Biological assets	14	**2,689,160**	2,624,038	**735,083**	735,741
Land held for property development	15	**1,100,407**	1,091,471	**-**	-
Goodwill on consolidation	16	**315,304**	324,686	**-**	-
Intangible assets	17	**23,358**	15,325	**-**	-
Investments in subsidiaries	18	**-**	-	**4,620,199**	4,728,169
Investments in associates	19	**153,663**	144,538	**25,725**	25,725
Investments in joint ventures	20	**160,414**	158,902	**-**	-
Available-for-sale investments	21	**2,384,374**	2,270,239	**741,701**	702,517
Other receivable	22	**202,826**	210,272	**-**	-
Amounts owing by subsidiaries	18	**-**	-	**1,303,700**	1,331,771
Deferred tax assets	23	**383,921**	439,794	**-**	3,144
Total non-current assets		**13,043,324**	12,809,728	**8,589,828**	8,697,599
Inventories	24	**2,098,250**	1,796,929	**50,579**	39,891
Biological assets	14	**41,906**	37,806	**-**	-
Trade receivables	25	**1,435,050**	1,816,627	**25,880**	40,877
Other receivables, deposits and prepayments	26	**634,040**	697,762	**33,002**	35,386
Amounts owing by subsidiaries	18	**-**	-	**126,745**	22,524
Tax recoverable		**60,301**	38,642	**-**	-
Property development costs	27	**140,621**	154,696	**-**	-
Derivative financial assets	28	**69,210**	110,748	**1,302**	463
Short term funds	29	**195,579**	578,489	**134,046**	383,629
Cash and cash equivalents	30	**1,277,775**	1,462,687	**431,817**	253,151
Total current assets		**5,952,732**	6,694,386	**803,371**	775,921
Total assets		**18,996,056**	19,504,114	**9,393,199**	9,473,520
Equity					
Share capital	31	**1,196,962**	1,184,764	**1,067,790**	1,067,790
Reserves	32	**10,241,427**	10,397,158	**5,553,227**	5,535,536
		11,438,389	11,581,922	**6,621,017**	6,603,326
Less: Cost of treasury shares		**(13,447)**	(13,447)	**(13,447)**	(13,447)
Total equity attributable to equity holders of the Company		**11,424,942**	11,568,475	**6,607,570**	6,589,879
Non-controlling interests		**885,905**	871,567	**-**	-
Total equity		**12,310,847**	12,440,042	**6,607,570**	6,589,879
Liabilities					
Deferred tax liabilities	23	**299,452**	259,056	**432**	-
Deferred income	33	**119,004**	117,365	**-**	-
Provision for retirement benefits	34	**467,067**	479,132	**24,168**	24,137
Borrowings	35	**3,062,099**	3,067,168	**2,600,000**	2,600,000
Total non-current liabilities		**3,947,622**	3,922,721	**2,624,600**	2,624,137
Trade payables	36	**555,142**	795,316	**6,439**	6,309
Other payables	37	**841,689**	767,507	**97,302**	106,200
Amounts owing to subsidiaries	18	**-**	-	**45,413**	125,582
Deferred income	33	**7,947**	7,808	**-**	-
Borrowings	35	**1,221,114**	1,375,596	**-**	-
Tax payable		**47,476**	90,511	**11,133**	21,236
Derivative financial liabilities	28	**64,219**	104,613	**742**	177
Total current liabilities		**2,737,587**	3,141,351	**161,029**	259,504
Total liabilities		**6,685,209**	7,064,072	**2,785,629**	2,883,641
Total equity and liabilities		**18,996,056**	19,504,114	**9,393,199**	9,473,520

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Attributable to the equity holders of the Company										
	Share Capital RM'000	Capital Reserve RM'000	Revaluation Reserve RM'000	Capital Redemption Reserve RM'000	Exchange Fluctuation Reserve RM'000	Fair Value Reserve RM'000	Retained Earnings RM'000	Treasury Shares RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity 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 other reserves	-	5,611	-	-	-	-	(5,611)	-	-	-	-
Remeasurement of defined benefit plans (Note 34)	-	-	-	-	-	-	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 - 2016 final	-	-	-	-	-	-	(372,738)	-	(372,738)	-	(372,738)
- 2017 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
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 other reserves	-	2,445	-	-	-	-	(2,445)	-	-	-	-
Remeasurement of defined benefit plans (Note 34)	-	-	-	-	-	-	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
Acquisitions 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 - 2017 final	-	-	-	-	-	-	(372,738)	-	(372,738)	-	(372,738)
- 2018 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
	Note 31	Note 32									

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Share Capital RM'000	Capital Reserve RM'000	Revaluation Reserve RM'000	Capital Redemption Reserve RM'000	Fair Value Reserve RM'000	Retained Earnings RM'000	Treasury Shares RM'000	Total RM'000
At 1 October 2016	1,067,505	1,087,296	33,869	285	424,759	3,657,891	(13,447)	6,258,158
Net change in fair value of available-for-sale investments	-	-	-	-	198,962	-	-	198,962
Total other comprehensive income for the year	-	-	-	-	198,962	-	-	198,962
Profit for the year	-	-	-	-	-	665,242	-	665,242
Total comprehensive income for the year	-	-	-	-	198,962	665,242	-	864,204
Dividend paid - 2016 final	-	-	-	-	-	(372,738)	-	(372,738)
- 2017 interim	-	-	-	-	-	(159,745)	-	(159,745)
Total transactions with owners of the Company	-	-	-	-	-	(532,483)	-	(532,483)
Reclassification of capital redemption reserve to share capital pursuant to Section 618(2) of the Companies Act 2016	285	-	-	(285)	-	-	-	-
At 30 September 2017	**1,067,790**	**1,087,296**	**33,869**	**-**	**623,721**	**3,790,650**	**(13,447)**	**6,589,879**
Net change in fair value of available-for-sale investments	**-**	**-**	**-**	**-**	**39,183**	**-**	**-**	**39,183**
Total other comprehensive income for the year	**-**	**-**	**-**	**-**	**39,183**	**-**	**-**	**39,183**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**510,991**	**-**	**510,991**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**39,183**	**510,991**	**-**	**550,174**
Dividend paid - 2017 final	**-**	**-**	**-**	**-**	**-**	**(372,738)**	**-**	**(372,738)**
- 2018 interim	**-**	**-**	**-**	**-**	**-**	**(159,745)**	**-**	**(159,745)**
Total transactions with owners of the Company	**-**	**-**	**-**	**-**	**-**	**(532,483)**	**-**	**(532,483)**
At 30 September 2018	**1,067,790**	**1,087,296**	**33,869**	**-**	**662,904**	**3,769,158**	**(13,447)**	**6,607,570**
	Note 31			Note 32				

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	2018 RM'000	2017 RM'000
Cash flows from operating activities		
Profit before taxation	**1,117,380**	1,450,205
Adjustments for:		
Depreciation of property, plant and equipment	**392,285**	393,528
Amortisation of leasehold land	**2,952**	3,069
Amortisation of prepaid lease payments	**6,905**	7,061
Amortisation of biological assets	**68,792**	68,061
Amortisation of intangible assets	**2,395**	2,163
Amortisation of deferred income	**(7,926)**	(6,252)
Impairment of property, plant and equipment	**21,625**	30,940
Impairment in value of available-for-sale investments	**579**	32,625
Property, plant and equipment written off	**3,090**	6,320
Gain on disposal of property, plant and equipment	**(2,391)**	(4,057)
Surplus on government acquisition of land	**(24,034)**	(4,892)
Surplus on disposal of land	**(2,445)**	(5,611)
Surplus on disposal of available-for-sale investments	**(2,566)**	(11,898)
Retirement benefits provision	**43,704**	31,573
Impairment of trade receivables	**463**	7,681 *
Write-off of trade receivables	**165**	255 *
Reversal of impairment of trade receivables	**(807)**	(20) *
Write down of inventories	**43,183**	23,453 *
Write back of slow moving inventories	**(1,208)**	(644) *
Write back of inventories written down to net realisable value	**(7,874)**	(943) *
Finance costs	**174,943**	169,849
Dividend income	**(54,811)**	(64,744)
Interest income	**(80,248)**	(74,479)
Exchange loss	**75,214**	16,054
Net change in fair value of derivatives measured at fair value	**2,232**	(107,290)
Share of profits of equity accounted associates, net of tax	**(10,319)**	(12,932)
Share of losses of equity accounted joint ventures, net of tax	**13,814**	17,268
Operating profit before working capital changes	**1,775,092**	1,966,343 *
Working capital changes:		
Property development costs	**16,474**	(9,873)
Inventories	**(345,013)**	114,040 *
Biological assets	**(7,743)**	7,783
Trade and other receivables	**463,177**	(345,069) *
Trade and other payables	**(562,918)**	208,875
Deferred income	**9,826**	6,194
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

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2018

	2018 RM'000	2017 RM'000
Cash flows from investing activities		
Purchase of property, plant and equipment	**(364,581)**	(517,901)
Payments of prepaid lease	**(5,317)**	(8,823)
Plantations development expenditure	**(98,131)**	(142,511)
Property development expenditure	**(8,936)**	(17,129)
Purchase of shares in subsidiaries, net of cash acquired (Note B)	**(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 (Note 35)	**218,800**	116,249
Repayment of term loans (Note 35)	**(57,277)**	(91,855)
Redemption of Islamic medium term notes (Note 35)	**-**	(300,000)
Net (repayment)/drawdown of short term borrowings (Note 35)	**(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 beginning of year	**1,338,563**	929,650
Currency translation differences on opening balances	**(69,135)**	(5,154)
Cash and cash equivalents at end of year (Note A)	**1,188,741**	1,338,563

Notes to the consolidated statement of cash flows

A. Cash and cash equivalents

Cash and cash equivalents consist of:		
Deposits with licensed banks (Note 30)	**883,028**	1,131,336
Fixed income trust funds (Note 30)	**53,584**	-
Cash and bank balances (Note 30)	**341,163**	331,351
Bank overdrafts (Note 35)	**(89,034)**	(124,124)
	1,188,741	1,338,563

B. Analysis of purchase of shares in subsidiaries

Property, plant and equipment	**297,964**	-
Prepaid lease payments	**81,634**	-
Biological assets	**182,236**	-
Intangible assets	**9,322**	-
Other receivable – Advance to Plasma plantations project	**11,559**	-
Net current liabilities	**(277,962)**	-
Net deferred tax liabilities	**(38,863)**	-
Provision for retirement benefits	**(1,814)**	-
Fair values of identifiable net assets of subsidiaries acquired	**264,076**	-
Non-controlling interests	**(3,652)**	-
Purchase price satisfied by cash	**260,424**	-
Less: Cash and cash equivalents of subsidiaries acquired	**(54,399)**	-
Cash outflow on acquisitions of subsidiaries	**206,025**	-

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CASH FLOWS OF THE COMPANY
FOR THE YEAR ENDED 30 SEPTEMBER 2018

	2018 RM'000	2017 RM'000	
Cash flows from operating activities			
Profit before taxation	**568,003**	755,164	
Adjustments for:			
Depreciation of property, plant and equipment	**29,958**	30,028	
Amortisation of leasehold land	**3,036**	3,099	
Amortisation of prepaid lease payments	**21**	21	
Property, plant and equipment written off	**911**	31	
Gain on disposal of property, plant and equipment	**(580)**	(286)	
Surplus on government acquisition of land	**(24,034)**	(4,892)	
Surplus on liquidation of subsidiaries	**(20,277)**	-	
Reversal of impairment of advances to subsidiaries	**-**	(68,640)	
Retirement benefits provision	**611**	902	
Realised foreign exchange loss	**239**	7,893	
Unrealised foreign exchange translation loss/(gain)	**46,872**	(43,364)	
Net change in fair value of derivatives measured at fair value	**(561)**	(286)	
Write down of inventories	**3,219**	329	*
Finance costs	**114,104**	115,931	
Dividend income	**(388,250)**	(322,497)	
Interest income	**(77,544)**	(75,729)	
Operating profit before working capital changes	**255,728**	397,704	*
Working capital changes:			
Inventories	**(13,906)**	2,395	*
Trade and other receivables	**20,688**	22,740	
Trade and other payables	**(9,016)**	1,841	
Cash generated from operations	**253,494**	424,680	
Interest paid	**(113,857)**	(121,615)	
Tax paid	**(62,135)**	(69,688)	
Retirement benefits paid	**(580)**	(913)	
Net cash generated from operating activities	**76,922**	232,464	
Cash flows from investing activities			
Purchase of property, plant and equipment	**(27,527)**	(65,821)	
Plantations development expenditure	**-**	(17,819)	
Subscription of shares in subsidiaries	**(79,503)**	(900,377)	
Proceeds from disposal of property, plant and equipment	**581**	286	
Compensation from government on land acquired	**25,404**	7,011	
Redemption of redeemable preference shares by subsidiaries	**116,980**	550,000	
Loan repayments (to)/from subsidiaries	**(112,550)**	227,979	
Decrease in short term funds	**249,583**	457,863	
Dividends received from subsidiaries	**362,625**	288,162	
Dividends received from associates	**6,449**	8,294	
Dividends received from investments	**12,400**	25,103	
Interest received	**79,785**	68,633	
Net cash generated from investing activities	**634,227**	649,314	

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

STATEMENT OF CASH FLOWS OF THE COMPANY
FOR THE YEAR ENDED 30 SEPTEMBER 2018

	2018 RM'000	2017 RM'000
Cash flows from financing activities		
Redemption of Islamic medium term notes (Note 35)	-	(300,000)
Dividends paid to shareholders of the Company	(532,483)	(532,483)
Net cash used in financing activities	(532,483)	(832,483)
Net increase in cash and cash equivalents	178,666	49,295
Cash and cash equivalents at beginning of year	253,151	203,856
Cash and cash equivalents at end of year (Note A)	431,817	253,151

Note to the statement of cash flows

A. Cash and cash equivalents

	2018 RM'000	2017 RM'000
Cash and cash equivalents consist of:		
Deposits with licensed banks (Note 30)	377,922	250,847
Fixed income trust funds (Note 30)	51,084	-
Cash and bank balances (Note 30)	2,811	2,304
	431,817	253,151

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of the Bursa Malaysia Securities Berhad. The registered office and principal place of business was located at Wisma Taiko, 1, Jalan S P Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan. With effect from 1 December 2018, the Company's registered office and principal place of business has been relocated to Bangunan Mayban Trust Ipoh, Level 9, No. 28, Jalan Tun Sambanthan, 30000 Ipoh, Perak Darul Ridzuan.

The consolidated financial statements as at and for the year ended 30 September 2018 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in associates and joint ventures.

The Company is principally engaged in the business of producing and processing palm products and natural rubber on its plantations while the principal activities of the Group entities are shown in Note 42.

The Company is a subsidiary of Batu Kawan Berhad, a company incorporated in Malaysia and is listed on the Main Market of the Bursa Malaysia Securities Berhad.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Group have been prepared in accordance with Financial Reporting Standards ("FRSs") and the requirements of Companies Act 2016 in Malaysia. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been applied by the Group.

FRS, Interpretation and Amendments to FRSs effective for annual periods beginning on or after 1 January 2018

- FRS 9 *Financial Instruments (2014)*
- IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*
- Amendments to FRS 1 *First-time Adoption of Financial Reporting Standards (Annual Improvements to FRS Standards 2014-2016 Cycle)*
- Amendments to FRS 2 *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to FRS 4 *Insurance Contracts – Applying FRS 9 Financial Instruments with FRS 4 Insurance Contracts*
- Amendments to FRS 128 *Investments in Associates and Joint Ventures (Annual Improvements to FRS Standards 2014-2016 Cycle)*
- Amendments to FRS 140 *Investment Property – Transfers of Investment Property*

Interpretation to FRS effective for annual periods beginning on or after 1 January 2019

- IC Interpretation 23 *Uncertainty over Income Tax Treatments*

Amendments to FRSs effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to FRS 10 *Consolidated Financial Statements* and FRS 128 *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Malaysian Financial Reporting Standards ("MFRS")

The Group falls within the scope of MFRS 141 *Agriculture* and IC Interpretation 15 *Agreements for the Construction of Real Estate*. Therefore, the Group is currently exempted from adopting the MFRS Framework and is referred to as a "Transitioning Entity". The Group as a Transitioning Entity will apply the MFRS Framework for the annual period beginning on 1 October 2018. In relation to this, the FRS, interpretations and amendments to FRSs which are effective for annual period beginning on or after 1 January 2018 will not be applicable to the Group.

The Group is in the process of assessing the impact on the financial statements arising from the adoption of the following MFRS.

(a) MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards*

In presenting its first MFRS financial statements, the Group will be required to prepare its opening MFRS statement of financial position as at 1 October 2017, which will be adjusted for differences between the classification and measurement bases in the existing FRS Framework versus that in the new MFRS Framework in accordance with MFRS 1. This will also result in restatement of the statements of profit or loss and other comprehensive income for the financial year ended 30 September 2018 in accordance with MFRS, which would form the MFRS comparatives for the statements of profit or loss and other comprehensive income for the financial year ending 30 September 2019.

NOTES TO THE FINANCIAL STATEMENTS

(b) MFRS 9 *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139 *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting. The Group will apply MFRS 9 for the annual period beginning on 1 October 2018.

Classification and measurement of the Group's financial assets, other than available-for-sale financial assets, and financial liabilities will remain unchanged under MFRS 9.

Currently, the Group's quoted and unquoted investments in equity instruments are classified as available-for-sale ("AFS") financial assets. Unquoted investments are measured at cost and quoted investments are measured at fair value with fair value gains or losses recognised in other comprehensive income ("OCI"). On derecognition, the cumulative gain or loss recognised in OCI is reclassified from equity to profit or loss. These AFS financial assets satisfy the conditions for classification as financial assets at fair value through OCI under MFRS 9 with all subsequent changes in fair value being recognised in OCI and not subsequently transferred to profit or loss on derecognition.

In respect of impairment of financial assets, MFRS 9 replaced the "incurred loss" model in MFRS 139 with an "expected credit loss" ("ECL") model. The new impairment model applies to financial assets measured at amortised cost and contract assets, but not to investments in equity instruments. Under this new model, the Group is required to record ECL on all its financial assets measured at amortised cost, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime ECL on all trade receivables.

(c) MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111 *Construction Contracts*, MFRS 118 *Revenue*, IC Interpretation 13 *Customer Loyalty Programmes*, IC Interpretation 15 *Agreements for Construction of Real Estate*, IC Interpretation 18 *Transfers of Assets from Customers* and IC Interpretation 131 *Revenue – Barter Transactions Involving Advertising Services*. The Group will apply MFRS 15 for the annual period beginning on 1 October 2018.

Currently, the Group recognises revenue from contract with customers when significant risks and rewards of ownership of goods and services have been transferred to the customers, recovery of the consideration is probable, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

Upon adoption of MFRS 15, the Group will recognise revenue to depict the transfer of promised goods and services to customers for an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services. Revenue is recognised when a customer obtains control of goods and services, i.e. when the customer has the ability to direct the use of and obtain benefits from the goods and services.

(d) Amendments to MFRS 116 and MFRS 141 *Agriculture: Bearer Plants*

Under the Amendments to MFRS 116 and MFRS 141, biological assets that meet the definition of bearer plants will be within the scope of MFRS 116. After initial recognition, bearer plants will be measured at cost less accumulated amortisation and accumulated impairment losses, if any. The agricultural produce that grows on bearer plants will be within the scope of MFRS 141 and is measured at fair value less costs to sell. The Group will apply Amendments to MFRS 116 and MFRS 141 for the annual period beginning on 1 October 2018.

Currently, new planting expenditure incurred on land clearing and upkeep of trees to maturity is capitalised as plantations development expenditure and is not amortised except for those short land leases held in Indonesia where the plantations development expenditure is amortised using the straight-line method over the estimated productive years. Replanting expenditure is recognised in profit or loss in the year in which the expenditure is incurred. Agricultural produce that grows on bearer plants is not separately recognised.

Upon adoption of MFRS 116 and MFRS 141, the new planting expenditure and replanting expenditure will be capitalised under bearer plants and measured at cost less accumulated amortisation and accumulated impairment losses, if any, in accordance with MFRS 116 *Property, Plant and Equipment*. The agricultural produce that grows on the bearer plants will be measured at fair value less costs to sell. The changes in fair value less costs to sell of the produce will be recognised in profit or loss.

(e) MFRS 16 *Leases*

MFRS 16 replaces the guidance in MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Leases – Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The Group will apply this MFRS for the annual period beginning on 1 October 2019.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

2.2 Basis of measurement

The financial statements have been prepared under the historical cost basis other than as disclosed in Note 3.

2.3 Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Notes 12 to 14 and Notes 16 to 22 - Measurement of the recoverable amounts of cash-generating units
- Note 18 - Impairment on investments in subsidiaries
- Note 23 - Recognition of unutilised tax losses and capital allowances
- Note 24 - Impairment/Write down of inventories
- Note 25 - Impairment on trade receivables
- Notes 34 and 41 - Provision for retirement benefits and contingencies

3. SIGNIFICANT ACCOUNTING POLICIES

Summarised below are the significant accounting policies of the Group. The accounting policies have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

3.1 Basis of consolidation

(a) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

(b) Business combinations
Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:
- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

(c) Acquisitions of non-controlling interests
The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(d) Goodwill
Goodwill arises on business combinations is measured at cost less any accumulated impairment losses.

Goodwill is tested for impairment at least annually or more frequently when there is objective evidence of impairment.

In respect of equity accounted associates and joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted associates and joint ventures.

(e) Loss of control
Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(f) Associates
Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group’s share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

The Group’s share of post-acquisition results and reserves of associates is included in the consolidated financial statements and is based on the latest audited and published interim reports in respect of listed companies and latest audited financial statements and unaudited management financial statements in respect of unlisted companies.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

(g) Joint ventures

Joint ventures are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns and the Group has rights only to the net assets of the arrangements.

The Group accounts for its interest in the joint ventures using the equity method. Investments in joint ventures are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The costs of investments include transaction costs.

(h) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(i) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Foreign currency

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rates at that date. Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting period, except for those that are measured at fair value are retranslated to the functional currency at the exchange rates at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the Exchange Fluctuation Reserve in equity.

(b) Operations denominated in functional currencies other than RM

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 October 2006 which are reported using the exchange rates at the dates of acquisitions. The income and expenses of the foreign operations are translated to RM at the average exchange rates for the year.

Foreign currency differences are recognised in other comprehensive income and accumulated in the Exchange Fluctuation Reserve in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the Exchange Fluctuation Reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or a joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

3.3 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation/amortisation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Freehold land is not depreciated. Leasehold land is amortised over the shorter of the lease term and its useful life unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The principal depreciation/amortisation rates for the current and comparative periods are as follows:

	2018	2017
Long term leasehold land	**Over the lease period ranging from 62 to 931 years**	Over the lease period ranging from 62 to 931 years
Palm oil mill machinery	**10% per annum**	10% per annum
Plant and machinery	**3⅓% to 33⅓% per annum**	3⅓% to 33⅓% per annum
Motor vehicles	**6⅔% to 50% per annum**	10% to 50% per annum
Furniture, fittings and equipment	**5% to 33⅓% per annum**	5% to 40% per annum
Buildings, factories and mills	**2% to 25% per annum**	2% to 25% per annum
Employees' quarters	**10% per annum**	10% per annum
Effluent ponds, roads and bridges	**10% per annum**	10% to 20% per annum

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period and adjusted as appropriate.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other operating income" or "other operating expenses" respectively in profit or loss.

3.4 Leases

(a) Operating leases

Leases are classified as operating leases when the Group does not assume substantially all the risks and rewards of the ownership and the leased assets are not recognised on the statements of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

(b) Prepaid lease payments

Leasehold land which in substance is an operating lease is classified as prepaid lease payments which are amortised over the lease period ranging from 14 to 88 years for the current and comparative periods.

3.5 Biological assets

(a) Plantations development expenditure

New planting expenditure incurred on land clearing and upkeep of trees to maturity is capitalised as plantations development expenditure under biological assets. Plantations development expenditure is not amortised except for those short land leases held in Indonesia where the plantations development expenditure is amortised using the straight-line method over the estimated productive years of 20 years for the current and comparative periods.

(b) Growing crops and livestock

Growing crops are measured at fair value which is based on the costs incurred to the end of the reporting period for these crops. As at the end of the reporting period, the yield of the crops and the future economic benefits which will flow from the crops are not able to be reliably measured due to the level of growth.

Livestock is measured at fair value less point-of-sale cost, with any change therein recognised in profit or loss. Fair value is based on the market price of livestock of similar age, breed and genetic make-up. Point-of-sale costs include all costs that would be necessary to sell the livestock.

3.6 Replanting expenditure

Replanting expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

3.7 Property development

(a) Land held for property development

Land held for property development shall be classified as non-current asset where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle.

The change in the classification of land held for property development to current assets shall be at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

Costs associated with the acquisition of land include the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies.

(b) Property development costs

Property development costs comprise costs associated with the acquisition of land and all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

Property development costs are stated in the statement of financial position at the lower of cost and net realisable value.

The excess of revenue recognised in the statement of profit or loss and other comprehensive income over billings to purchasers is shown as accrued billings and the excess of billings to purchasers over revenue recognised in the statement of profit or loss and other comprehensive income is shown as progress billings.

3.8 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

Financial assets are recognised initially at their fair values plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial assets.

NOTES TO THE FINANCIAL STATEMENTS

The Group categorises financial assets as follows:

(a) Financial assets at fair value through profit or loss
Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination or financial assets that are specifically designated into this category upon initial recognition.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Loans and receivables
Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(c) Available-for-sale financial assets
Available-for-sale category comprises investments in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (Note 3.15(a)).

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the market place concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date; and

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

3.9 Embedded derivatives

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

3.10 Intangible assets

These assets consist mainly of trade marks and patent which are stated at cost less accumulated amortisation and any accumulated impairment losses. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Intangible assets are amortised from the date that they are available for use. Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful lives for the current and comparative periods are as follows:

Trade marks	-	5 to 15 years (2017: 5 to 15 years)
Patent	-	7 to 20 years (2017: 10 to 20 years)

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

3.11 Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale.

Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs of disposal.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment properties, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated. In addition, equity accounting of equity accounted associates and joint ventures ceases once classified as held for sale.

3.12 Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Inventories of completed development properties, which are held for sale, are stated at the lower of costs and net realisable value. Costs consist of costs associated with the acquisition of land, direct costs and appropriate proportions of common costs attributable to developing the properties to completion.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

3.13 Short term funds

Short term funds represent funds placed in highly liquid money market instruments which are readily convertible to known amount of cash and have an insignificant risk of changes in fair value with original maturities of more than three months.

3.14 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances and deposits with banks and fixed income trust funds which are readily convertible to known amount of cash and have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group in the management of its short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

3.15 Impairment

(a) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries and investments in associates and joint ventures) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of reversal is recognised in profit or loss.

(b) Other assets

The carrying amounts of other assets (other than inventories, biological assets and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

3.16 Financial liabilities

Financial liabilities are recognised in the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities are recognised initially at their fair values plus, in the case of financial liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the issue of the financial liabilities.

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination or financial liabilities that are specifically designated into this category upon initial recognition.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fair value arising from financial guarantee contracts are classified as deferred income and is amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3.17 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against which the unutilised tax incentives can be utilised.

3.18 Employee benefits

(a) Defined contribution plans

Obligations for contributions to defined contribution plans are recognised as an expense in profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations.

(b) Unfunded defined benefit plans

(i) The Group provides for retirement benefits for eligible employees in Malaysia on unfunded defined benefit basis in accordance with the terms of the unions' collective agreements. Full provision has been made for retirement benefits payable to all eligible employees based on the last drawn salaries at the end of the reporting period, the length of service to date and the rates set out in the said agreements.

The present value of these unfunded defined benefit obligations as required by FRS 119 *Employee Benefits* has not been used in arriving at the provision, as the amount involved is insignificant to the Group. Accordingly, no further disclosure as required by the standard is made.

(ii) Subsidiaries in Indonesia provide for retirement benefits for eligible employees on unfunded defined benefit basis in accordance with the Labour Law in Indonesia. The obligations of the defined benefit plans are calculated as the present values of obligations at end of the reporting period using the projected unit credit method which is based on the last drawn salaries at the end of the reporting period, age and the length of service.

Service and interest costs are recognised in profit or loss. Remeasurements of the defined benefit plans which comprise actuarial gains and losses are recognised in other comprehensive income in the year in which they occur.

(iii) A subsidiary in Germany provides for retirement benefits for its eligible employees on unfunded defined benefit basis. The obligations of the defined benefit plans are determined annually by an independent qualified actuary. The discount rate is determined using the yield of first class corporate bonds at the valuation date and in the same currency in which the benefits are expected to be paid.

Service and interest costs are recognised immediately in profit or loss. Remeasurements of the defined benefit plans which comprise actuarial gains and losses are recognised in other comprehensive income.

(c) Funded defined benefit plan

A subsidiary in Switzerland operates a funded defined benefit pension scheme for employees. The assets of the scheme are held separately from those of the subsidiary.

The calculation of the funded defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments.

Net interest expense and other expenses relating to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(d) Short term employee benefits

Short term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

3.19 Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(a) Ordinary shares

Ordinary shares are classified as equity.

(b) Treasury shares

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

3.20 Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.21 Revenue and other income

(a) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of discounts and returns. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(b) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of performance of services at the end of the reporting period.

(c) Property development

Revenue from property development activities is recognised based on the stage of completion measured by reference to the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Where the financial outcome of a property development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on the development units sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised immediately in profit or loss.

(d) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

(e) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(f) Rental income

Rental income is recognised based on the accruals basis.

(g) Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant; they are then recognised in profit or loss as other operating income on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other operating income on a systematic basis in the same periods in which the expenses are recognised.

In the case of the Group, revenue comprises sales to third parties only.

3.22 Research and development expenditure

All general research and development expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

3.23 Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

3.24 Earnings per share

The Group presents basic earnings per share data for its shares.

Basic earnings per share is calculated by dividing the profit or loss attributable to the equity holders of the Company by the weighted average number of shares in issue during the year.

3.25 Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

3.26 Fair value measurements

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

4. REVENUE

	Group		Company	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Sale of goods				
Palm products	**7,752,852**	10,527,908	**801,706**	1,011,874
Rubber	**99,909**	140,673	**99,909**	144,315
Manufacturing	**10,130,102**	9,923,716	**-**	-
Property development	**177,676**	141,521	**-**	-
Others	**102,220**	126,774	**110**	398
	18,262,759	20,860,592	**901,725**	1,156,587
Rendering of services	**2,682**	4,221	**-**	-
Interest income from financial assets not at fair value through profit or loss	**80,248**	74,479	**77,544**	75,729
Dividend income (Note 8)	**54,811**	64,744	**388,250**	322,497
	18,400,500	21,004,036	**1,367,519**	1,554,813

NOTES TO THE FINANCIAL STATEMENTS

5. OPERATING PROFIT

	Group		Company	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Operating profit is arrived at after charging and (crediting) the following:				
Auditors' remuneration				
- KPMG Malaysia				
current year	**885**	848	**265**	240
(over)/under provision in prior year	**(19)**	5	**-**	-
audit related work	**426**	134	**426**	134
non-audit work	**2**	2	**2**	2
- overseas affiliates of KPMG				
current year	**792**	815	**-**	-
(over)/under provision in prior year	**(5)**	30	**-**	-
audit related work	**-**	58	**-**	-
non-audit work	**148**	303	**-**	-
- other auditors				
current year	**2,004**	1,743	**-**	-
under/(over) provision in prior year	**13**	(19)	**-**	-
audit related work	**67**	42	**-**	-
non-audit work	**611**	38	**-**	-
Taxation services paid to KPMG Tax Services	**1,501**	1,214	**178**	57
Hire of plant and machinery	**38,279**	26,055	**-**	-
Rent on land and buildings	**12,204**	9,743	**1,506**	1,248
Operating lease rentals				
- land and buildings	**16,462**	22,099	**-**	-
- plant and machinery	**2,278**	1,416	**-**	-
Depreciation of property, plant and equipment (Note 12)	**392,285**	393,528	**29,958**	30,028
Amortisation of leasehold land (Note 12)	**2,952**	3,069	**3,036**	3,099
Amortisation of prepaid lease payments (Note 13)	**6,905**	7,061	**21**	21
Amortisation of biological assets (Note 14)	**68,792**	68,061	**-**	-
Amortisation of intangible assets (Note 17)	**2,395**	2,163	**-**	-
Impairment of				
- property, plant and equipment (Note 12)	**21,625**	30,940	**-**	-
- trade receivables (Note 25)	**463**	7,681	**-**	-
- advances to subsidiaries	**-**	-	**-**	1,151
Impairment in value of available-for-sale investments (Note 21)	**579**	32,625	**-**	-
Replanting expenditure	**115,699**	100,547	**50,724**	55,218
Property, plant and equipment written off	**3,090**	6,320	**911**	31
Personnel expenses (excluding key management personnel)				
- salary	**1,116,804**	1,073,812	**209,504**	222,708
- employer's statutory contributions	**114,201**	105,509	**16,369**	16,033
- defined contribution plans	**10,568**	6,038	**-**	-
Research and development expenditure	**23,922**	21,420	**14,597**	14,435
Retirement benefits provision (Note 34)	**43,704**	31,573	**611**	902
Write down of inventories	**43,183**	23,453	**3,219**	329
Write off of trade receivables	**165**	255	**-**	-
Reversal of impairment of				
- trade receivables (Note 25)	**(807)**	(20)	**-**	-
- advances to subsidiaries (Note 18)	**-**	-	**(2,387)**	(69,791)
Write back of slow moving inventories	**(1,208)**	(644) *	**-**	-
Write back of inventories written down to net realisable value	**(7,874)**	(943) *	**-**	-
Amortisation of deferred income (Note 33)	**(7,926)**	(6,252)	**-**	-
Gain on disposal of property, plant and equipment	**(2,391)**	(4,057)	**(580)**	(286)
Surplus on government acquisition of land	**(24,034)**	(4,892)	**(24,034)**	(4,892)
Surplus on disposal of land	**(2,445)**	(5,611)	**-**	-
Surplus on disposal of available-for-sale investments	**(2,566)**	(11,898)	**-**	-
Net loss/(gain) in foreign exchange	**41,093**	3,586	**47,936**	(33,922)
Rental income from land and buildings	**(1,933)**	(1,929)	**(1,182)**	(1,013)
(Gain)/Loss on redemption of fixed income trust funds	**(25)**	532	**(25)**	556
Surplus on liquidation of subsidiaries	**-**	-	**(20,277)**	-

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

NOTES TO THE FINANCIAL STATEMENTS

6. FINANCE COSTS

	Group		Company	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Interest expense/Profit payment of financial liabilities that are not at fair value through profit or loss				
Interest expense				
Term loans	**12,986**	9,886	**-**	-
Overdraft and other interest	**48,327**	46,046	**-**	-
Inter-company interest	**-**	-	**474**	2,014
	61,313	55,932	**474**	2,014
Profit payment on Islamic medium term notes	**113,630**	113,917	**113,630**	113,917
	174,943	169,849	**114,104**	115,931

7. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation is as follows:

	Group		Company	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Short term benefits				
Directors' remuneration				
Fees provided	**2,016**	1,745	**1,971**	1,687
Other emoluments	**9,379**	13,437	**9,379**	13,437
Benefits-in-kind	**137**	232	**137**	232
	11,532	15,414	**11,487**	15,356

Key management personnel comprises Directors of the Group entities, who have authority and responsibility for planning, directing and controlling the activities of the Group entities either directly or indirectly.

8. DIVIDEND INCOME

	Group		Company	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Gross dividends from:				
Available-for-sale investments				
Investment in shares quoted in Malaysia	**236**	1,015	**-**	-
Investment in shares quoted outside Malaysia	**52,861**	53,664	**17,076**	16,321
Investment in unquoted shares	**565**	566	**565**	566
Fixed income trust funds	**1,149**	9,499	**1,149**	8,881
Unquoted subsidiaries	**-**	-	**362,625**	288,162
Unquoted associates	**-**	-	**6,835**	8,567
	54,811	64,744	**388,250**	322,497

NOTES TO THE FINANCIAL STATEMENTS

9. TAX EXPENSE

	Group		Company	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Components of tax expense				
Current tax expense				
Malaysian taxation	**152,753**	192,885	**60,305**	87,596
Overseas taxation	**142,220**	175,429	**1,405**	1,371
	294,973	368,314	**61,710**	88,967
Deferred tax				
Relating to origination and reversal of temporary differences	**5,903**	9,829	**3,576**	(3,457)
Under/(Over) provision in respect of previous years	**12,250**	(3,677)	**-**	-
	18,153	6,152	**3,576**	(3,457)
	313,126	374,466	**65,286**	85,510
(Over)/Under provision of tax expense in respect of previous years				
Malaysian taxation	**(8,893)**	1,636	**(8,274)**	4,412
Overseas taxation	**9,043**	7,227	**-**	-
	150	8,863	**(8,274)**	4,412
	313,276	383,329	**57,012**	89,922
Reconciliation of effective tax expense				
Profit before taxation	**1,117,380**	1,450,205	**568,003**	755,164
Taxation at Malaysian income tax rate of 24% (2017: 24%)	**268,171**	348,049	**136,321**	181,239
Effect of different tax rates	**(646)**	(4,136)	**-**	(8,316)
Withholding tax on foreign dividend and interest income	**18,706**	36,625	**1,405**	1,371
Expenses not deductible for tax purposes	**79,356**	80,019	**41,492**	33,383
Tax exempt and non-taxable income	**(63,930)**	(89,428)	**(110,429)**	(118,703)
Tax incentives	**(3,548)**	(4,066)	**(3,503)**	(3,464)
Deferred tax (liabilities)/assets not recognised during the year	**(1,714)**	23,611	**-**	-
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	**(420)**	(3,797)	**-**	-
Tax effect on associates' and joint ventures' results	**839**	1,041	**-**	-
Recognition of deferred tax assets not taken up previously	**(62)**	(11,436)	**-**	-
Recognition of unutilised reinvestment allowance	**-**	(4,153)	**-**	-
Under/(Over) provision of tax expense in respect of previous years	**150**	8,863	**(8,274)**	4,412
Under/(Over) provision of deferred tax in respect of previous years	**12,250**	(3,677)	**-**	-
Others	**4,124**	5,814	**-**	-
Tax expense	**313,276**	383,329	**57,012**	89,922

The Company is able to distribute dividends out of its entire distributable reserves under the single tier company income tax system.

NOTES TO THE FINANCIAL STATEMENTS

10. EARNINGS PER SHARE

The earnings per share is calculated by dividing the profit for the year attributable to equity holders of the Company of RM753,328,000 (2017: RM1,005,130,000) for the Group and RM510,991,000 (2017: RM665,242,000) for the Company by the weighted average number of 1,064,965,692 (2017: 1,064,965,692) shares of the Company in issue during the year.

11. DIVIDENDS

	Group and Company 2018 RM'000	2017 RM'000
Dividends recognised in the current year are:		
Final single tier dividend of 35 sen per share for the financial year ended 30 September 2017 was paid on 13 March 2018 (2017: single tier dividend of 35 sen per share was paid on 14 March 2017)	**372,738**	372,738
Interim single tier dividend of 15 sen per share for the financial year ended 30 September 2018 was paid on 7 August 2018 (2017: single tier dividend of 15 sen per share was paid on 8 August 2017)	**159,745**	159,745
	532,483	532,483

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

A final single tier dividend of 30 sen (2017: 35 sen) per share amounting to RM319,490,000 (2017: RM372,738,000) has been authorised by the Directors in respect of the financial year ended 30 September 2018. This dividend will be recognised in subsequent financial period.

12. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold Land RM'000	Long Term Leasehold Land RM'000	Buildings RM'000	Plant and Machinery RM'000	Vehicles RM'000	Equipment, Fittings, Etc RM'000	Capital Work-In-Progress RM'000	Total RM'000
Cost/Valuation								
At 1 October 2016	847,330	252,081	1,305,119	4,634,982	396,815	435,145	205,120	8,076,592
Reclassification	-	-	58,172	123,086	2,086	9,825	(193,169)	-
Additions	58,625	-	38,052	180,725	20,944	33,778	185,777	517,901
Disposals	(1,347)	(389)	(150)	(8,569)	(11,966)	(3,869)	-	(26,290)
Written off	-	-	(6,787)	(2,740)	(7,438)	(1,998)	(16)	(18,979)
Currency translation differences	17,056	570	8,253	78,416	(601)	1,853	4,154	109,701
At 30 September 2017	**921,664**	**252,262**	**1,402,659**	**5,005,900**	**399,840**	**474,734**	**201,866**	**8,658,925**
Reclassification	**-**	**-**	**28,442**	**159,337**	**1,568**	**3,445**	**(192,792)**	**-**
Additions	**29,371**	**-**	**28,004**	**106,956**	**32,252**	**13,884**	**154,114**	**364,581**
Acquisitions through business combination	**30,366**	**-**	**21,831**	**103,457**	**1,563**	**107,675**	**33,072**	**297,964**
Disposals	**(415)**	**(297)**	**(82)**	**(3,123)**	**(9,371)**	**(810)**	**-**	**(14,098)**
Written off	**-**	**-**	**(3,152)**	**(14,436)**	**(5,236)**	**(9,673)**	**(729)**	**(33,226)**
Currency translation differences	**(37,265)**	**(489)**	**(90,217)**	**(148,333)**	**(18,838)**	**(20,945)**	**(9,449)**	**(325,536)**
At 30 September 2018	**943,721**	**251,476**	**1,387,485**	**5,209,758**	**401,778**	**568,310**	**186,082**	**8,948,610**

NOTES TO THE FINANCIAL STATEMENTS

Group	Freehold Land RM'000	Long Term Leasehold Land RM'000	Buildings RM'000	Plant and Machinery RM'000	Vehicles RM'000	Equipment, Fittings, Etc RM'000	Capital Work-In-Progress RM'000	Total RM'000
Accumulated depreciation/amortisation and impairment losses								
At 1 October 2016								
Accumulated depreciation/amortisation	-	62,868	547,936	1,746,836	324,007	266,746	-	2,948,393
Accumulated impairment losses	-	8,016	3,463	47,270	-	2,751	-	61,500
	-	70,884	551,399	1,794,106	324,007	269,497	-	3,009,893
Depreciation/Amortisation charge	-	3,069	59,506	271,083	29,571	39,955	-	403,184
Impairment loss	-	-	-	30,940	-	-	-	30,940
Disposals	-	-	-	(4,007)	(9,562)	(1,902)	-	(15,471)
Written off	-	-	(1,711)	(1,578)	(7,437)	(1,933)	-	(12,659)
Currency translation differences	-	56	207	22,122	(1,280)	1,081	-	22,186
At 30 September 2017								
Accumulated depreciation/amortisation	-	65,982	605,896	2,034,432	335,299	303,929	-	3,345,538
Accumulated impairment losses	-	8,027	3,505	78,234	-	2,769	-	92,535
	-	**74,009**	**609,401**	**2,112,666**	**335,299**	**306,698**	**-**	**3,438,073**
Reclassification	**-**	**-**	**(4,479)**	**4,479**	**-**	**-**	**-**	**-**
Depreciation/Amortisation charge	**-**	**2,952**	**55,312**	**278,785**	**23,648**	**39,097**	**-**	**399,794**
Impairment loss	**-**	**-**	**-**	**21,625**	**-**	**-**	**-**	**21,625**
Disposals	**-**	**-**	**(19)**	**(1,860)**	**(8,163)**	**(494)**	**-**	**(10,536)**
Written off	**-**	**-**	**(2,149)**	**(13,902)**	**(5,344)**	**(8,741)**	**-**	**(30,136)**
Currency translation differences	**-**	**(187)**	**(31,508)**	**(66,616)**	**(15,816)**	**(10,860)**	**-**	**(124,987)**
At 30 September 2018								
Accumulated depreciation/amortisation	**-**	**68,903**	**623,144**	**2,236,435**	**329,624**	**323,003**	**-**	**3,581,109**
Accumulated impairment losses	**-**	**7,871**	**3,414**	**98,742**	**-**	**2,697**	**-**	**112,724**
	-	**76,774**	**626,558**	**2,335,177**	**329,624**	**325,700**	**-**	**3,693,833**
Carrying amounts								
At 1 October 2016	847,330	181,197	753,720	2,840,876	72,808	165,648	205,120	5,066,699
At 30 September 2017	921,664	178,253	793,258	2,893,234	64,541	168,036	201,866	5,220,852
At 30 September 2018	**943,721**	**174,702**	**760,927**	**2,874,581**	**72,154**	**242,610**	**186,082**	**5,254,777**
Property, plant and equipment are included at cost or valuation as follows:								
At 30 September 2017								
Cost	842,167	144,218	1,402,577	5,005,900	399,840	474,734	201,866	8,471,302
Valuation	79,497	108,044	82	-	-	-	-	187,623
	921,664	252,262	1,402,659	5,005,900	399,840	474,734	201,866	8,658,925
At 30 September 2018								
Cost	**864,926**	**143,434**	**1,387,403**	**5,209,758**	**401,778**	**568,310**	**186,082**	**8,761,691**
Valuation	**78,795**	**108,042**	**82**	**-**	**-**	**-**	**-**	**186,919**
	943,721	**251,476**	**1,387,485**	**5,209,758**	**401,778**	**568,310**	**186,082**	**8,948,610**

	2018 RM'000	2017 RM'000
Depreciation/Amortisation charge for the year is allocated as follows:		
Recognised in statement of profit or loss (Note 5)		
Depreciation of property, plant and equipment	**392,285**	393,528
Amortisation of leasehold land	**2,952**	3,069
	395,237	396,597
Capitalised in biological assets	**4,557**	6,587
	399,794	403,184

NOTES TO THE FINANCIAL STATEMENTS

Impairment testing
Property, plant and equipment are tested for impairment by comparing the carrying amount with the recoverable amount of the cash-generating unit ("CGU"). The recoverable amount of a CGU is determined based on value in use calculations using cash flow projections from the financial budgets and forecasts approved by management covering a period ranging from five years to fifteen years.

Key assumptions used in the value in use calculations are:

(i) the pre-tax discount rates which are the weighted average cost of capital used ranged from 5.2% to 11.6% (2017: 6.2% to 11.2%);

(ii) the growth rate used for the plantations companies is determined based on the management's estimate of commodity prices, palm yields, oil extraction rates as well as cost of productions whilst growth rates of companies in other segments are determined based on the industry trends and past performances of the respective companies; and

(iii) profit margins are projected based on historical profit margin achieved.

In assessing the value in use, the management is of the view that no foreseeable changes in any of the above key assumptions would cause the carrying amounts of the respective CGUs to materially exceed their recoverable amounts.

Impairment loss
The impairment loss of the Group amounted to RM21,625,000 (2017: RM30,940,000) for financial year ended 30 September 2018 was due to under performance of a specialised oleochemical plant. The impairment losses were included in other operating expenses.

The values and percentages assigned to the key assumptions used in the impairment testing of the specialised oleochemical plant represent management's assessment of future trends in the oleochemical industry and are based on internal sources (historical data).

The above estimates are particularly sensitive in the following cases:

(i) an increase of 1 percentage point in the discount rate used would have increased the impairment loss by RM20,359,000.

(ii) a 10% decrease in future sales would have increased the impairment loss by RM17,156,000.

Company	Freehold Land RM'000	Long Term Leasehold Land RM'000	Buildings RM'000	Plant and Machinery RM'000	Vehicles RM'000	Equipment, Fittings, Etc RM'000	Capital Work-In-Progress RM'000	Total RM'000
Cost/Valuation								
At 1 October 2016	782,834	238,931	175,822	237,190	88,339	74,790	2,563	1,600,469
Reclassification	-	-	1,360	1,788	-	1,283	(4,431)	-
Additions	40,182	-	6,472	3,877	5,020	2,410	7,860	65,821
Disposals	(1,347)	(392)	(183)	(9)	(1,693)	-	-	(3,624)
Written off	-	-	(93)	(295)	(1,440)	(417)	(16)	(2,261)
At 30 September 2017	**821,669**	**238,539**	**183,378**	**242,551**	**90,226**	**78,066**	**5,976**	**1,660,405**
Reclassification	**-**	**-**	**(4,695)**	**7,438**	**-**	**-**	**(2,743)**	**-**
Additions	**-**	**-**	**3,883**	**4,744**	**10,658**	**2,261**	**5,981**	**27,527**
Disposals	**(415)**	**(328)**	**(133)**	**(332)**	**(2,557)**	**-**	**-**	**(3,765)**
Written off	**-**	**-**	**(1,589)**	**(2,603)**	**(971)**	**(1,746)**	**(729)**	**(7,638)**
At 30 September 2018	**821,254**	**238,211**	**180,844**	**251,798**	**97,356**	**78,581**	**8,485**	**1,676,529**

NOTES TO THE FINANCIAL STATEMENTS

Company	Freehold Land RM'000	Long Term Leasehold Land RM'000	Buildings RM'000	Plant and Machinery RM'000	Vehicles RM'000	Equipment, Fittings, Etc RM'000	Capital Work-In-Progress RM'000	Total RM'000
Accumulated depreciation/amortisation								
At 1 October 2016	-	29,099	118,236	179,584	75,185	59,330	-	461,434
Depreciation/Amortisation charge	-	3,099	6,664	12,629	5,895	4,840	-	33,127
Disposals	-	(2)	(33)	(9)	(1,693)	-	-	(1,737)
Written off	-	-	(93)	(295)	(1,440)	(402)	-	(2,230)
At 30 September 2017	**-**	**32,196**	**124,774**	**191,909**	**77,947**	**63,768**	**-**	**490,594**
Reclassification	**-**	**-**	**(4,479)**	**4,479**	**-**	**-**	**-**	**-**
Depreciation/Amortisation charge	**-**	**3,036**	**6,609**	**12,315**	**6,158**	**4,876**	**-**	**32,994**
Disposals	**-**	**(31)**	**(133)**	**(331)**	**(2,557)**	**-**	**-**	**(3,052)**
Written off	**-**	**-**	**(1,589)**	**(2,427)**	**(971)**	**(1,740)**	**-**	**(6,727)**
At 30 September 2018	**-**	**35,201**	**125,182**	**205,945**	**80,577**	**66,904**	**-**	**513,809**
Carrying amounts								
At 1 October 2016	782,834	209,832	57,586	57,606	13,154	15,460	2,563	1,139,035
At 30 September 2017	821,669	206,343	58,604	50,642	12,279	14,298	5,976	1,169,811
At 30 September 2018	**821,254**	**203,010**	**55,662**	**45,853**	**16,779**	**11,677**	**8,485**	**1,162,720**
Property, plant and equipment are included at cost or valuation as follows:								
At 30 September 2017								
Cost	749,224	193,094	183,378	242,551	90,226	78,066	5,976	1,542,515
Valuation	72,445	45,445	-	-	-	-	-	117,890
	821,669	238,539	183,378	242,551	90,226	78,066	5,976	1,660,405
At 30 September 2018								
Cost	**748,832**	**192,768**	**180,844**	**251,798**	**97,356**	**78,581**	**8,485**	**1,558,664**
Valuation	**72,422**	**45,443**	**-**	**-**	**-**	**-**	**-**	**117,865**
	821,254	**238,211**	**180,844**	**251,798**	**97,356**	**78,581**	**8,485**	**1,676,529**

Certain freehold land and leasehold land of the Company were revalued by the Directors on 1 October 1980 based on an opinion of value, using the "Investment Method Approach", by a professional firm of Chartered Surveyors on 22 November 1979. Certain freehold land of the Company were revalued by the Directors based on an opinion of value, using "fair market value basis", by a firm of professional valuers on 10 June 1981.

Certain leasehold land of the Group and of the Company were revalued by the Directors between 1978 and 1991, based on professional valuation on the open market basis and upon approval by the relevant government authorities.

Freehold land belonging to an overseas subsidiary was revalued by the Directors based on existing use and has been incorporated in the financial statements on 30 September 1989. Building of a subsidiary had been revalued by the Directors on 28 February 1966.

It has never been the Group's policy to carry out regular revaluation of its property, plant and equipment.

The Group has availed itself to the transitional provision when the MASB first issued FRS 116_{2004} *Property, Plant and Equipment* in 2000, and accordingly, the carrying amounts of these revalued property, plant and equipment have been retained on the basis of these valuations as though they have never been revalued. The carrying amounts of revalued property, plant and equipment, had these assets been carried at cost less accumulated depreciation/amortisation were as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	**2018 RM'000**	2017 RM'000
Freehold land	**19,889**	20,112	**18,009**	18,031
Leasehold land	**25,742**	26,170	**4,856**	4,952
	45,631	46,282	**22,865**	22,983

Certain property, plant and equipment of the Group with a total carrying amount of RM139,848,000 (2017: RM150,996,000) as at end of the financial year ended 30 September 2018 were charged to banks as security for borrowings (Note 35).

The details of the properties held by the Group are shown on pages 194 to 200.

13. PREPAID LEASE PAYMENTS

	2018 Long Term Leasehold Land RM'000	**2018** Short Term Leasehold Land RM'000	**2018** Total RM'000	2017 Long Term Leasehold Land RM'000	2017 Short Term Leasehold Land RM'000	2017 Total RM'000
Group						
Cost						
At beginning of the year	**47,673**	**339,303**	**386,976**	46,626	330,805	377,431
Additions	**-**	**5,317**	**5,317**	-	8,823	8,823
Acquisitions through business combination	**-**	**81,634**	**81,634**	-	-	-
Currency translation differences	**(564)**	**(15,697)**	**(16,261)**	1,047	(325)	722
At end of the year	**47,109**	**410,557**	**457,666**	47,673	339,303	386,976
Accumulated amortisation and impairment losses						
At beginning of the year						
Accumulated amortisation	**5,216**	**52,390**	**57,606**	4,608	45,996	50,604
Accumulated impairment losses	**-**	**19,759**	**19,759**	-	19,759	19,759
	5,216	**72,149**	**77,365**	4,608	65,755	70,363
Amortisation charge	**592**	**6,313**	**6,905**	589	6,472	7,061
Currency translation differences	**(12)**	**(1,712)**	**(1,724)**	19	(78)	(59)
At end of the year						
Accumulated amortisation	**5,796**	**56,991**	**62,787**	5,216	52,390	57,606
Accumulated impairment losses	**-**	**19,759**	**19,759**	-	19,759	19,759
	5,796	**76,750**	**82,546**	5,216	72,149	77,365
Carrying amounts	**41,313**	**333,807**	**375,120**	42,457	267,154	309,611

	2018 Short Term Leasehold Land RM'000	2017 Short Term Leasehold Land RM'000
Company		
Cost		
At beginning/end of the year	**1,504**	1,504
Accumulated amortisation		
At beginning of the year	**783**	762
Amortisation charge	**21**	21
At end of the year	**804**	783
Carrying amounts	**700**	721

The Memorandum of Transfer of a long term leasehold land in favour of a subsidiary, KLK Bioenergy Sdn Bhd with carrying amount of RM2,858,000 (2017: RM2,910,000), has been presented for registration at the relevant land registry previously. This matter is now pending issuance of the original document of the title from the said relevant land registry. The leasehold land cannot be transferred, charged or mortgaged without prior consent of the relevant authority of the Selangor State Government.

A short term leasehold land of the Group and of the Company was revalued by the Directors on 1 October 1980 based on an opinion of value, using the "Investment Method Approach", by a professional firm of Chartered Surveyors on 22 November 1979.

The Group has retained the unamortised revalued amount as the surrogate carrying amount of prepaid lease payments in accordance with the transitional provision in FRS 117.67A when it first adopted FRS 117 *Leases* in 2006.

Impairment testing
Impairment testing on prepaid lease payments is similar to that of property, plant and equipment as disclosed in Note 12.

The details of the prepaid lease payments of the Group are shown on pages 194 to 200.

14. BIOLOGICAL ASSETS

	Group		Company	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Plantations development expenditure (included under non-current assets)				
Cost/Valuation				
At beginning of the year	**3,045,026**	2,907,379	**735,741**	718,154
Additions	**102,688**	149,098	**-**	17,819
Acquisitions through business combination	**182,236**	-	**-**	-
Disposals	**(658)**	(232)	**(658)**	(232)
Currency translation differences	**(200,820)**	(11,219)	**-**	-
At end of the year	**3,128,472**	3,045,026	**735,083**	735,741
Accumulated amortisation				
At beginning of the year	**420,988**	359,201	**-**	-
Amortisation charge	**68,792**	68,061	**-**	-
Currency translation differences	**(50,468)**	(6,274)	**-**	-
At end of the year	**439,312**	420,988	**-**	-
Carrying amounts	**2,689,160**	2,624,038	**735,083**	735,741
Biological assets are included at cost or valuation as follows:				
Cost	**2,889,778**	2,806,332	**532,788**	533,446
Valuation	**238,694**	238,694	**202,295**	202,295
	3,128,472	3,045,026	**735,083**	735,741

The biological assets of the Group stated at valuation, previously included in property, plant and equipment, were revalued by the Directors based on independent professional valuations carried out between 1979 and 1991 on the open market value basis. These valuations were for special purposes. It has never been the Group's policy to carry out regular revaluation of its biological assets.

The Group has availed itself to the transitional provision when the MASB first issued FRS 116_{2004} *Property, Plant and Equipment* in 2000, and accordingly, the carrying amounts of these revalued biological assets have been retained on the basis of these valuations as though they have never been revalued. The carrying amounts of revalued biological assets of the Group and of the Company, had these assets been carried at cost less accumulated amortisation were RM108,478,000 (2017: RM108,492,000) and RM72,488,000 (2017: RM72,502,000) respectively.

	Group	
	2018	2017
	RM'000	RM'000
Biological assets (included under current assets)		
At net realisable value		
Growing crops	**36,397**	33,510
Livestock	**5,509**	4,296
	41,906	37,806

NOTES TO THE FINANCIAL STATEMENTS

15. LAND HELD FOR PROPERTY DEVELOPMENT

	Group	
	2018	2017
	RM'000	RM'000
Freehold land at cost		
At beginning of the year	**1,067,095**	1,073,886
Additions	**1,191**	-
Transfer to property development costs	**-**	(6,791)
At end of the year	**1,068,286**	1,067,095
Development expenditure at cost		
At beginning of the year	**24,376**	56,426
Additions	**7,745**	17,129
Transfer to property development costs	**-**	(49,179)
At end of the year	**32,121**	24,376
Total	**1,100,407**	1,091,471

The details of the land held for property development by the Group are shown on page 199.

16. GOODWILL ON CONSOLIDATION

	Group	
	2018	2017
	RM'000	RM'000
Cost		
At beginning of the year	**324,686**	321,661
Currency translation differences	**(9,382)**	3,025
At end of the year	**315,304**	324,686

Impairment testing

For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating unit identified according to the Group's business segments.

Goodwill is tested for impairment on an annual basis. Impairment testing on goodwill is similar to that of property, plant and equipment as disclosed in Note 12.

17. INTANGIBLE ASSETS

	Group	
	2018	2017
	RM'000	RM'000
Cost		
At beginning of the year	**65,488**	61,768
Additions	**1,762**	1,426
Acquisition through business combination	**9,322**	-
Currency translation differences	**(2,288)**	2,294
At end of the year	**74,284**	65,488
Accumulated amortisation and impairment losses		
At beginning of the year		
Accumulated amortisation	**42,841**	39,543
Accumulated impairment losses	**7,322**	7,149
	50,163	46,692
Amortisation charge	**2,395**	2,163
Currency translation differences	**(1,632)**	1,308
At end of the year		
Accumulated amortisation	**43,796**	42,841
Accumulated impairment losses	**7,130**	7,322
	50,926	50,163
Carrying amounts	**23,358**	15,325

The amortisation of intangible assets amounting to RM2,395,000 (2017: RM2,163,000) is included in administration expenses.

These assets consist mainly of trade marks and patent.

Impairment testing
Impairment testing on intangible assets is similar to that of property, plant and equipment as disclosed in Note 12.

18. INVESTMENTS IN SUBSIDIARIES AND AMOUNTS OWING BY/TO SUBSIDIARIES

	Company	
	2018	2017
	RM'000	RM'000
Investments in subsidiaries		
Unquoted shares at cost	**4,392,272**	4,496,627
Impairment in value of investments		
At beginning/end of the year	**(88,373)**	(88,373)
	4,303,899	4,408,254
Capital contribution to subsidiaries	**316,300**	322,302
Impairment in capital contribution		
At beginning of the year	**(2,387)**	(69,595)
Impairment loss	**-**	(63)
Reversal of impairment	**2,387**	69,791
Currency translation differences	**-**	(2,520)
At end of the year	**-**	(2,387)
	316,300	319,915
Total investments in subsidiaries	**4,620,199**	4,728,169

The amounts due from subsidiaries are deemed as capital contribution to subsidiaries as the repayment of these amounts are neither fixed nor expected.

Impairment testing
Impairment testing on investments in subsidiaries is similar to that of property, plant and equipment as disclosed in Note 12.

The impairment loss of RM63,000 included in other operating expenses for the financial year ended 30 September 2017 was due to impairment of carrying amount deemed as capital contribution in a subsidiary which was dissolved subsequent to year end.

The reversal of impairment loss of RM69,791,000 recognised in other operating income for the financial year ended 30 September 2017 was a result of significant improvement of a subsidiary's net assets during the financial year.

Details of the subsidiaries are shown in Note 42.

Amounts owing by subsidiaries

	Company	
	2018	2017
	RM'000	RM'000
Non-current assets	**1,303,700**	1,331,771
Current assets	**126,745**	22,524
	1,430,445	1,354,295

The management reviewed the expected repayments from subsidiaries and hence classified certain amounts owing by subsidiaries as non-current.

Amounts owing by subsidiaries are trade and non-trade, unsecured with no fixed terms of repayment. These are non-interest bearing except for a total amount of RM1,302,410,000 (2017: RM1,331,771,000) under non-current assets and RM78,275,000 (2017: RM18,577,000) under current assets which are subject to interest charge ranging from 1.4% to 6.3% (2017: 1.5% to 7.0%) per annum.

Amounts owing to subsidiaries
Amounts owing to subsidiaries are trade and non-trade, unsecured, repayment on demand and non-interest bearing.

NOTES TO THE FINANCIAL STATEMENTS

19. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Shares at cost				
In unquoted corporations	**80,974**	81,197	**25,725**	25,725
Post-acquisition reserves	**72,689**	63,341	**-**	-
	153,663	144,538	**25,725**	25,725

The Group does not have any associate which is individually material to the Group as at 30 September 2018 and 30 September 2017.

	Group	
	2018	2017
	RM'000	RM'000
Summary of financial information of associates:		
Non-current assets	**989,426**	975,844
Current assets	**467,979**	405,946
Non-current liabilities	**(57,968)**	(40,037)
Current liabilities	**(206,216)**	(178,303)
Revenue	**670,348**	612,761
Profit for the year	**27,362**	36,311

Details of the associates are shown in Note 42.

20. INVESTMENTS IN JOINT VENTURES

	Group	
	2018	2017
	RM'000	RM'000
Shares at cost		
In unquoted corporations	**59,257**	59,257
Amounts owing by joint ventures	**161,233**	142,849
	220,490	202,106
Post-acquisition reserves	**(60,076)**	(43,204)
	160,414	158,902

The Group does not have any joint venture which is individually material to the Group as at 30 September 2018 and 30 September 2017.

	Group	
	2018	2017
	RM'000	RM'000
Summary of financial information of joint ventures:		
Non-current assets	**167,760**	187,768
Current assets	**331,234**	423,821
Non-current liabilities	**(271,810)**	(234,350)
Current liabilities	**(228,822)**	(345,131)
Revenue	**1,264,906**	1,274,361
Loss for the year	**(27,628)**	(34,537)

The amounts owing by joint ventures are deemed as capital contribution to the joint ventures as the repayments of these amounts are neither fixed nor expected.

Details of the joint ventures are shown in Note 42.

NOTES TO THE FINANCIAL STATEMENTS

21. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Shares at cost				
In unquoted corporations	**32,782**	34,164	**359**	359
Shares at fair value				
In Malaysia quoted corporations	**18,027**	20,707	**-**	-
In overseas quoted corporations	**2,370,951**	2,254,730	**741,342**	702,158
	2,388,978	2,275,437	**741,342**	702,158
	2,421,760	2,309,601	**741,701**	702,517
Impairment in value of investments				
At beginning of the year	**(39,362)**	(6,900)	**-**	-
Impairment loss	**(579)**	(32,625)	**-**	-
Reversal of impairment	**600**	1,349	**-**	-
Currency translation differences	**1,955**	(1,186)	**-**	-
At end of the year	**(37,386)**	(39,362)	**-**	-
	2,384,374	2,270,239	**741,701**	702,517

Out of the total impairment loss of RM32.6 million for the financial year ended 30 September 2017, RM32.1 million represented the full impairment on a non-core and non-performing investment in China. The impairment loss was included in other operating expenses.

22. OTHER RECEIVABLE

Other receivable represents advances to plasma plantations projects.

Plantations subsidiaries in Indonesia have participated in the "Kredit Koperasi Primer untuk Anggotanya" scheme (herein referred to as plasma plantations projects) to provide financing and to assist in the development of oil palm plantations under this scheme for the benefit of the communities in the vicinity of their operations. The advances to plasma plantations projects are subject to interest charge of 8% (2017: 8%) per annum.

23. DEFERRED TAXATION

Recognised deferred tax assets and liabilities are attributable to the following:

	Liabilities		Assets		Net	
	2018	2017	**2018**	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000	**RM'000**	RM'000
Group						
Property, plant and equipment						
Capital allowances	**48,615**	(49,294)	**(79,927)**	(18,340)	**(31,312)**	(67,634)
Revaluation	**117,752**	93,205	**-**	-	**117,752**	93,205
Unutilised tax losses	**-**	-	**(68,176)**	(110,878)	**(68,176)**	(110,878)
Unutilised investment tax allowance/ reinvestment allowance	**-**	-	**(6,657)**	(4,153)	**(6,657)**	(4,153)
Derivative financial instruments	**-**	-	**(8,569)**	(2,033)	**(8,569)**	(2,033)
Other items	**14,493**	11,242	**(102,000)**	(100,487)	**(87,507)**	(89,245)
Tax liabilities/(assets)	**180,860**	55,153	**(265,329)**	(235,891)	**(84,469)**	(180,738)
Set off of tax	**118,592**	203,903	**(118,592)**	(203,903)	**-**	-
Net tax liabilities/(assets)	**299,452**	259,056	**(383,921)**	(439,794)	**(84,469)**	(180,738)
Company						
Property, plant and equipment						
Capital allowances	**7,303**	7,283	**-**	-	**7,303**	7,283
Revaluation	**3,350**	3,350	**-**	-	**3,350**	3,350
Other items	**-**	-	**(10,221)**	(13,777)	**(10,221)**	(13,777)
Tax liabilities/(assets)	**10,653**	10,633	**(10,221)**	(13,777)	**432**	(3,144)
Set off of tax	**(10,221)**	(10,633)	**10,221**	10,633	**-**	-
Net tax liabilities/(assets)	**432**	-	**-**	(3,144)	**432**	(3,144)

Deferred tax liabilities and assets are offset above where there is a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred taxes relate to the same taxation authority.

NOTES TO THE FINANCIAL STATEMENTS

The components and movements in deferred tax liabilities and deferred tax assets (before offsetting) are as follows:

	Property, Plant and Equipment		Other Taxable Temporary Differences	Unutilised Tax Losses	Unabsorbed Capital Allowances	Unutilised Reinvestment Allowance/ Investment Tax Allowance	Derivatives Financial Instruments	Other Deductible Temporary Differences	Total
	Capital Allowances RM'000	Revaluation RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group									
At 1 October 2016	(59,203)	94,238	6,977	(132,536)	(15,519)	-	2,809	(96,020)	(199,254)
Recognised in profit or loss	(1,038)	(2,375)	4,199	23,233	97	(4,153)	(572)	(9,562)	9,829
Recognised in equity	-	-	-	-	-	-	-	10,674	10,674
Under/(Over) provision in respect of previous years	7,858	-	-	(2,098)	(2,992)	-	(4,225)	(2,220)	(3,677)
Currency translation differences	3,089	1,342	66	523	74	-	(45)	(3,359)	1,690
At 30 September 2017	**(49,294)**	**93,205**	**11,242**	**(110,878)**	**(18,340)**	**(4,153)**	**(2,033)**	**(100,487)**	**(180,738)**
Recognised in profit or loss	**61,341**	**(3,487)**	**3,365**	**11,524**	**(63,413)**	**4,162**	**(6,575)**	**(1,014)**	**5,903**
Recognised in equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,379)**	**(1,379)**
Acquisitions through business combination	**13,720**	**28,188**	**-**	**(2,424)**	**(7)**	**-**	**-**	**(614)**	**38,863**
(Over)/Under provision in respect of previous years	**(1,629)**	**680**	**-**	**24,114**	**(1,270)**	**(6,666)**	**-**	**(2,979)**	**12,250**
Currency translation differences	**24,477**	**(834)**	**(114)**	**9,488**	**3,103**	**-**	**39**	**4,473**	**40,632**
At 30 September 2018	**48,615**	**117,752**	**14,493**	**(68,176)**	**(79,927)**	**(6,657)**	**(8,569)**	**(102,000)**	**(84,469)**

	Property, Plant and Equipment		Other Deductible Temporary Differences	Total
	Capital Allowances RM'000	Revaluation RM'000	RM'000	RM'000
Company				
At 1 October 2016	7,998	3,350	(11,035)	313
Recognised in profit or loss	(715)	-	(2,742)	(3,457)
At 30 September 2017	**7,283**	**3,350**	**(13,777)**	**(3,144)**
Recognised in profit or loss	**20**	**-**	**3,556**	**3,576**
At 30 September 2018	**7,303**	**3,350**	**(10,221)**	**432**

	Group	
	2018 RM'000	2017 RM'000
No deferred tax assets/(liabilities) have been recognised for the following items:		
Unabsorbed capital allowances	**462,673**	382,791
Deductible temporary differences	**1,292**	357
Investment tax allowance	**1,795**	-
Unutilised tax losses	**441,777**	422,203
Property, plant and equipment	**(695,738)**	(615,866)
	211,799	189,485

The investment tax allowance of a subsidiary amounting to RM1,795,000 (2017: Nil) will expire in year 2019.

NOTES TO THE FINANCIAL STATEMENTS

	Group	
	2018	2017
	RM'000	RM'000
Unutilised tax losses of RM2,594,000 (2017: RM3,556,000) will expire as follows under the respective tax legislation of countries in which certain subsidiaries domicile:		
Year of expiry		
2019	**2,471**	3,528
2020	**123**	28
	2,594	3,556

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group can utilise the benefits therefrom.

Deferred tax liabilities have not been provided by a subsidiary on the taxable temporary differences as the subsidiary is unable to estimate reliably the commencement period of its pioneer status due to current market volatility which renders the achievability of future statutory income uncertain.

The Group has tax losses carried forward of RM720,221,000 (2017: RM867,660,000) which give rise to the recognised and unrecognised deferred tax assets in respect of unutilised tax losses above, which are subject to agreement by the tax authorities.

24. INVENTORIES

	Group		Company	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
At cost				
Inventories of produce	**1,112,432**	1,021,420	**24,875**	24,785
Developed properties held for sale	**53,503**	7,034	**-**	-
Stores and materials	**588,239**	494,121	**18,509**	14,397
	1,754,174	1,522,575	**43,384**	39,182
At net realisable value				
Inventories of produce	**339,004**	273,979	**7,195**	709
Developed properties held for sale	**209**	209	**-**	-
Stores and materials	**4,863**	166	**-**	-
	344,076	274,354	**7,195**	709
	2,098,250	1,796,929	**50,579**	39,891
Recognised in profit or loss:				
Inventories recognised as cost of sales	**15,328,566**	17,583,379	**511,468**	606,627
Write down of inventories	**43,183**	23,453	**3,219**	329
Write back of slow moving inventories	**(1,208)**	(644)	**-**	-
Write back of inventories written down to net realisable value	**(7,874)**	(943)	**-**	-

25. TRADE RECEIVABLES

	Group		Company	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Trade receivables	**1,412,853**	1,844,473	**25,880**	40,877
Allowance for impairment losses	**(26,540)**	(27,846)	**-**	-
	1,386,313	1,816,627	**25,880**	40,877
Accrued billings	**48,737**	-	**-**	-
	1,435,050	1,816,627	**25,880**	40,877

Included in the trade receivables are amounts owing by related parties of RM123,191,000 (2017: RM235,413,000).

The ageing of trade receivables as at end of the reporting period was:

	Gross RM'000	Individual Impairment RM'000	Collective Impairment RM'000	Net RM'000
Group				
2018				
Not past due	**1,183,417**	**-**	**-**	**1,183,417**
Past due 1 - 30 days	**170,649**	**-**	**-**	**170,649**
Past due 31 - 60 days	**22,028**	**-**	**-**	**22,028**
Past due 61 - 90 days	**5,531**	**14**	**-**	**5,517**
Past due 91 - 120 days	**3,086**	**18**	**-**	**3,068**
Past due more than 120 days	**28,142**	**26,508**	**-**	**1,634**
	1,412,853	**26,540**	**-**	**1,386,313**
2017				
Not past due	1,604,573	135	-	1,604,438
Past due 1 - 30 days	109,504	18	-	109,486
Past due 31 - 60 days	34,344	19	-	34,325
Past due 61 - 90 days	53,469	-	-	53,469
Past due 91 - 120 days	2,416	4	-	2,412
Past due more than 120 days	40,167	27,670	-	12,497
	1,844,473	27,846	-	1,816,627
Company				
2018				
Not past due	**25,880**	**-**	**-**	**25,880**
2017				
Not past due	40,877	-	-	40,877

The movements in the allowance for impairment losses of trade receivables during the year were:

	Group 2018 RM'000	Group 2017 RM'000
At beginning of the year	**27,846**	19,843
Impairment losses	**463**	7,681
Reversal of impairment	**(807)**	(20)
Impairment losses written off	**(209)**	-
Currency translation differences	**(753)**	342
At end of the year	**26,540**	27,846

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Company.

None of the trade receivables of the Group or the Company that are neither past due nor impaired have been renegotiated during the financial year.

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that the recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

The Group's normal trade credit term ranges from 7 to 180 (2017: 7 to 180) days. Other credit terms are assessed and approved on a case-by-case basis.

26. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Other receivables	**273,704**	364,703	**28,123**	33,043
Indirect tax receivables	**262,445**	213,238	**-**	-
Prepayments	**60,097**	66,097	**4,026**	1,837
Refundable deposits	**37,794**	53,724	**853**	506
	634,040	697,762	**33,002**	35,386

NOTES TO THE FINANCIAL STATEMENTS

27. PROPERTY DEVELOPMENT COSTS

	Group	
	2018	2017
	RM'000	RM'000
Property development costs comprise:		
Land costs	**17,874**	11,083
Development costs	**365,840**	221,638
	383,714	232,721
Transfer from land held for property development		
Land costs	**-**	6,791
Development costs	**-**	49,179
	-	55,970
Costs incurred during the year		
Land costs	**7,994**	-
Development costs	**157,932**	95,023
	165,926	95,023
	549,640	383,714
Costs recognised as an expense in profit or loss:		
Previous years	**(225,834)**	(146,547)
Current year	**(127,757)**	(79,287)
Transfer to inventories	**(55,428)**	(3,184)
	140,621	154,696

28. DERIVATIVE FINANCIAL INSTRUMENTS

The Group classifies derivative financial instruments as financial assets or liabilities at fair value through profit or loss.

	Contract/Notional Amount Net long/(short) RM'000	**Assets RM'000**	**Liabilities RM'000**
Group			
2018			
Forward foreign exchange contracts	**(889,141)**	**967**	**(11,817)**
Commodities future contracts	**68,675**	**68,243**	**(52,402)**
Total derivative financial instruments		**69,210**	**(64,219)**
2017			
Forward foreign exchange contracts	(990,336)	18,330	(2,194)
Commodities future contracts	51,459	92,418	(102,419)
Total derivative financial instruments		110,748	(104,613)
Company			
2018			
Forward foreign exchange contracts	**(11,359)**	**-**	**(389)**
Commodities future contracts	**(31,322)**	**1,302**	**(353)**
Total derivative financial instruments		**1,302**	**(742)**
2017			
Forward foreign exchange contracts	(32,471)	375	-
Commodities future contracts	(46,541)	88	(177)
Total derivative financial instruments		463	(177)

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 currencies 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.

The Group does not have any other financial liabilities which are measured at fair value through profit or loss except for derivative financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

29. SHORT TERM FUNDS

	Group		Company	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Deposits with licensed banks	**195,579**	578,489	**134,046**	383,629

Short term funds represent funds placed in highly liquid money market instruments which are readily convertible to known amount of cash and have insignificant risk of changes in fair value with original maturities of more than three months.

The effective interest rates per annum of deposits with licensed banks at the end of the reporting dates were as follows:

	Group		Company	
	2018	2017	**2018**	2017
Deposits with licensed banks	**1.53% to 6.00%**	0.75% to 7.00%	**1.53% to 4.27%**	1.33% to 3.92%

The maturities and repricing of deposits with licensed banks at the end of the reporting dates were as follows:

	Group		Company	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Maturities above 3 months to 1 year				
Deposits with licensed banks	**195,579**	578,489	**134,046**	383,629

Deposit with licensed bank of the Group amounting to RM11,275,000 (2017: RM14,618,000) as at 30 September 2018 has been pledged for a banking facility granted to an outside party for the purpose of the "Kredit Koperasi Primer untuk Anggotanya" scheme in Indonesia.

30. CASH AND CASH EQUIVALENTS

	Group		Company	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Deposits with licensed banks	**883,028**	1,131,336	**377,922**	250,847
Fixed income trust funds, at fair value through profit or loss	**53,584**	-	**51,084**	-
Cash and bank balances	**341,163**	331,351	**2,811**	2,304
	1,277,775	1,462,687	**431,817**	253,151

Deposits with licensed banks and investment in fixed income trust funds in Malaysia represent short term investments in highly liquid money market. These investments are readily convertible to cash and have insignificant risk of changes in value with original maturities of three months or less.

Included in the Group's cash and bank balances as at 30 September 2018 was RM32,327,000 (2017: RM29,975,000) held under Housing Development Accounts. The utilisation of this fund is subject to the Housing Developers (Housing Development Account) (Amendment) Regulations 2002.

The effective interest rates per annum of deposits with licensed banks and fixed income trust funds at the end of the reporting dates were as follows:

	Group		Company	
	2018	2017	**2018**	2017
Deposits with licensed banks	**0.35% to 7.55%**	0.01% to 7.55%	**1.23% to 3.70%**	0.63% to 3.84%
Fixed income trust funds	**3.50% to 3.63%**	-	**3.50% to 3.63%**	-

The maturities and repricing of deposits with licensed banks and fixed income trust funds as at the end of the reporting dates were as follows:

	Group		Company	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Maturities of 3 months or below				
Deposits with licensed banks	**883,028**	1,131,336	**377,922**	250,847
Fixed income trust funds	**53,584**	-	**51,084**	-
	936,612	1,131,336	**429,006**	250,847

31. SHARE CAPITAL

	Group		Company	
	Number of Shares	**RM'000**	**Number of Shares**	**RM'000**
Issued and fully paid				
At 1 October 2016	1,067,504,692	1,067,505	1,067,504,692	1,067,505
Reclassification from capital redemption reserve pursuant to Section 618(2) of the Companies Act 2016	-	62,009	-	285
Transfer from retained earnings on redemption of redeemable preference shares	-	55,250	-	-
At 30 September 2017	**1,067,504,692**	**1,184,764**	**1,067,504,692**	**1,067,790**
Transfer from retained earnings on redemption of redeemable preference shares	**-**	**12,198**	**-**	**-**
At 30 September 2018	**1,067,504,692**	**1,196,962**	**1,067,504,692**	**1,067,790**

In accordance with Section 618(2) of the Companies Act 2016 which was effected on 31 January 2017,

(i) the shares of the Company ceased to have a par value; and

(ii) the amount standing to the credit of the capital redemption reserve has become part of the Group's and the Company's share capital.

During the financial year ended 30 September 2018 and 30 September 2017, certain subsidiaries used the amount standing to the credit of their share premium accounts to provide for the premium paid on redemption of their redeemable preference shares which were issued before 31 January 2017 in accordance with Section 618(3) of the Companies Act 2016.

Of the total 1,067,504,692 (2017: 1,067,504,692) issued and fully paid shares, 2,539,000 (2017: 2,539,000) are held as treasury shares by the Company. As at 30 September 2018, the number of outstanding shares in issue and fully paid is 1,064,965,692 (2017: 1,064,965,692).

The shareholders of the Company renewed the authority granted to the Directors to buy back its own shares at the Annual General Meeting held on 13 February 2018. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the buy back plan can be applied in the best interests of the Company and its shareholders.

32. RESERVES

	Group		Company	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Non-distributable				
Capital reserve	**204,048**	204,048	**-**	-
Revaluation reserve	**78,725**	78,725	**33,869**	33,869
Exchange fluctuation reserve	**117,100**	558,268	**-**	-
Fair value reserve	**1,291,055**	1,216,661	**662,904**	623,721
Retained earnings – cost of treasury shares	**13,447**	13,447	**13,447**	13,447
	1,704,375	2,071,149	**710,220**	671,037
Distributable				
Capital reserve	**825,949**	824,177	**1,087,296**	1,087,296
Retained earnings	**7,711,103**	7,501,832	**3,755,711**	3,777,203
	8,537,052	8,326,009	**4,843,007**	4,864,499
	10,241,427	10,397,158	**5,553,227**	5,535,536

Included under the non-distributable reserves is an amount of RM13,447,000 (2017: RM13,447,000) which was utilised for the purchase of the treasury shares and is considered as non-distributable.

Non-distributable capital reserve mainly comprises post-acquisition reserve capitalised by subsidiaries for their bonus issues. Distributable capital reserve comprises surpluses arising from disposals of quoted investments, properties and government acquisitions of land.

Included in revaluation reserve of the Group was an amount of RM31,362,000 (2017: RM31,362,000), which represented the fair value adjustments on acquisition of a subsidiary, relating to previously held interest.

Fair value reserve comprises the cumulative net change in the fair value of available-for-sale investments until the investments are derecognised or impaired.

33. DEFERRED INCOME

	Group	
	2018	2017
	RM'000	RM'000
Government grants		
At cost		
At beginning of the year	**150,662**	143,823
Received during the year	**9,826**	6,194
Currency translation differences	**(348)**	645
At end of the year	**160,140**	150,662
Accumulated amortisation		
At beginning of the year	**25,489**	18,830
Amortisation charge	**7,926**	6,252
Currency translation differences	**(226)**	407
At end of the year	**33,189**	25,489
Carrying amounts	**126,951**	125,173
Deferred income is disclosed under:		
Non-current liabilities	**119,004**	117,365
Current liabilities	**7,947**	7,808
	126,951	125,173

The subsidiaries, KL-Kepong Oleomas Sdn Bhd, Palm-Oleo (Klang) Sdn Bhd and Davos Life Science Sdn Bhd received government grants from Malaysian Palm Oil Board which were conditional upon the construction of specific projects.

Another subsidiary, KLK Tensachem SA received government grants from its local government to finance its capital expenditure.

The government grants are to be amortised over the life of the assets when the assets are commissioned.

34. PROVISION FOR RETIREMENT BENEFITS

	Group		Company	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Present value of funded obligations	**244,415**	248,079	**-**	-
Fair value of plan assets	**(235,687)**	(226,534)	**-**	-
	8,728	21,545	**-**	-
Unfunded obligations	**458,339**	457,587	**24,168**	24,137
Present value of net obligations	**467,067**	479,132	**24,168**	24,137

Defined benefit obligations

(i) The Group's plantations operations in Malaysia operate defined benefit plans based on the terms of the union's collective agreements in Malaysia. These retirement benefit plans are unfunded. The benefits payable on retirement are based on the last drawn salaries, the length of service and the rates set out in the union's collective agreements.

The present value of these unfunded defined benefit obligations as required by FRS 119 *Employee Benefits* has not been used in arriving at the provision as the amount involved is insignificant to the Group and the Company. Accordingly, no further disclosures as required by the standard are made.

(ii) All the plantations subsidiaries in Indonesia operate unfunded defined benefit plans for all its eligible employees. The obligations of the retirement benefit plans are calculated using the projected unit credit method.

(iii) A subsidiary in Germany, KLK Emmerich GmbH, operates an unfunded retirement benefit plan for its eligible employees. The obligations of the retirement benefit plan are determined by an independent qualified actuary. The last actuarial valuation was on 30 September 2018.

(iv) A subsidiary in Switzerland, Kolb Distribution AG, makes contributions to a funded defined benefit plan that provides pension benefits for employees upon retirement. The assets of the plan are held as a segregated fund and administered by trustees.

This funded defined benefit obligation is determined by an independent qualified actuary on an annual basis. The last actuarial valuation was on 30 June 2018 and was subsequently updated to take into consideration of the requirements of FRS 119 in order to assess liabilities of the plan as at 30 September 2018. The plan assets are stated at their market value as at 30 September 2018.

The defined benefit plans expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

These defined benefit plans are fully funded by the Group.

The Group expects RM20,279,000 in contributions to be paid to the defined benefit plans in the next financial year.

NOTES TO THE FINANCIAL STATEMENTS

Movement in Net Defined Benefit Liabilities	Present Value of Funded Obligations RM'000	Unfunded Obligations RM'000	Fair Value of Plan Assets RM'000	Present Value of Net Obligations RM'000
Group				
At 1 October 2016	240,890	456,638	(201,634)	495,894
Included in profit or loss				
Service cost	9,536	21,350	-	30,886
Past service cost	(10,419)	-	-	(10,419)
Interest cost/(income)	769	10,860	(646)	10,983
Administration cost	123	-	-	123
	9	32,210	(646)	31,573
Included in other comprehensive income				
Remeasurement (gain)/loss				
Actuarial (gain)/loss from:				
- Financial assumptions	(12,437)	(30,654)	-	(43,091)
- Demographic assumptions	(5,069)	-	-	(5,069)
- Experience assumptions	12,046	2,520	-	14,566
Return on plan assets excluding interest income	-	-	(5,091)	(5,091)
	(5,460)	(28,134)	(5,091)	(38,685)
Other				
Contribution paid by employer	-	(24,637)	(7,501)	(32,138)
Employee contributions	5,397	-	(5,397)	-
Benefits deposited	1,816	-	(1,816)	-
Currency translation differences	5,427	21,510	(4,449)	22,488
At 30 September 2017	**248,079**	**457,587**	**(226,534)**	**479,132**
Included in profit or loss				
Service cost	**6,620**	**23,505**	**-**	**30,125**
Interest cost/(income)	**1,678**	**13,318**	**(1,537)**	**13,459**
Administration cost	**120**	**-**	**-**	**120**
	8,418	**36,823**	**(1,537)**	**43,704**
Included in other comprehensive income				
Remeasurement (gain)/loss				
Actuarial (gain)/loss from:				
- Financial assumptions	**(9,274)**	**6,286**	**-**	**(2,988)**
- Demographic assumptions	**(1,343)**	**-**	**-**	**(1,343)**
- Experience assumptions	**4,864**	**4,488**	**-**	**9,352**
Return on plan assets excluding interest income	**-**	**-**	**(5,781)**	**(5,781)**
	(5,753)	**10,774**	**(5,781)**	**(760)**
Other				
Contribution paid by employer	**-**	**(23,723)**	**(7,379)**	**(31,102)**
Employee contributions	**5,321**	**-**	**(5,321)**	**-**
Benefits paid	**(3,748)**	**-**	**3,748**	**-**
Acquisitions through business combination	**-**	**1,814**	**-**	**1,814**
Currency translation differences	**(7,902)**	**(24,936)**	**7,117**	**(25,721)**
At 30 September 2018	**244,415**	**458,339**	**(235,687)**	**467,067**

The amount of remeasurement gain of RM2,139,000 (2017: gain RM28,011,000) recognised in the other comprehensive income is net of deferred tax assets of RM1,379,000 (2017: deferred tax liability RM10,674,000) (Note 23).

NOTES TO THE FINANCIAL STATEMENTS

	Group 2018 RM'000	Group 2017 RM'000
Plan assets		
Plan assets comprise:		
Equity funds quoted in Switzerland	**36,058**	35,623
Equity funds quoted in the United States of America	**30,092**	29,738
Bond funds quoted in Switzerland	**81,075**	81,506
Real estate funds quoted in Switzerland	**51,312**	50,708
Cash and cash equivalents	**17,418**	12,785
Other assets	**19,732**	16,174
	235,687	226,534

Fair value of the plan assets is based on the market price information and in the case of quoted securities is the published bid price.

The pension fund's board of trustees is responsible for the risk management of the funds. The cash funding of the plan is designed to ensure that present and future contributions should be sufficient to meet future liabilities.

	Company 2018 RM'000	Company 2017 RM'000
Unfunded obligations		
Movements in the unfunded defined benefit obligations		
At beginning of the year	**24,137**	24,148
Benefits paid	**(580)**	(913)
Expense recognised in profit or loss		
Service cost	**611**	902
At end of the year	**24,168**	24,137

	Group 2018 %	Group 2017 %
Actuarial assumptions		
Principal actuarial assumptions of the funded plan operated by the subsidiary in Switzerland (expressed as weighted averages):		
Discount rates	**0.7**	0.7
Future salary increases	**1.0**	1.5
Principal assumptions of the unfunded plan used by plantations subsidiaries in Indonesia:		
Discount rate	**8.3**	8.3
Future salary increases	**4.0 to 8.0**	6.0 to 8.0
Principal actuarial assumptions of the unfunded plan operated by the subsidiary in Germany:		
Discount rate	**1.8**	1.8
Future salary increases	**3.0**	2.5
Future pension increases	**1.8**	1.8

As at end of the reporting period, the weighted average duration of the funded defined benefit obligation was 13.9 years (2017: 14.4 years).

Sensitivity analysis
Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amount shown below:

	Group Defined Benefit Obligation	
	Increase RM'000	**Decrease RM'000**
2018		
Discount rate (0.25% movement)	**(22,253)**	**24,262**
Future salary growth (0.25% movement)	**5,210**	**(4,791)**
Life expectancy (1 year movement)	**23,644**	**(23,589)**
2017		
Discount rate (0.25% movement)	(22,722)	25,347
Future salary growth (0.25% movement)	22,045	(14,072)
Life expectancy (1 year movement)	14,864	(14,920)

Although the analysis does not account for the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

35. BORROWINGS

	Group		Company	
	2018 RM'000	2017 RM'000	**2018 RM'000**	2017 RM'000
Non-current				
Secured				
Term loan	**35,085**	31,104	**-**	-
Unsecured				
Term loans	**427,014**	436,064	**-**	-
Islamic medium term notes	**2,600,000**	2,600,000	**2,600,000**	2,600,000
	3,027,014	3,036,064	**2,600,000**	2,600,000
	3,062,099	3,067,168	**2,600,000**	2,600,000
Current				
Secured				
Term loan	**10,198**	11,739	**-**	-
Unsecured				
Bank overdrafts	**89,034**	124,124	**-**	-
Term loans	**175,439**	24,923	**-**	-
Export credit refinancing	**83,620**	225,059	**-**	-
Bankers' acceptance	**427,614**	350,787	**-**	-
Revolving credit	**164,534**	217,933	**-**	-
Trade financing	**270,675**	421,031	**-**	-
	1,210,916	1,363,857	**-**	-
	1,221,114	1,375,596	**-**	-
Total borrowings	**4,283,213**	4,442,764	**2,600,000**	2,600,000

(a) During the financial year ended 30 September 2012, the Company had issued RM300 million 5 years Sukuk Ijarah Islamic Medium Term Notes under the RM300 million Sukuk Ijarah Islamic Commercial Paper ("ICP") and Medium Term Notes ("IMTN") Programme ("1st Programme") at par with a profit of 3.88% per annum.

Salient features of the 1st Programme are as follows:

- Total outstanding nominal value of the ICP and IMTN (collectively known as "Notes") shall not exceed RM300 million.
- The tenure of the 1st Programme is up to 5 years from the date of the first issuance of any Notes under the 1st Programme.
- The ICP will be issued at a discount to the nominal value and has a maturity of either 1, 2, 3, 6, 9 or 12 months and on condition that the maturity dates of the ICP do not exceed the tenure of the 1st Programme. There will not be profit payable on the ICP issued under the 1st Programme in view that they are issued at a discount.

- The IMTN may be issued at a discount or at par to the nominal value and has a maturity of more than 1 year and up to 5 years and on condition that the maturity dates of the IMTN do not exceed the tenure of the 1st Programme. The IMTN may be non-profit bearing or bear profit at a rate determined at the point of issuance. The profit is payable semi-annually in arrears from the date of issue of the IMTN with the last profit payment to be made on the maturity dates.
- Debt-to-equity ratio of the Group shall be maintained at not more than one time throughout the tenure of the 1st Programme.

The RM300 million IMTN under the 1st Programme was redeemed in October 2016.

(b) During the financial year ended 30 September 2012, the Company had issued RM1.0 billion 10 years Ringgit Sukuk Ijarah Islamic Medium Term Notes under the RM1.0 billion Sukuk Ijarah Multi-Currency Islamic Medium Term Notes ("MCIMTN") Programme ("2nd Programme") at par with a profit of 4.0% per annum.

Salient features of the 2nd Programme are as follows:

- Total outstanding nominal value of the Ringgit Sukuk Ijarah and Non-Ringgit Sukuk Ijarah MCIMTN shall not exceed RM1.0 billion.
- The tenure of the 2nd Programme is up to 10 years from the date of the first issuance of any MCIMTN under the 2nd Programme.
- The MCIMTN has a maturity of more than 1 year and up to 10 years and on condition that the maturity dates of the MCIMTN do not exceed the tenure of the 2nd Programme. The MCIMTN may be non-profit bearing or bear profit at a rate determined at the point of issuance. The profit is payable semi-annually in arrears from the date of issue of the MCIMTN with the last profit payment to be made on the maturity dates.
- Debt-to-equity ratio of the Group shall be maintained at not more than one time throughout the tenure of the 2nd Programme.

(c) During the financial year ended 30 September 2015, the Company had issued RM1.1 billion 10 years Ringgit Sukuk Ijarah Islamic Medium Term Notes under the RM1.6 billion Multi-Currency Sukuk Ijarah and/or Wakalah Islamic Medium Term Notes Programme ("3rd Programme") at par with a profit rate of 4.58% per annum.

During the financial year ended 30 September 2016, the Company had issued the balance of the 3rd Programme of RM500 million 10 years Ringgit Sukuk Ijarah Islamic Medium Term Notes at par with a profit rate of 4.65% per annum.

Salient features of the 3rd Programme are as follows:

- The 3rd Programme shall comprise Ringgit denominated Islamic Medium Term Notes ("Ringgit Sukuk") and non-Ringgit denominated Islamic Medium Term Notes ("Non-Ringgit Sukuk") issuances.
- The aggregate outstanding nominal value of the Ringgit Sukuk and Non-Ringgit Sukuk issued under the 3rd Programme shall not exceed RM1.6 billion (or its equivalent in foreign currencies).
- The tenure of the 3rd Programme shall be more than 1 year and up to 12 years from the date of the first issuance of the programme.
- The Ringgit Sukuk/Non-Ringgit Sukuk under the 3rd Programme may be issued under the Shariah principle(s) of Ijarah and/or Wakalah Bi Al-Istithmar.
- The expected periodic distribution rate (under the principle of Wakalah Bi Al-Istithmar) or periodic distribution rate (under the principle of Ijarah) (if any) shall be determined at the point of issuance. For the Ringgit Sukuk/Non-Ringgit Sukuk with periodic distributions, the profit is payable semi-annually in arrears from the date of issuance of the Ringgit Sukuk/Non-Ringgit Sukuk with the last periodic distribution to be made on the relevant maturity dates.
- Debt-to-equity ratio of the Group shall be maintained at not more than one time throughout the tenure of the 3rd Programme.

(d) The secured term loan of the Group is secured by way of a fixed charge on the property, plant and equipment of an overseas subsidiary with carrying amount of RM139,848,000 (2017: RM150,996,000) as at 30 September 2018.

(e) Certain unsecured term loans, bank overdrafts and revolving credit are supported by corporate guarantees of RM657.2 million (2017: RM804.6 million) issued by the Company. The bank overdraft facilities are renewable annually.

(f) The interest/profit rates per annum applicable to borrowings for the year were as follows:

	Group		Company	
	2018	2017	**2018**	2017
Bank overdrafts	**0.33% to 2.00%**	0.33%	**-**	-
Term loans	**0.71% to 4.02%**	0.71% to 2.88%	**-**	-
Trade financing	**1.70% to 2.81%**	0.93% to 2.06%	**-**	-
Export credit refinancing	**3.48% to 4.20%**	3.40% to 3.60%	**-**	-
Bankers' acceptance	**3.11% to 4.57%**	3.07% to 4.04%	**-**	-
Revolving credit	**1.00% to 8.75%**	0.90% to 4.79%	**-**	-
Islamic medium term notes	**4.00% to 4.65%**	3.88% to 4.65%	**4.00% to 4.65%**	3.88% to 4.65%

(g) An amount of RM862,343,000 (2017: RM1,074,536,000) of the Group's borrowings consists of floating rate borrowings which interest rates reprice within a year.

The Company did not have any floating rate borrowings as at end of both the financial years.

(h) Reconciliation of liabilities from financing activities to the statements of financial position and statements of cash flows are as follows:

	Group				Company
	Term Loans RM'000	**Islamic Medium Term Notes RM'000**	**Short Term Borrowings RM'000**	**Total RM'000**	**Islamic Medium Term Notes RM'000**
At 1 October 2016	458,166	2,900,000	1,141,154	4,499,320	2,900,000
Cash flows					
Term loans received	116,249	-	-	116,249	-
Repayment of term loans	(91,855)	-	-	(91,855)	-
Redemption of Islamic medium term notes	-	(300,000)	-	(300,000)	(300,000)
Net drawdown of short term borrowings	-	-	58,510	58,510	-
Non-cash flows					
Currency translation differences	21,270	-	15,146	36,416	-
At 30 September 2017	**503,830**	**2,600,000**	**1,214,810**	**4,318,640**	**2,600,000**
Cash flows					
Term loans received	**218,800**	**-**	**-**	**218,800**	**-**
Repayment of term loans	**(57,277)**	**-**	**-**	**(57,277)**	**-**
Net repayment of short term borrowings	**-**	**-**	**(251,138)**	**(251,138)**	**-**
Non-cash flows					
Currency translation differences	**(17,617)**	**-**	**(17,229)**	**(34,846)**	**-**
At 30 September 2018	**647,736**	**2,600,000**	**946,443**	**4,194,179**	**2,600,000**

36. TRADE PAYABLES

	Group		Company	
	2018 RM'000	2017 RM'000	**2018 RM'000**	2017 RM'000
Trade payables	**555,097**	788,505	**6,439**	6,309
Progress billings	**45**	6,811	**-**	-
	555,142	795,316	**6,439**	6,309

Included in the trade payables are amounts owing to related parties of RM17,421,000 (2017: RM77,645,000).

The normal trade credit terms granted to the Group ranging from 7 to 90 (2017: 7 to 90) days.

NOTES TO THE FINANCIAL STATEMENTS

37. OTHER PAYABLES

	Group		Company	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Other payables	**442,484**	402,501	**42,171**	49,084
Accruals	**384,850**	334,981	**55,131**	54,432
Indirect tax payables	**14,355**	30,025	**-**	2,684
	841,689	767,507	**97,302**	106,200

38. RELATED PARTY TRANSACTIONS

(a) The Company has a controlling related party relationship with all its subsidiaries. Significant inter-company transactions of the Company are as follows:

	Company	
	2018	2017
	RM'000	RM'000
Sale of goods to subsidiaries	**194,735**	197,026
Purchase of goods from subsidiaries	**11,535**	11,396
Commission received from a subsidiary	**1,501**	1,959
Interest received from subsidiaries	**51,535**	59,197
Interest paid to subsidiaries	**474**	2,014
Rental received from a subsidiary	**600**	600
Management fees paid to subsidiaries	**11,318**	11,039
License fees paid to subsidiaries	**11,236**	13,223

(b) Significant related party transactions

Set out below are the significant related party transactions in the normal course of business for the financial year (in addition to related party disclosures mentioned elsewhere in the financial statements).

	Group		Company	
	2018	2017	**2018**	2017
	RM'000	RM'000	**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	**790**	860
Service charges paid	**2,726**	2,524	**871**	871
Research and development services paid	**14,597**	14,435	**14,597**	14,435
(ii) Transactions with companies in which certain Directors are common directors and/or have direct or deemed interest				
Sale of goods				
P.T. 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	**-**	-
Purchase of goods				
Borneo Taiko Clay Sdn Bhd	**3,404**	4,494	**-**	-
Bukit Katho Estate Sdn Bhd	**4,457**	4,894	**4,457**	4,894
Kampar Rubber & Tin Co Sdn Bhd	**7,044**	7,933	**7,044**	7,933
Kekal & Deras Sdn Bhd	**1,577**	1,998	**1,577**	1,998
Ladang Tai Tak (Kota Tinggi) Sdn Bhd	**1,001**	568	**-**	-
Malay Rubber Plantations (M) Sdn Bhd	**6,651**	8,521	**6,651**	8,521
P.T. Agro Makmur Abadi	**84,940**	81,734	**-**	-
P.T. Safari Riau	**33,649**	41,735	**-**	-
P.T. 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	**31**	35
Taiko Marketing Sdn Bhd	**50,217**	30,981	**-**	-

NOTES TO THE FINANCIAL STATEMENTS

	Group		Company	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Rental of office paid				
Batu Kawan Holdings Sdn Bhd	**4,551**	4,341	**1,357**	1,353
Management fees paid				
Farming Management Services Pty Ltd	**2,327**	2,284	**-**	-
Aircraft operating expenses and management services paid				
Smooth Route Sdn Bhd	**1,936**	1,789	**1,936**	1,789
Supply of contract labour and engineering works				
K7 Engineering Sdn Bhd	**1,245**	2,946	**-**	-
Yeow Brothers Engineering Sdn Bhd	**956**	1,394	**-**	-
(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	**-**	-
Purchase of goods				
Mitsubishi Gas Chemical Singapore Pte Ltd	**17,283**	3,217	**-**	-
P.T. Letawa	**2,671**	-	**-**	-
P.T. Tanjung Bina Lestari	**27,851**	205,883	**-**	-
P.T. Tanjung Sarana Lestari	**1,328,873**	1,648,180	**-**	-
Tejana Trading & Management Services Sdn Bhd	**1,361**	5,007	**-**	-

39. CAPITAL COMMITMENTS

	Group		Company	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Capital expenditure				
Approved and contracted	**124,864**	120,589	**5,574**	1,361
Approved but not contracted	**822,627**	539,995	**114,565**	28,693
	947,491	660,584	**120,139**	30,054
Acquisition of shares in a company				
Approved and contracted	**-**	1,322	**-**	-

40. LEASE COMMITMENTS

	Group	
	2018	2017
	RM'000	RM'000
Lease as a lessee		
Total future minimum lease payments under non-cancellable operating leases are as follows:		
Less than 1 year	**15,549**	14,177
Between 1 and 5 years	**48,243**	50,322
More than 5 years	**95,641**	105,150
	159,433	169,649

NOTES TO THE FINANCIAL STATEMENTS

41. CONTINGENT LIABILITIES – UNSECURED

(a) The Company has an unsecured contingent liability of RM657.2 million (2017: RM804.6 million) in respect of corporate guarantees given to certain banks for credit facilities utilised by certain subsidiaries at 30 September 2018.

(b) The Company has undertaken to provide financial support to certain subsidiaries to enable them to continue to operate as going concerns.

42. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

(a) The names of subsidiaries, associates and joint ventures are detailed below:

Subsidiaries	Country Of Incorporation	Principal Country Of Operation	Effective Ownership Interest and Voting Interest 2018	2017	Principal Activities
PLANTATIONS					
PENINSULAR MALAYSIA					
Uni-Agro Multi Plantations Sdn Bhd	Malaysia	Malaysia	**51**	51	Plantations
Betatechnic Sdn Bhd	Malaysia	Malaysia	**100**	100	Operating biogas capture plants
Gunong Pertanian Sdn Bhd	Malaysia	Malaysia	**100**	100	Extraction of crude palm oil
KL-Kepong Edible Oils Sdn Bhd	Malaysia	Malaysia	**100**	100	Refining of palm products
Taiko Plantations Sdn Bhd †	Malaysia	Malaysia	**100**	100	Management of plantations
Golden Complex Sdn Bhd	Malaysia	Malaysia	**100**	100	Investment holding
Jasachem Sdn Bhd	Malaysia	Malaysia	**100**	100	Investment holding
KL-Kepong Plantation Holdings Sdn Bhd	Malaysia	Malaysia	**100**	100	Investment holding
Fajar Palmkel Sdn Bhd	Malaysia	Malaysia	**100**	100	Kernel crushing
Rubber Fibreboards Sdn Bhd (In Members' Voluntary Liquidation)	Malaysia	Malaysia	**100**	100	Dormant
Kulumpang Development Corporation Sdn Bhd (In Members' Voluntary Liquidation)	Malaysia	Malaysia	**-**	100	Liquidated
SABAH					
Bornion Estate Sdn Bhd	Malaysia	Malaysia	**63**	63	Plantations
KL-Kepong (Sabah) Sdn Bhd	Malaysia	Malaysia	**100**	100	Plantations
Sabah Cocoa Sdn Bhd	Malaysia	Malaysia	**100**	100	Plantations
KLK Premier Oils Sdn Bhd	Malaysia	Malaysia	**85**	85	Refining of palm products and kernel crushing
Golden Yield Sdn Bhd	Malaysia	Malaysia	**85**	85	Processing and marketing of oil palm products
Sabah Holdings Corporation Sdn Bhd	Malaysia	Malaysia	**70**	70	Investment holding
INDONESIA					
P.T. ADEI Plantation & Industry †	Indonesia	Indonesia	**95**	95	Plantations, refining of palm products and kernel crushing
P.T. Alam Karya Sejahtera AKS †	Indonesia	Indonesia	**62**	62	Plantations
P.T. Anugrah Surya Mandiri †	Indonesia	Indonesia	**95**	95	Plantations
P.T. Bumi Makmur Sejahtera Jaya †	Indonesia	Indonesia	**95**	-	Plantations
P.T. Hutan Hijau Mas †	Indonesia	Indonesia	**92**	92	Plantations
P.T. Jabontara Eka Karsa †	Indonesia	Indonesia	**95**	95	Plantations
P.T. Karya Makmur Abadi †	Indonesia	Indonesia	**90**	90	Plantations
P.T. Langkat Nusantara Kepong †	Indonesia	Indonesia	**60**	60	Plantations
P.T. Malindomas Perkebunan †	Indonesia	Indonesia	**92**	92	Plantations
P.T. Menteng Jaya Sawit Perdana †	Indonesia	Indonesia	**80**	80	Plantations
P.T. Mulia Agro Permai †	Indonesia	Indonesia	**90**	90	Plantations
P.T. Parit Sembada †	Indonesia	Indonesia	**90**	90	Plantations

NOTES TO THE FINANCIAL STATEMENTS

Subsidiaries	Country Of Incorporation	Principal Country Of Operation	Effective Ownership Interest and Voting Interest 2018	2017	Principal Activities
PLANTATIONS					
INDONESIA					
P.T. Perindustrian Sawit Synergi †	Indonesia	Indonesia	**75**	-	Refining of palm products and kernel crushing
P.T. Putra Bongan Jaya †	Indonesia	Indonesia	**95**	-	Plantations
P.T. Steelindo Wahana Perkasa †	Indonesia	Indonesia	**95**	95	Plantations, refining of palm products and kernel crushing
P.T. Sekarbumi Alamlestari †	Indonesia	Indonesia	**65**	65	Plantations
P.T. KLK Agriservindo †	Indonesia	Indonesia	**100**	100	Management of plantations
SINGAPORE					
Astra-KLK Pte Ltd #	Singapore	Singapore	**51**	51	Marketing of refined palm oil products and provision of logistics services related to palm products
Collingwood Plantations Pte Ltd †	Singapore	Singapore	**82**	82	Investment holding
KLK Agro Plantations Pte Ltd †	Singapore	Singapore	**100**	100	Investment holding
Agro Putra Pte Ltd † (formerly known as Taiko Cambodia Rubber Pte Ltd)	Singapore	Singapore	**100**	100	Investment holding
Taiko Plantations Pte Ltd †	Singapore	Singapore	**100**	100	Management of plantations
PAPUA NEW GUINEA					
Ang Agro Forest Management Ltd †	Papua New Guinea	Papua New Guinea	**82**	82	Dormant
Kubahi Marine Services Ltd †	Papua New Guinea	Papua New Guinea	**-**	82	Liquidated
UNITED KINGDOM					
Equatorial Palm Oil Plc †	United Kingdom	United Kingdom	**63**	63	Investment holding
GUERNSEY					
Equatorial Biofuels (Guernsey) Ltd †	Guernsey	Guernsey	**63**	63	Investment holding
MAURITIUS					
Liberian Palm Developments Ltd ††	Mauritius	Mauritius	**82**	82	Investment holding
EBF (Mauritius) Ltd ††	Mauritius	Mauritius	**82**	82	Investment holding
EPO (Mauritius) Ltd ††	Mauritius	Mauritius	**82**	82	Investment holding
LIBERIA					
Liberia Forest Products Inc †	Liberia	Liberia	**82**	82	Plantations
LIBINC Oil Palm Inc †	Liberia	Liberia	**82**	82	Plantations
Equatorial Palm Oil (Liberia) Incorporated †	Liberia	Liberia	**82**	82	Management of plantations
Liberian Agriculture Developments Corporation †	Liberia	Liberia	**82**	82	Dormant

NOTES TO THE FINANCIAL STATEMENTS

Subsidiaries	Country Of Incorporation	Principal Country Of Operation	Effective Ownership Interest and Voting Interest 2018	2017	Principal Activities
MANUFACTURING					
OLEOCHEMICALS					
Palm-Oleo Sdn Bhd	Malaysia	Malaysia	**80**	80	Manufacturing of fatty acids
Palm-Oleo (Klang) Sdn Bhd	Malaysia	Malaysia	**80**	80	Manufacturing of oleochemicals
KSP Manufacturing Sdn Bhd	Malaysia	Malaysia	**80**	80	Manufacturing of soap noodles
Palmamide Sdn Bhd	Malaysia	Malaysia	**80**	80	Manufacturing of industrial amides
KL-Kepong Oleomas Sdn Bhd	Malaysia	Malaysia	**96**	96	Manufacturing of fatty alcohol and methyl esters
Davos Life Science Sdn Bhd	Malaysia	Malaysia	**100**	100	Manufacturing of palm phytonutrients and other palm derivatives
KLK Bioenergy Sdn Bhd	Malaysia	Malaysia	**96**	96	Manufacturing of methyl esters
KLK Emmerich GmbH	Germany	Germany	**100**	100	Manufacturing of fatty acids and glycerine
Taiko Palm-Oleo (Zhangjiagang) Co Ltd †	People's Republic of China	People's Republic of China	**80**	80	Manufacturing and trading of fatty acids, glycerine, soap noodles, triacetin, special paper chemicals and surfactants
Shanghai Jinshan Jingwei Chemical Co Ltd †	People's Republic of China	People's Republic of China	**100**	100	Manufacturing of detergents, auxiliary materials for detergents and cosmetics and investment holding
P.T. KLK Dumai †	Indonesia	Indonesia	**100**	100	Manufacturing of basic organic chemicals from agricultural products
Capital Glogalaxy Sdn Bhd	Malaysia	Malaysia	**100**	100	Dormant
KLK Oleo (Shanghai) Co Ltd †	People's Republic of China	People's Republic of China	**100**	100	Trading and distribution of oleochemicals
KLK Tensachem SA #	Belgium	Belgium	**100**	100	Manufacturing of alcohol ether sulphates, alcohol sulphates and sulphonic acids
KL-Kepong Industrial Holdings Sdn Bhd	Malaysia	Malaysia	**100**	100	Investment holding
KLK Premier Capital Ltd	British Virgin Islands	Malaysia	**80**	80	Investment holding and trading in commodities
NON-IONIC SURFACTANTS AND ESTERS					
Kolb Distribution AG †	Switzerland	Switzerland	**100**	100	Distribution of non-ionic surfactants and esters
Dr. W. Kolb AG †	Switzerland	Switzerland	**100**	100	Manufacturing of non-ionic surfactants and esters
Dr. W. Kolb Netherlands BV †	Netherlands	Netherlands	**100**	100	Manufacturing of non-ionic surfactants and esters
Kolb Distribution BV †	Netherlands	Netherlands	**100**	100	Distribution of non-ionic surfactants and esters
Kolb France SARL †	France	France	**100**	100	Distribution of non-ionic surfactants and esters
Dr. W. Kolb Deutschland GmbH †	Germany	Germany	**100**	100	Distribution of non-ionic surfactants and esters

NOTES TO THE FINANCIAL STATEMENTS

Subsidiaries	Country Of Incorporation	Principal Country Of Operation	Effective Ownership Interest and Voting Interest 2018	2017	Principal Activities
MANUFACTURING					
NON-IONIC SURFACTANTS AND ESTERS					
KLK Kolb Specialties BV † (formerly known as Elementis Specialties Netherlands BV)	Netherlands	Netherlands	**100**	-	Manufacturing and distribution of non-ionic surfactants and esters
KLK Chemicals Holding Netherlands BV †	Netherlands	Netherlands	**100**	-	Investment holding
GLOVE PRODUCTS					
KL-Kepong Rubber Products Sdn Bhd †	Malaysia	Malaysia	**100**	100	Manufacturing and trading in rubber products
Masif Latex Products Sdn Bhd †	Malaysia	Malaysia	**100**	100	Dormant
PARQUET FLOORING					
B.K.B. Hevea Products Sdn Bhd †	Malaysia	Malaysia	**100**	100	Manufacturing of parquet flooring products
B.K.B. Flooring Sdn Bhd †	Malaysia	Malaysia	**100**	100	Dormant
NUTRACEUTICAL, COSMETOCEUTICAL & PHARMACEUTICAL PRODUCTS					
Davos Life Science Pte Ltd †	Singapore	Singapore	**100**	100	Sales of pharmaceutical and bio-pharmaceutical intermediates and fine chemicals and investment holding
Biogene Life Science Pte Ltd †	Singapore	Singapore	**100**	100	Research collaboration and investment holding
Centros Life Science Pte Ltd †	Singapore	Singapore	**100**	100	Sales of pharmaceutical and bio-pharmaceutical intermediates fine chemicals
STORAGE & DISTRIBUTION					
Stolthaven (Westport) Sdn Bhd	Malaysia	Malaysia	**51**	51	Storing and distribution of bulk liquid
PROPERTIES					
Colville Holdings Sdn Bhd	Malaysia	Malaysia	**100**	100	Property development
KL-K Holiday Bungalows Sdn Bhd	Malaysia	Malaysia	**100**	100	Operating holiday bungalows
KL-Kepong Complex Sdn Bhd	Malaysia	Malaysia	**100**	100	Property development
KL-Kepong Country Homes Sdn Bhd	Malaysia	Malaysia	**100**	100	Property development
KL-Kepong Property Development Sdn Bhd	Malaysia	Malaysia	**100**	100	Property development
KL-Kepong Property Management Sdn Bhd	Malaysia	Malaysia	**100**	100	Property management and property development
KLK Land Sdn Bhd	Malaysia	Malaysia	**100**	100	Investment holding
Kompleks Tanjong Malim Sdn Bhd	Malaysia	Malaysia	**80**	80	Property development
Palermo Corporation Sdn Bhd	Malaysia	Malaysia	**100**	100	Property development
Scope Energy Sdn Bhd	Malaysia	Malaysia	**60**	60	Property development
Selasih Ikhtisas Sdn Bhd	Malaysia	Malaysia	**100**	100	Property development
KLK Landscape Services Sdn Bhd	Malaysia	Malaysia	**100**	100	Dormant
KLK Park Homes Sdn Bhd	Malaysia	Malaysia	**100**	100	Dormant
KLK Retail Centre Sdn Bhd	Malaysia	Malaysia	**100**	100	Dormant

NOTES TO THE FINANCIAL STATEMENTS

Subsidiaries	Country Of Incorporation	Principal Country Of Operation	Effective Ownership Interest and Voting Interest 2018	2017	Principal Activities
PROPERTIES					
KLK Security Services Sdn Bhd	Malaysia	Malaysia	**100**	100	Dormant
Austerfield Corporation Sdn Bhd (In Members' Voluntary Liquidation)	Malaysia	Malaysia	**-**	100	Liquidated
Brecon Holdings Sdn Bhd (In Members' Voluntary Liquidation)	Malaysia	Malaysia	**-**	100	Liquidated
INVESTMENT HOLDING					
Ablington Holdings Sdn Bhd	Malaysia	Malaysia	**100**	100	Investment holding
Draw Fields Sdn Bhd	Malaysia	Malaysia	**100**	100	Investment holding
KL-Kepong Equity Holdings Sdn Bhd	Malaysia	Malaysia	**100**	100	Investment holding
Ortona Enterprise Sdn Bhd	Malaysia	Malaysia	**100**	100	Money lending
Quarry Lane Sdn Bhd	Malaysia	Malaysia	**100**	100	Investment holding
KL-Kepong International Ltd ††	Cayman Islands	Cayman Islands	**100**	100	Investment holding
KLK Overseas Investments Ltd ††	British Virgin Islands	British Virgin Islands	**100**	100	Investment holding
KLKI Holdings Ltd †	England	England	**100**	100	Investment holding
Kuala Lumpur-Kepong Investments Ltd †	England	Malaysia	**100**	100	Investment holding
Ladang Perbadanan-Fima Bhd	Malaysia	Malaysia	**100**	100	Dormant
Richinstock Sawmill Sdn Bhd	Malaysia	Malaysia	**100**	100	Dormant
Kersten Holdings Ltd ††	British Virgin Islands	British Virgin Islands	**100**	100	Investment holding
OTHERS					
Somerset Cuisine Ltd †	England	England	**100**	100	Manufacturing of jams and preserves
KLK Farms Pty Ltd #	Australia	Australia	**100**	100	Farming
KLK Assurance (Labuan) Ltd †	Malaysia	Malaysia	**100**	100	Offshore captive insurance
KLK Global Resourcing Sdn Bhd	Malaysia	Malaysia	**100**	100	Dormant
KLK Capital Resources (L) Ltd (In Members' Voluntary Liquidation)	Malaysia	Malaysia	**-**	100	Liquidated

† Companies not audited by KPMG
\# Companies audited by overseas affiliates of KPMG
†† These companies are not required to be audited in the country of incorporation. The results of these companies are consolidated based on the unaudited financial statements.

The Company has undertaken to provide financial support to certain subsidiaries to enable them to continue to operate as going concerns.

NOTES TO THE FINANCIAL STATEMENTS

Associates	Country of Incorporation	Effective Ownership Interest and Voting Interest 2018	2017	Principal Activities
Applied Agricultural Resources Sdn Bhd	Malaysia	**50.0**	50.0	Agronomic service and research
Aura Muhibah Sdn Bhd	Malaysia	**40.0**	40.0	Property development
FKW Global Commodities (Pvt) Ltd	Pakistan	**30.0**	30.0	Trading in commodities
Kumpulan Sierramas (M) Sdn Bhd	Malaysia	**50.0**	50.0	Property development
Malaysia Pakistan Venture Sdn Bhd	Malaysia	**37.5**	37.5	Investment holding
MAPAK Edible Oils (Private) Ltd	Pakistan	**30.0**	30.0	Manufacturing and marketing of palm and other soft oils
MEO Trading Sdn Bhd	Malaysia	**30.0**	30.0	Trading in commodities
Phytopharma Co Ltd	Japan	**22.8**	22.8	Import, export and distribution of herbal medicine and raw materials thereof, raw materials of pharmaceutical products and cosmetic products
Joint ventures				
P.T. Kreasijaya Adhikarya	Indonesia	**50.0**	50.0	Refining of crude palm oil and bulking installation
Rainbow State Ltd	British Virgin Islands	**50.0**	50.0	Owning and operating of aircraft

(b) Acquisitions and disposals of subsidiaries

2018

Acquisition of subsidiaries

(i) On 28 February 2018, Kolb Distribution AG, a wholly-owned subsidiary of the Group, had completed the acquisition of 100% equity interest in KLK Kolb Specialties BV (formerly known as Elementis Specialties Netherlands BV) ("KKS") together with its surfactant chemicals assets and business in Delden, the Netherlands for a cash consideration of RM191,044,000.

The Delden site will expand the existing Kolb business portfolio in terms of product range and market coverage. The use of the Delden site as another hub for the Group's market penetration strategy will further accelerate growth in the Group's downstream chemical specialties business in Europe. KKS comes with a large established customer base and is expected to generate overall benefits to the Group's chemical business.

The recognised amounts of assets acquired and liabilities assumed at the date of acquisition were:

	RM'000
Property, plant and equipment	**183,721**
Intangible assets	**9,322**
Inventories	**35,549**
Trade and other receivables	**45,000**
Cash and cash equivalents	**11,089**
Trade and other payables	**(80,904)**
Deferred tax liabilities	**(12,733)**
Total identifiable net assets	**191,044**
Purchase consideration settled in cash and cash equivalents	**191,044**
Fair value of identifiable net assets	**(191,044)**
Goodwill on consolidation	**-**
Purchase consideration settled in cash and cash equivalents	**191,044**
Cash and cash equivalents acquired	**(11,089)**
Net cash outflow arising from acquisition of a subsidiary	**179,955**

NOTES TO THE FINANCIAL STATEMENTS

In the 7 months to 30 September 2018, the subsidiary contributed revenue of RM211.493 million and profit of RM3.459 million. If the acquisition had occurred on 1 October 2017, management estimated that consolidated revenue would have been RM18.818 billion and consolidated profit for the financial year ended 30 September 2018 would have been RM814.551 million.

(ii) On 30 August 2018, the Company had completed the acquisition of 95% equity interest in PT Putra Bongan Jaya ("PBJ") for a cash consideration of RM58,819,000.

PBJ is a company incorporated in Indonesia and is principally involved in establishment and operation of oil palm plantation and participation in the crude vegetable oil industry. The 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 recognised amounts of assets acquired and liabilities assumed at the date of acquisition were:

	RM'000
Property, plant and equipment	**114,226**
Prepaid lease payments	**66,227**
Biological assets	**173,499**
Other receivables – Advance to Plasma plantations projects	**10,691**
Inventories	**3,334**
Trade and other receivables	**22,616**
Cash and cash equivalents	**39,137**
Trade and other payables	**(52,634)**
Provision for retirement benefit	**(1,189)**
Borrowings	**(291,432)**
Deferred tax liabilities	**(22,560)**
Total identifiable net assets	**61,915**
Purchase consideration settled in cash and cash equivalents	**58,819**
Non-controlling interests	**3,096**
Fair value of identifiable net assets	**(61,915)**
Goodwill on consolidation	**-**
Purchase consideration settled in cash and cash equivalents	**58,819**
Cash and cash equivalents acquired	**(39,137)**
Net cash outflow arising from acquisition of a subsidiary	**19,682**

The Group incurred acquisition-related costs of RM149,000 related to professional fees which have been included in other operating expenses in profit or loss.

In the 1 month to 30 September 2018 the subsidiary contributed revenue of RM493,000 and incurred a loss of RM170,000. If the acquisition had occurred on 1 October 2017, management estimated that consolidated revenue would have been RM18.404 billion and consolidated profit for the financial year ended 30 September 2018 would have been RM799.725 million.

(iii) On 7 September 2018, KL-Kepong Plantation Holdings Sdn Bhd, a wholly-owned subsidiary of the Group, had completed the acquisition of 95% equity interest in PT Bumi Makmur Sejahtera Jaya ("BMSJ") for a cash consideration of RM10,561,000.

The acquisition is in line with the Company's strategy to further increase the Group's oil palm plantation area in Indonesia.

NOTES TO THE FINANCIAL STATEMENTS

The recognised amounts of assets acquired and liabilities assumed at the date of acquisition were:

	RM'000
Property, plant and equipment	17
Prepaid lease payments	15,407
Biological assets	8,737
Other receivable – Advance to Plasma plantations projects	868
Inventories	377
Trade and other receivables	594
Cash and cash equivalents	4,173
Trade and other payables	(344)
Tax payable	(136)
Provision for retirement benefit	(625)
Borrowings	(14,381)
Deferred tax liabilities	(3,570)
Total identifiable net assets	11,117
Purchase consideration settled in cash and cash equivalents	10,561
Non-controlling interests	556
Fair value of identifiable net assets	(11,117)
Goodwill on consolidation	-
Purchase consideration settled in cash and cash equivalents	10,561
Cash and cash equivalents acquired	(4,173)
Net cash outflow arising from acquisition of a subsidiary	6,388

If the acquisition had occurred on 1 October 2017, management estimated that consolidated revenue would have been RM18.401 billion and consolidated profit for the financial year ended 30 September 2018 would have been RM803.855 million.

Subscription of shares in a subsidiary
On 31 May 2018, KL-Kepong Plantation Holdings Sdn Bhd, a wholly-owned subsidiary of the Group, subscribed for 75% equity interest in PT Perindustrian Sawit Synergi ("PSS") for a cash consideration of RM46,780,000.

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

Incorporation of a subsidiary
Subsidiary incorporated during the financial year ended 30 September 2018 was as follows:

Subsidiary Incorporated	Effective Group's Percentage Interest	Date of Incorporation
KLK Chemicals Holding Netherlands BV	100	19 January 2018

2017
Purchase of shares from non-controlling interests
In January 2017, KLK Overseas Investments Ltd ("KLKOI"), a wholly-owned subsidiary of the Company, acquired an additional 31% equity interest for a cash consideration of RM4 in Collingwood Plantations Pte Ltd ("Collingwood"), a 51% owned subsidiary of KLKOI. Upon the completion of this acquisition, KLKOI's shareholdings in Collingwood increased to 82%.

The effect of the acquisition of 31% equity interest in Collingwood on the financial position of the Group was summarised below:

	RM'000
Consideration paid	- *
Less: Net liabilities acquired from non-controlling interests	(7,598)
Effect of changes in shareholdings in Collingwood	7,598

* Consideration paid was only RM4.

(c) Material non-controlling interests

As at 30 September 2018 and 30 September 2017, other than the non-controlling interests in Scope Energy Sdn Bhd ("Scope Energy"), the Group does not have any other subsidiary which has non-controlling interests that are individually material to the Group.

	2018	2017
Non-controlling interests' percentage of ownership interest and voting interest in Scope Energy	**40%**	40%

	2018 RM'000	2017 RM'000
Carrying amount of non-controlling interests in Scope Energy	**360,801**	360,592
Profit allocated to non-controlling interests in Scope Energy	**208**	192

Summarised financial information (before inter-company elimination) of Scope Energy:

	2018 RM'000	2017 RM'000
(i) Summarised statement of financial position as at 30 September:		
Non-current assets	**883,814**	883,590
Current assets	**18,248**	17,934
Current liabilities	**(60)**	(43)
Net assets	**902,002**	901,481
(ii) Summarised statement of comprehensive income for the year ended 30 September:		
Dividend and interest income	**663**	637
Profit for the year	**521**	480
Total comprehensive income	**521**	480
(iii) Summarised cash flows for the year ended 30 September:		
Cash flows from operating activities	**(147)**	(76)
Cash flows from investing activities	**439**	617
Cash flows from financing activities	**-**	-
Net increase in cash and cash equivalents	**292**	541

43. SEGMENT INFORMATION – GROUP

The Group has 5 reportable segments which are the Group's strategic business units. The strategic business units offer different products and are managed separately as they require different technology and marketing strategies. The Group's Chief Executive Officer reviews internal management reports of each of the strategic business units on a monthly basis.

The reportable segments are summarised below:

Plantation	Cultivation and processing of palm and rubber products, refining of palm products, kernel crushing and trading of palm products
Manufacturing	Manufacturing of oleochemicals, non-ionic surfactants and esters, rubber gloves, parquet flooring products, pharmaceutical products and storing and distribution of bulk liquid
Property development	Development of residential and commercial properties
Investment holding	Placement of deposits with licensed banks, investment in fixed income trust funds and investment in quoted and unquoted corporations
Others	Farming, management services and money lending

The accounting policies of the reportable segments are the same as described in Note 3.25.

Inter-segment pricing is determined based on negotiated terms in a manner similar to transactions with third parties.

Performance is measured based on segment profit before tax as included in the internal management reports that are reviewed by the Group's Chief Executive Officer. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate with these industries.

Segment assets exclude tax assets.

Segment liabilities exclude tax liabilities.

NOTES TO THE FINANCIAL STATEMENTS

(a) Business segment

	Plantation RM'000	Manufacturing RM'000	Property Development RM'000	Investment Holding RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
2018							
Revenue							
Sale to external customers	7,852,761	10,130,102	177,676	135,059	104,902	-	18,400,500
Inter-segment sales	851,220	-	-	189,722	1,551	(1,042,493)	-
Total revenue	8,703,981	10,130,102	177,676	324,781	106,453	(1,042,493)	18,400,500
Results							
Operating results	711,116	433,928	34,984	50,091	12,203	-	1,242,322
Interest income	1,721	6,446	664	107,725	496	(36,804)	80,248
Finance costs	(9,477)	(63,766)	-	(129,076)	(9,428)	36,804	(174,943)
Share of profits of equity accounted associates, net of tax	7,122	1,007	2,190	-	-	-	10,319
Share of losses of equity accounted joint ventures, net of tax	(12,128)	-	-	-	(1,686)	-	(13,814)
Segment results	698,354	377,615	37,838	28,740	1,585	-	1,144,132
Corporate expense							(26,752)
Profit before taxation							1,117,380
Tax expense							(313,276)
Profit for the year							804,104
Assets							
Operating assets	6,369,549	6,524,921	1,477,059	3,311,718	554,510	-	18,237,757
Associates	72,268	7,726	73,669	-	-	-	153,663
Joint ventures	153,964	-	-	-	6,450	-	160,414
Segment assets	6,595,781	6,532,647	1,550,728	3,311,718	560,960	-	18,551,834
Tax assets							444,222
Total assets							18,996,056
Liabilities							
Segment liabilities	1,261,845	2,319,213	107,623	2,608,983	40,617	-	6,338,281
Tax liabilities							346,928
Total liabilities							6,685,209
Other information							
Depreciation of property, plant and equipment	132,512	247,138	911	-	11,724	-	392,285
Amortisation of leasehold land	2,644	276	-	32	-	-	2,952
Amortisation of prepaid lease payments	5,856	1,049	-	-	-	-	6,905
Amortisation of biological assets	68,792	-	-	-	-	-	68,792
Non-cash expenses							
Property, plant and equipment written off	2,746	344	-	-	-	-	3,090
Retirement benefits provision	26,237	17,467	-	-	-	-	43,704
Amortisation of intangible assets	-	2,395	-	-	-	-	2,395
Impairment of property, plant and equipment	-	21,625	-	-	-	-	21,625
Write down of inventories	31,741	11,408	-	-	34	-	43,183
Impairment in value of available-for-sale investments (included under corporate expense)	-	-	-	-	-	-	579

NOTES TO THE FINANCIAL STATEMENTS

	Plantation RM'000	Manufacturing RM'000	Property Development RM'000	Investment Holding RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
2017							
Revenue							
Sale to external customers	10,668,581	9,923,716	141,521	139,223	130,995	-	21,004,036
Inter-segment sales	1,391,807	-	-	109,469	1,273	(1,502,549)	-
Total revenue	12,060,388	9,923,716	141,521	248,692	132,268	(1,502,549)	21,004,036
Results							
Operating results	1,307,728	193,410	39,056	52,907	17,610	-	1,610,711
Interest income	680	6,701	413	107,360	1,065	(41,740)	74,479
Finance costs	(12,565)	(67,324)	-	(123,113)	(8,587)	41,740	(169,849)
Share of profits of equity accounted associates, net of tax	10,652	1,253	1,027	-	-	-	12,932
Share of losses of equity accounted joint ventures, net of tax	(15,450)	-	-	-	(1,818)	-	(17,268)
Segment results	1,291,045	134,040	40,496	37,154	8,270	-	1,511,005
Corporate expense							(60,800)
Profit before taxation							1,450,205
Tax expense							(383,329)
Profit for the year							1,066,876
Assets							
Operating assets	6,493,109	6,759,093	1,385,280	3,525,054	559,702	-	18,722,238
Associates	65,845	7,214	71,479	-	-	-	144,538
Joint ventures	150,556	-	-	-	8,346	-	158,902
Segment assets	6,709,510	6,766,307	1,456,759	3,525,054	568,048	-	19,025,678
Tax assets							478,436
Total assets							19,504,114
Liabilities							
Segment liabilities	1,515,797	2,522,196	67,139	2,600,046	9,327	-	6,714,505
Tax liabilities							349,567
Total liabilities							7,064,072
Other information							
Depreciation of property, plant and equipment	145,952	233,932	976	-	12,668	-	393,528
Amortisation of leasehold land	2,760	276	-	33	-	-	3,069
Amortisation of prepaid lease payments	5,969	1,092	-	-	-	-	7,061
Amortisation of biological assets	68,061	-	-	-	-	-	68,061
Non-cash expenses							
Property, plant and equipment written off	5,119	1,200	1	-	-	-	6,320
Retirement benefits provision	22,602	8,971	-	-	-	-	31,573
Amortisation of intangible assets	-	2,163	-	-	-	-	2,163
Impairment of property, plant and equipment	-	30,940	-	-	-	-	30,940
Write down of inventories	9,092	14,288	-	-	73	-	23,453
Impairment in value of available-for-sale investments (included under corporate expense)	-	-	-	-	-	-	32,625

NOTES TO THE FINANCIAL STATEMENTS

Additions to non-current assets, other than financial instruments (including investment in associates and joint ventures) and deferred tax assets, are as follows:

	Plantation RM'000	Manufacturing RM'000	Property Development RM'000	Investment Holding RM'000	Others RM'000	Total RM'000
2018						
Capital expenditure	**277,903**	**137,680**	**1,366**	**-**	**55,637**	**472,586**
Land held for property development	**-**	**-**	**8,936**	**-**	**-**	**8,936**
Intangible assets	**-**	**1,762**	**-**	**-**	**-**	**1,762**
	277,903	**139,442**	**10,302**	**-**	**55,637**	**483,284**
2017						
Capital expenditure	360,352	271,631	514	-	43,325	675,822
Land held for property development	-	-	17,129	-	-	17,129
Intangible assets	-	1,426	-	-	-	1,426
	360,352	273,057	17,643	-	43,325	694,377

(b) Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets. The amounts of non-current assets do not include financial instruments (including investment in associates and joint ventures) and deferred tax assets.

(i) Revenue from external customers by geographical location of customers

	2018 RM'000	2017 RM'000
Malaysia	**2,510,797**	2,663,704
Far East	**4,104,179**	4,826,479
Middle East	**363,334**	328,689
South East Asia	**4,025,700**	5,731,372
Southern Asia	**1,753,317**	1,838,105
Europe	**4,811,824**	4,593,877
North America	**327,946**	314,306
South America	**66,679**	75,159
Australia	**131,323**	163,181
Africa	**142,651**	170,029
Others	**162,750**	299,135
	18,400,500	21,004,036

(ii) Non-current assets other than financial instruments (including investment in associates and joint ventures) and deferred tax assets and additions to capital expenditure by geographical location of the assets

	Non-current Assets		Additions to Capital Expenditure	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Malaysia	**4,472,466**	4,533,287	**123,274**	192,699
Indonesia	**2,523,059**	2,404,767	**162,694**	206,931
Australia	**450,308**	450,195	**55,532**	43,145
People's Republic of China	**357,841**	401,007	**3,390**	18,545
Europe	**1,463,704**	1,360,686	**63,012**	159,658
Liberia	**454,829**	398,453	**64,633**	54,191
Others	**35,919**	37,588	**51**	653
	9,758,126	9,585,983	**472,586**	675,822

(c) There is no single customer with revenue equal or more than 10% of the Group revenue.

NOTES TO THE FINANCIAL STATEMENTS

44. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

Financial instruments of the Group and of the Company are categorised as follows:

(i) Loans and receivables ("L&R");
(ii) Fair value through profit or loss ("FVTPL");
(iii) Available-for-sale financial assets ("AFS"); and
(iv) Financial liabilities measured at amortised cost ("FL").

	Carrying Amounts RM'000	L&R RM'000	FVTPL RM'000	AFS RM'000	FL RM'000
Group					
2018					
Financial assets					
Available-for-sale investments	**2,384,374**	**-**	**-**	**2,384,374**	**-**
Trade receivables	**1,435,050**	**1,435,050**	**-**	**-**	**-**
Other receivables, net of prepayments	**514,324**	**514,324**	**-**	**-**	**-**
Derivative financial assets	**69,210**	**-**	**69,210**	**-**	**-**
Fixed income trust funds	**53,584**	**-**	**53,584**	**-**	**-**
Cash, deposits and bank balances	**1,419,770**	**1,419,770**	**-**	**-**	**-**
	5,876,312	**3,369,144**	**122,794**	**2,384,374**	**-**
Financial liabilities					
Borrowings	**4,283,213**	**-**	**-**	**-**	**4,283,213**
Trade payables	**555,142**	**-**	**-**	**-**	**555,142**
Other payables	**827,334**	**-**	**-**	**-**	**827,334**
Derivative financial liabilities	**64,219**	**-**	**64,219**	**-**	**-**
	5,729,908	**-**	**64,219**	**-**	**5,665,689**
2017					
Financial assets					
Available-for-sale investments	2,270,239	-	-	2,270,239	-
Trade receivables	1,816,627	1,816,627	-	-	-
Other receivables, net of prepayments	628,699	628,699	-	-	-
Derivative financial assets	110,748	-	110,748	-	-
Cash, deposits and bank balances	2,041,176	2,041,176	-	-	-
	6,867,489	4,486,502	110,748	2,270,239	-
Financial liabilities					
Borrowings	4,442,764	-	-	-	4,442,764
Trade payables	795,316	-	-	-	795,316
Other payables	737,482	-	-	-	737,482
Derivative financial liabilities	104,613	-	104,613	-	-
	6,080,175	-	104,613	-	5,975,562
Company					
2018					
Financial assets					
Available-for-sale investments	**741,701**	**-**	**-**	**741,701**	**-**
Trade receivables	**25,880**	**25,880**	**-**	**-**	**-**
Other receivables, net of prepayments	**28,976**	**28,976**	**-**	**-**	**-**
Amounts owing by subsidiaries	**1,430,445**	**1,430,445**	**-**	**-**	**-**
Derivative financial assets	**1,302**	**-**	**1,302**	**-**	**-**
Fixed income trust funds	**51,084**	**-**	**51,084**	**-**	**-**
Cash, deposits and bank balances	**514,779**	**514,779**	**-**	**-**	**-**
	2,794,167	**2,000,080**	**52,386**	**741,701**	**-**
Financial liabilities					
Borrowings	**2,600,000**	**-**	**-**	**-**	**2,600,000**
Trade payables	**6,439**	**-**	**-**	**-**	**6,439**
Other payables	**97,302**	**-**	**-**	**-**	**97,302**
Amounts owing to subsidiaries	**45,413**	**-**	**-**	**-**	**45,413**
Derivative financial liabilities	**742**	**-**	**742**	**-**	**-**
	2,749,896	**-**	**742**	**-**	**2,749,154**

NOTES TO THE FINANCIAL STATEMENTS

	Carrying Amounts RM'000	L&R RM'000	FVTPL RM'000	AFS RM'000	FL RM'000
Company					
2017					
Financial assets					
Available-for-sale investments	702,517	-	-	702,517	-
Trade receivables	40,877	40,877	-	-	-
Other receivables, net of prepayments	33,549	33,549	-	-	-
Amounts owing by subsidiaries	1,354,295	1,354,295	-	-	-
Derivative financial assets	463	-	463	-	-
Cash, deposits and bank balances	636,780	636,780	-	-	-
	2,768,481	2,065,501	463	702,517	-
Financial liabilities					
Borrowings	2,600,000	-	-	-	2,600,000
Trade payables	6,309	-	-	-	6,309
Other payables	103,516	-	-	-	103,516
Amounts owing to subsidiaries	125,582	-	-	-	125,582
Derivative financial liabilities	177	-	177	-	-
	2,835,584	-	177	-	2,835,407

(b) Net gains and losses arising from financial instruments

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Net gains/(losses) on:				
Financial instruments at fair value through profit or loss	**6,142**	14,188	**2,366**	8,611
Available-for-sale investments				
- recognised in other comprehensive income	**76,672**	519,458	**39,183**	198,962
- reclassified from equity to profit or loss	**2,278**	5,238	**-**	-
- recognised in profit or loss	**53,083**	22,620	**17,642**	16,887
	132,033	547,316	**56,825**	215,849
Loans and receivables	**8,555**	66,392	**29,280**	116,415
Financial liabilities measured at amortised cost	**(178,120)**	(185,477)	**(114,104)**	(115,931)
	(31,390)	442,419	**(25,633)**	224,944

(c) Financial risk management

The Group has exposure to the following risks from the use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

(d) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and investment securities and derivative assets used for hedging. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries.

(i) Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and exposure to credit risk is monitored on an on-going basis. Credit worthiness review is regularly performed for new customers and existing customers who trade on credit, to mitigate exposure on credit risk. Where appropriate, the Group requires its customers to provide collateral before approvals are given to trade on credit.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due the agreed credit periods, which are deemed to have higher credit risk, are monitored individually.

None of the receivables are secured by financial guarantees given by banks, shareholders or directors of the customers.

The exposure of credit risk for trade receivables as at end of the reporting period by business segment was:

	Group		Company	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Plantations	**413,006**	736,170	**25,880**	40,877
Manufacturing	**928,401**	1,048,528	**-**	-
Property development	**90,271**	28,478	**-**	-
Others	**3,372**	3,451	**-**	-
	1,435,050	1,816,627	**25,880**	40,877

(ii) Investments and other financial assets

Risk management objectives, policies and processes for managing the risk

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group. Transactions involving derivative financial instruments are with approved financial institutions.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the Group invested in both domestic and overseas securities. The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations.

The investments and other financial assets are unsecured.

(iii) Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral

As at end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

(iv) Inter-company balances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Impairment losses

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries are not recoverable. The Company does not specifically monitor the ageing of current advances to the subsidiaries. Nevertheless, these advances have been overdue for less than a year. Non-current loans to subsidiaries are not overdue.

(e) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains sufficient levels of cash and cash equivalents and adequate amounts of credit facilities to meet its working capital requirements. In addition, the Group strives to maintain flexibility in funding by keeping its credit lines available at a reasonable level. As far as possible, the Group raises funding from financial institutions and prudently balances its portfolio with some short and long term funding so as to achieve overall cost effectiveness.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at end of the reporting period based on undiscounted contractual payments:

	Carrying Amounts RM'000	Contractual Interest/ Coupon Rate	Contractual Cash Flows RM'000	Less than 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Group							
2018							
Borrowings	**4,283,213**	**0.33% to 8.75%**	**4,974,459**	**1,341,341**	**217,924**	**1,650,267**	**1,764,927**
Trade payables	**555,142**	**-**	**555,142**	**555,142**	**-**	**-**	**-**
Other payables	**827,334**	**-**	**827,334**	**827,334**	**-**	**-**	**-**
Derivative financial liabilities	**64,219**	**-**	**64,219**	**64,219**	**-**	**-**	**-**
	5,729,908		**6,421,154**	**2,788,036**	**217,924**	**1,650,267**	**1,764,927**
2017							
Borrowings	4,442,764	0.33% to 4.65%	5,260,216	1,502,037	281,758	1,638,358	1,838,063
Trade payables	795,316	-	795,316	795,316	-	-	-
Other payables	767,507	-	767,507	767,507	-	-	-
Derivative financial liabilities	104,613	-	104,613	104,613	-	-	-
	6,110,200		6,927,652	3,169,473	281,758	1,638,358	1,838,063
Company							
2018							
Borrowings	**2,600,000**	**4.00% to 4.65%**	**3,278,902**	**113,630**	**113,630**	**1,297,822**	**1,753,820**
Trade payables	**6,439**	**-**	**6,439**	**6,439**	**-**	**-**	**-**
Other payables	**97,302**	**-**	**97,302**	**97,302**	**-**	**-**	**-**
Derivative financial liabilities	**742**	**-**	**742**	**742**	**-**	**-**	**-**
Amounts owing to subsidiaries	**45,413**	**-**	**45,413**	**45,413**	**-**	**-**	**-**
	2,749,896		**3,428,798**	**263,526**	**113,630**	**1,297,822**	**1,753,820**
2017							
Borrowings	2,600,000	4.00% to 4.65%	3,392,532	113,630	113,630	1,337,822	1,827,450
Trade payables	6,309	-	6,309	6,309	-	-	-
Other payables	106,200	-	106,200	106,200	-	-	-
Derivative financial liabilities	177	-	177	177	-	-	-
Amounts owing to subsidiaries	125,582	-	125,582	125,582	-	-	-
	2,838,268		3,630,800	351,898	113,630	1,337,822	1,827,450

(f) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows.

(i) Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases, inter-company advances and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Pound Sterling ("GBP"), Euro, Australian Dollar ("AUD"), Singapore Dollar ("SGD"), Indonesian Rupiah ("Rp") and Papua New Guinean Kina ("PGK").

Risk management objectives, policies and processes for managing the risk

Foreign currencies exposures of the Group are hedged through forward exchange contracts. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward exchange contracts are rolled over at maturity.

NOTES TO THE FINANCIAL STATEMENTS

Exposure to foreign currency risk

The Group's significant exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at end of the reporting period was:

	Denominated in foreign currencies					
	USD	**GBP**	**Euro**	**AUD**	**SGD**	**Rp**
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2018						
Trade and other receivables	**358,318**	**12,010**	**303,785**	**3,926**	**651**	**3,057**
Deposits with licensed banks under short term funds	**-**	**-**	**-**	**-**	**6,446**	**-**
Cash and cash equivalents	**131,629**	**1,236**	**110,803**	**184**	**34,476**	**-**
Borrowings	**(186,695)**	**-**	**(199,465)**	**-**	**-**	**-**
Trade and other payables	**(93,820)**	**(330)**	**(175,279)**	**(482)**	**(2,827)**	**-**
Forward exchange contracts	**(10,504)**	**-**	**(347)**	**2**	**-**	**-**
Exposure in the statement of financial position	**198,928**	**12,916**	**39,497**	**3,630**	**38,746**	**3,057**
2017						
Trade and other receivables	413,413	12,543	268,932	3,234	673	23,671
Deposits with licensed banks under short term funds	1,482	-	-	-	6,533	-
Cash and cash equivalents	99,895	1,807	46,808	20,191	35,856	-
Borrowings	(232,875)	-	-	-	-	-
Trade and other payables	(121,413)	(397)	(130,310)	(115)	(2,389)	-
Forward exchange contracts	16,306	(2)	(286)	-	-	-
Exposure in the statement of financial position	176,808	13,951	185,144	23,310	40,673	23,671

	Denominated in foreign currencies					
	USD	**GBP**	**Euro**	**AUD**	**SGD**	**PGK**
Company	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2018						
Trade and other receivables	**7,165**	**5,476**	**-**	**-**	**-**	**-**
Deposits with licensed banks under short term funds	**-**	**-**	**-**	**-**	**6,446**	**-**
Cash and cash equivalents	**50,683**	**116**	**81**	**56**	**33,795**	**-**
Amounts owing by subsidiaries	**508,334**	**231,302**	**-**	**218,020**	**2,156**	**1,288**
Forward exchange contracts	**(389)**	**-**	**-**	**-**	**-**	**-**
Exposure in the statement of financial position	**565,793**	**236,894**	**81**	**218,076**	**42,397**	**1,288**
2017						
Trade and other receivables	7,355	5,320	-	-	-	-
Deposits with licensed banks under short term funds	-	-	-	-	6,533	-
Cash and cash equivalents	29,012	4	34	50	3,766	-
Amounts owing by subsidiaries	441,592	97,951	-	218,971	2,108	1,724
Forward exchange contracts	375	-	-	-	-	-
Exposure in the statement of financial position	478,334	103,275	34	219,021	12,407	1,724

Currency risk sensitivity analysis

The sensitivities of the Group's profit after tax and equity to the possible change in the following foreign currencies against the respective functional currencies of the Group entities are shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

A 5% strengthening of the functional currencies of the Group entities against the foreign currencies at the end of the reporting period would have increased/(decreased) profit after tax and equity by the amounts shown below:

	2018		2017	
	Profit/(Loss) RM'000	**Equity RM'000**	Profit/(Loss) RM'000	Equity RM'000
Group				
Functional currency/Foreign currency				
RM/GBP	**(293)**	**(37,067)**	(262)	(35,108)
RM/Euro	**6,924**	**-**	6,410	-
RM/USD	**29,280**	**-**	31,037	-
RM/SGD	**(2,040)**	**(297)**	(2,092)	(570)
RM/Rp	**-**	**-**	(1,184)	-
CHF/Euro	**(1,899)**	**-**	(7,633)	-
Rmb/USD	**(614)**	**-**	147	-
Euro/USD	**(7,721)**	**-**	(6,767)	-
Rp/USD	**8,546**	**-**	7,958	-
USD/GBP	**(21)**	**-**	(26)	-
USD/AUD	**-**	**-**	(1,025)	-
USD/RM	**(690)**	**-**	(922)	-
SGD/USD	**(1,081)**	**-**	-	-
Company				
Functional currency/Foreign currency				
RM/GBP	**(11,845)**	**(37,067)**	(12,096)	(35,108)
RM/Euro	**(8,415)**	**-**	(8,725)	-
RM/USD	**(28,110)**	**-**	(21,918)	-
RM/SGD	**(2,119)**	**-**	(620)	-
RM/AUD	**(10,904)**	**-**	(10,951)	-
RM/PGK	**(64)**	**-**	(86)	-

A 5% weakening of the functional currencies of the Group entities against the foreign currencies at the end of the reporting period would have equal but opposite effect on profit after tax and equity.

(ii) Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's floating rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Fixed income trust funds, deposits with licensed banks, short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group through its Treasury Committee reviews the funding requirements for its business operations and capital expenditures and adopts a policy to secure an appropriate mix of fixed and floating rate exposure suitable for the Group.

To achieve this objective, the Group has obtained the most competitive cost of capital through the issuance of Islamic Medium Term Notes, long term and short term borrowings and trade financing facilities.

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		**Company**	
	2018 RM'000	2017 RM'000	**2018 RM'000**	2017 RM'000
Fixed rate instruments				
Financial assets	**1,132,191**	1,709,825	**563,052**	634,476
Financial liabilities	**(3,420,870)**	(3,368,227)	**(2,600,000)**	(2,600,000)
	(2,288,679)	(1,658,402)	**(2,036,948)**	(1,965,524)
Floating rate instruments				
Financial assets	**199,164**	247,652	**-**	-
Financial liabilities	**(862,343)**	(1,074,537)	**-**	-
	(663,179)	(826,885)	**-**	-

Interest rate risk sensitivity analysis
Fair value sensitivity analysis for fixed rate instruments
The Group does not account for any fixed rate financial liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for floating rate instruments
A change of 50 basis points in interest rates at the end of the reporting period would have increased/(decreased) profit after tax and equity by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	2018		2017	
	Profit/(Loss) RM'000	**Equity RM'000**	Profit/(Loss) RM'000	Equity RM'000
Group				
Floating rate instruments				
Increase by 50 basis points	**(3,292)**	**-**	(4,102)	-
Decrease by 50 basis points	**3,292**	**-**	4,102	-

As the Company did not have any floating rate instruments as at 30 September 2018 and 30 September 2017, a change in interest rates would not have any impact to the profit after tax and equity of the Company.

(iii) Equity price risk
Equity price risk arises from the Group's investments in equity securities.

Risk management objectives, policies and processes for managing the risk
Management of the Group monitors the equity investments on a portfolio basis. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Risk Management Committee of the Group.

Equity price risk sensitivity analysis
The analysis assumes that all other variables remain constant.

A 5% higher in equity prices at the end of the reporting period would have increased the Group's and the Company's equity by RM119,147,000 (2017: RM113,469,000) and RM37,067,000 (2017: RM35,108,000) respectively. A 5% lower in equity prices would have equal but opposite effect on equity.

(iv) Commodity price risk
The Group is exposed to price fluctuation risk on commodities mainly of palm oil and rubber.

Risk management objectives, policy and processes for managing the risk
The prices of these commodities are subject to fluctuations due to uncontrollable factors such as weather, global demand and global production of similar and competitive crops. The Group mitigates the risk to the price volatility through hedging in the futures market and where deemed prudent, the Group sells forward in the physical market.

Commodity price risk sensitivity analysis
A 5% increase/(decrease) of the commodities price at the end of the reporting period, with all other variables held constant, would have increased/(decreased) profit after tax and equity by the amounts shown below:

	2018		2017	
	Profit/(Loss) RM'000	**Equity RM'000**	Profit/(Loss) RM'000	Equity RM'000
Group				
5% increase in commodities prices	**3,506**	**-**	754	-
5% decrease in commodities prices	**(3,506)**	**-**	(754)	-
Company				
5% increase in commodities prices	**(1,573)**	**-**	(2,335)	-
5% decrease in commodities prices	**1,573**	**-**	2,335	-

(g) Fair value of financial instruments
The carrying amounts of cash and bank balances, deposits with licensed banks, short term receivables and payables and short term borrowings reasonably approximate fair values due to the relatively short term nature of these financial instruments.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

The fair values of other financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	2018		2017	
	Carrying Amounts RM'000	**Fair Value RM'000**	Carrying Amounts RM'000	Fair Value RM'000
Group				
Investments in quoted shares	**2,382,940**	**2,382,940**	2,269,379	2,269,379
Fixed income trust funds	**53,584**	**53,584**	-	-
Derivative financial instruments				
Forward foreign exchange contracts	**(10,850)**	**(10,850)**	16,136	16,136
Commodities future contracts	**15,841**	**15,841**	(10,001)	(10,001)
Other receivable - advance to plasma plantations projects	**202,826**	**202,826**	210,272	210,272
Borrowings	**(4,283,213)**	**(4,283,213)**	(4,442,764)	(4,442,764)
Company				
Investments in quoted shares	**741,342**	**741,342**	702,158	702,158
Fixed income trust funds	**51,084**	**51,084**	-	-
Amounts owing by subsidiaries	**1,430,445**	**1,430,445**	1,354,295	1,354,295
Derivative financial instruments				
Forward foreign exchange contracts	**(389)**	**(389)**	375	375
Commodities future contracts	**949**	**949**	(89)	(89)
Borrowings	**(2,600,000)**	**(2,600,000)**	(2,600,000)	(2,600,000)
Amounts owing to subsidiaries	**(45,413)**	**(45,413)**	(125,582)	(125,582)

Fair value hierarchy

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed.

	2018				2017			
	Level 1 RM'000	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group								
Fair value of financial instruments carried at fair value								
Investments in quoted shares	**2,382,940**	**-**	**-**	**2,382,940**	2,269,379	-	-	2,269,379
Fixed income trust funds	**-**	**53,584**	**-**	**53,584**	-	-	-	-
Derivative financial instruments								
Forward foreign exchange contracts	**-**	**(10,850)**	**-**	**(10,850)**	-	16,136	-	16,136
Commodities future contracts	**15,841**	**-**	**-**	**15,841**	(10,001)	-	-	(10,001)
	2,398,781	**42,734**	**-**	**2,441,515**	2,259,378	16,136	-	2,275,514
Fair value of financial instruments not carried at fair value								
Other receivable – advance to plasma plantations projects	**-**	**-**	**202,826**	**202,826**	-	-	210,272	210,272
Borrowings	**-**	**-**	**(4,283,213)**	**(4,283,213)**	-	-	(4,442,764)	(4,442,764)
	-	**-**	**(4,080,387)**	**(4,080,387)**	-	-	(4,232,492)	(4,232,492)
Company								
Fair value of financial instruments carried at fair value								
Investments in quoted shares	**741,342**	**-**	**-**	**741,342**	702,158	-	-	702,158
Fixed income trust funds	**-**	**51,084**	**-**	**51,084**	-	-	-	-
Derivative financial instruments								
Forward foreign exchange contracts	**-**	**(389)**	**-**	**(389)**	-	375	-	375
Commodities future contracts	**949**	**-**	**-**	**949**	(89)	-	-	(89)
	742,291	**50,695**	**-**	**792,986**	702,069	375	-	702,444
Fair value of financial instruments not carried at fair value								
Amounts owing by subsidiaries	**-**	**-**	**1,430,445**	**1,430,445**	-	-	1,354,295	1,354,295
Borrowings	**-**	**-**	**(2,600,000)**	**(2,600,000)**	-	-	(2,600,000)	(2,600,000)
Amounts owing to subsidiaries	**-**	**-**	**(45,413)**	**(45,413)**	-	-	(125,582)	(125,582)
	-	**-**	**(1,214,968)**	**(1,214,968)**	-	-	(1,371,287)	(1,371,287)

The following summarises the methods used in determining the fair values of financial instruments reflected in the above table.

Level 1 Fair Value
Investments in quoted shares and commodities future contracts
The fair values of investments that are quoted in an active market and commodities future contracts are determined by reference to their quoted closing bid price at the end of the reporting period.

Level 2 Fair Value
Fixed income trust funds
The fair value of fixed income trust funds is based on the net assets value of the funds at the end of the reporting period.

Forward foreign exchange contracts
The fair value of forward foreign exchange contracts is based on their quoted price at the end of the reporting period.

Level 3 Fair Value
Financial instruments not carried at fair value
Fair value of the following financial instruments not carried at fair value, which is determined for disclosure purposes, is calculated based on present value of future cash flows discounted at the market rate of interest at the end of the reporting date:
- Other receivables – advance to plasma plantations projects
- Borrowings
- Amounts owing by subsidiaries
- Amount owing to subsidiaries

Transfer between Level 1 and Level 2 fair values
There has been no transfer between Level 1 and Level 2 fair values during the financial year (2017: no transfer in either directions).

45. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The net debt-to-equity ratios at end of the reporting period were:

	Group	
	2018 RM'000	2017 RM'000
Total borrowings (Note 35)	**4,283,213**	4,442,764
Less: Short term funds (Note 29)	**(195,579)**	(578,489)
Less: Cash and cash equivalents (Note 30)	**(1,277,775)**	(1,462,687)
Net debt	**2,809,859**	2,401,588
Total equity	**12,310,847**	12,440,042
Net debt-to-equity ratio	**0.23**	0.19

There were no changes in the Group's approach to capital management during the year.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

The Group is required to maintain the debt-to-equity ratio at not more than one time throughout the tenure of the Islamic Medium Term Notes Programmes (Note 35).

46. AUTHORISATION FOR ISSUE

The financial statements were authorised for issue by the Board of Directors on 7 December 2018.

DIRECTORS' STATEMENT PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

In the opinion of the Directors, the financial statements set out on pages 117 to 188 are drawn up in accordance with the Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 2018 and of their financial performance and cash flows for the financial year then ended.

On Behalf of the Board

R. M. ALIAS
(Chairman)

TAN SRI DATO' SERI LEE OI HIAN
(Chief Executive Officer)

7 December 2018

STATUTORY DECLARATION PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, Leong Sean Meng (MIA: CA 6548), being the officer primarily responsible for the financial management of Kuala Lumpur Kepong Berhad, do solemnly and sincerely declare that the financial statements set out on pages 117 to 188 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared)
by the abovenamed at Ipoh in the)
State of Perak Darul Ridzuan this)
7th day of December 2018.)

LEONG SEAN MENG

Before me,

WONG HOCK SENG
Commissioner for Oaths
Ipoh, Perak Darul Ridzuan,
Malaysia.

REPORT OF THE AUDITORS

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF KUALA LUMPUR KEPONG BERHAD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Kuala Lumpur Kepong Berhad, which comprise the statements of financial position as at 30 September 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 117 to 188.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 September 2018, and of their financial performance and their cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. **Carrying Value of Goodwill**

   Refer to Note 3.1(d) – Significant accounting policy: "Goodwill" and Note 16 – "Goodwill on consolidation", to the financial statements.

   The key audit matter

   Over the years, the Group has expanded its activities through the acquisition of subsidiaries and as a result, the Group's net assets as at 30 September 2018 included a significant amount of goodwill of RM315 million.

   In light of the palm products prices challenges, there was a risk that the carrying value of the cash generating units to which the Group's goodwill was allocated may exceed the recoverable amount and therefore an impairment was required.

   This was one of the key judgemental areas we focused in our audit because the assessment of the carrying value of goodwill required the Group to exercise significant judgement due to the inherent uncertainty involved in forecasting and discounting future cash flows which were used as the basis for the assessment of recoverable amount.

   How the matter was addressed in our audit

   We evaluated the Group's forecasting procedures (upon which projections were based) and the appropriateness of the discounted future cash flow models. We assessed the historical accuracy of forecasts by comparing the actual results for the year with the original forecasts.

   We challenged the Group's key assumptions such as projected economic growth, weighted average cost of capital, operational costs in plantation, inflation rate, crude palm oil prices and volumes which were approved by the Directors by making comparisons with actual results, externally derived data and industry norms.

   We also considered the adequacy of the Group's disclosures in respect of impairment testing and assessed the sensitivity of the impairment calculations by factoring changes to variables in the key assumptions.

2. **Carrying Value of Property, Plant and Equipment**

   Refer to Note 3.3 – Significant accounting policy: "Property, plant and equipment" and Note 12 – "Property, plant and equipment", to the financial statements.

REPORT OF THE AUDITORS

The key audit matter

Property, plant and equipment represents the single largest category of assets on the statement of financial position of the Group of RM5.3 billion as at 30 September 2018.

During the year, the specialised oleochemical plant of a subsidiary was under performing and an impairment was required and provided for.

This was one of the key judgemental areas we focused in our audit because the cash flow projections prepared by the Group involved significant judgement, particularly in estimating future revenue, discount rate, long term growth rate and palm products prices.

How the matter was addressed in our audit

We considered the appropriateness of Directors' assessment on the existence of impairment indicators for property, plant and equipment. We challenged the Group's assumptions on the recoverability on the cash flow projections which are based on projected revenue growth, discount rate, long term growth rate and palm products prices and compared against the actual results, externally derived data and industry norms.

We also considered the adequacy of the Group's disclosures in respect of impairment testing and assessed the sensitivity of the outcome of the impairment assessment to changes in key assumptions.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

REPORT OF THE AUDITORS

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements
In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 42 to the financial statements.

Other Matter
This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

CHEW BENG HONG
Partner
Approval Number: 02920/02/2020 J
Chartered Accountant

IPOH

Date: 7 December 2018

Group Properties & Shareholdings

PROPERTIES HELD BY THE GROUP
AS AT 30 SEPTEMBER 2018

PLANTATION

LOCATION	TENURE	YEAR OF EXPIRY	TITLED AREA HECTARES	DESCRIPTION	AGE OF BUILDINGS YEARS	CARRYING AMOUNTS RM'000	YEAR OF ACQUISITION/ LAST REVALUATION
MALAYSIA							
KEDAH							
Ladang Pelam Baling	Freehold	-	2,959	Oil palm and rubber estate	-	50,971	1986 1992
Ladang Batu Lintang Serdang	Freehold	-	1,808	Oil palm estate and palm oil mill	 32	27,992	1986
Ladang Buntar Serdang	Freehold	-	547	Oil palm estate	-	14,110	1986
PERAK							
Ladang Lekir Manjung	Freehold	-	3,307	Oil palm estate	-	175,033	2008
Ladang Changkat Chermin Manjung	Leasehold	2080	2,525	Oil palm estate and palm oil mill	 35	103,366	2008
Ladang Raja Hitam Manjung	Freehold	-	1,497	Oil palm estate	-	78,749	2008
Ladang Kuala Kangsar Padang Rengas	Freehold Leasehold	- 2896	1,007 333	Oil palm and rubber estate	-	64,686	1979* 2016
Ladang Subur Batu Kurau	Freehold	-	1,290	Oil palm estate	-	14,808	1986
Ladang Glenealy Parit	Freehold	-	1,059	Oil palm estate	-	15,485	1992
Ladang Serapoh Parit	Freehold	-	936	Oil palm and rubber estate	-	9,238	1979* 1992
Ladang Allagar Trong	Freehold Leasehold	- 2908	525 248	Oil palm estate	-	10,771	1986
SELANGOR							
Ladang Changkat Asa Hulu Selangor	Freehold	-	1,543	Oil palm and rubber estate, palm oil mill and rubber factory	 38 43	17,142	1979*
Ladang Tuan Mee Sungai Buloh	Freehold	-	1,480	Oil palm estate and palm oil mill	 45	17,013	1979*
Ladang Kerling Kerling	Freehold	-	1,222	Oil palm and rubber estate	-	54,772	1979* 1985 2002
NEGERI SEMBILAN							
Ladang Ayer Hitam Bahau	Freehold	-	2,640	Oil palm estate	-	38,680	1985
Ladang Batang Jelai Rompin	Freehold	-	2,119	Oil palm and rubber estate	-	32,061	1985
Ladang Jeram Padang Bahau	Freehold	-	2,114	Oil palm and rubber estate, palm oil mill, rubber factory and biogas power plant	 29 29 -	36,429	1985
Ladang Kombok Rantau	Freehold	-	1,910	Oil palm and rubber estate	-	32,427	1985
Ladang Ulu Pedas Pedas	Freehold	-	922	Oil palm estate	-	17,538	1985
Ladang Gunong Pertanian Simpang Durian	Leasehold	2077	686	Oil palm estate	-	9,264	1985

* Year of last revaluation

PROPERTIES HELD BY THE GROUP

AS AT 30 SEPTEMBER 2018

PLANTATION

LOCATION	TENURE	YEAR OF EXPIRY	TITLED AREA HECTARES	DESCRIPTION	AGE OF BUILDINGS YEARS	CARRYING AMOUNTS RM'000	YEAR OF ACQUISITION/ LAST REVALUATION
JOHOR							
Ladang Landak Paloh	Leasehold	2068 and 2078	4,451	Oil palm estate	-	41,732	1979*
Ladang Kekayaan Paloh	Leasehold	2068 and 2078	4,436	Oil palm estate, palm oil mill and biogas power plant	 12 3	62,273	1979*
Ladang Voules Segamat	Freehold	-	2,969	Oil palm and rubber estate and rubber factory	 45	25,887	1979*
Ladang Paloh Paloh	Freehold	-	2,003	Oil palm estate	-	28,860	1979*
Ladang Fraser Kulai	Freehold	-	1,915	Oil palm estate	-	22,303	1979*
Ladang New Pogoh Segamat	Freehold	-	1,545	Oil palm and rubber estate	-	14,052	1979*
Ladang Sungei Penggeli Bandar Tenggara	Leased property	2087	942	Oil palm estate	-	9,120	1988
Ladang Ban Heng Pagoh, Muar	Freehold	-	631	Oil palm estate	-	8,398	1979*
Ladang Sungai Bekok Bekok	Freehold	-	625	Oil palm estate	-	7,971	1979*
Ladang See Sun Renggam	Freehold	-	589	Oil palm estate	-	9,807	1984
KL-Kepong Edible Oils Pasir Gudang	Leasehold	2045	5	Refinery	35	1,666	1985
PAHANG							
Ladang Sungei Kawang Lanchang	Freehold	-	1,889	Oil palm and rubber estate	-	15,188	1979*
Ladang Renjok Bentong	Freehold	-	1,578	Oil palm and rubber estate	-	16,230	1979*
Ladang Tuan Bentong	Freehold Leasehold	- 2030 and 2057	910 443	Oil palm and rubber estate	-	10,031	1979*
Ladang Selborne Padang Tengku, Kuala Lipis	Freehold	-	1,258	Rubber estate	-	16,434	1992
Ladang Kemasul Mengkarak	Freehold	-	459	Oil palm and rubber estate	-	991	1983
KELANTAN							
Ladang Kuala Gris Kuala Krai	Freehold	-	2,429	Oil palm and rubber estate and rubber factory	 18	31,221	1992
Ladang Kerilla Tanah Merah	Freehold	-	2,176	Oil palm and rubber estate and rubber factory	 43	27,509	1992
Ladang Pasir Gajah Kuala Krai	Freehold Leasehold	- 2907	952 1,155	Oil palm estate and palm oil mill	 37	21,989	1981*
Ladang Sungai Sokor Tanah Merah	Freehold	-	1,603	Oil palm and rubber estate	-	17,185	1992
Ladang Kuala Hau Machang	Freehold Leasehold	- 2326	305 242	Rubber estate	-	3,151	1980*

* Year of last revaluation

PROPERTIES HELD BY THE GROUP
AS AT 30 SEPTEMBER 2018

PLANTATION

LOCATION	TENURE	YEAR OF EXPIRY	TITLED AREA HECTARES	DESCRIPTION	AGE OF BUILDINGS YEARS	CARRYING AMOUNTS RM'000	YEAR OF ACQUISITION/ LAST REVALUATION
SABAH							
TAWAU REGION							
Ladang Jatika	Leasehold	Between 2068 and 2083	3,508	Oil palm estate	-	46,096	1991
Ladang Sigalong	Leasehold	Between 2063 and 2079	2,864	Oil palm estate	-	25,648	1983
Ladang Pangeran	Leasehold	Between 2063 and 2080	2,855	Oil palm estate and palm oil mill	17	40,503	1983
Ladang Sri Kunak	Leasehold	Between 2063 and 2076	2,770	Oil palm estate	-	33,112	1983
Ladang Pang Burong	Leasehold	Between 2063 and 2080	2,548	Oil palm estate	-	32,316	1983
Ladang Pinang	Leasehold	Between 2068 and 2085	2,420	Oil palm estate	-	35,839	1983
Ladang Tundong	Leasehold	Between 2063 and 2073	2,155	Oil palm estate, palm oil mills and biogas power plant	31 & 35 7	24,940	1983
Ladang Ringlet	Leasehold	Between 2065 and 2081	1,834	Oil palm estate	-	15,461	1989
LAHAD DATU REGION							
Ladang Tungku	Leasehold	2085	3,418	Oil palm estate	-	27,109	1991*
Ladang Bornion	Leasehold	2078	3,233	Oil palm estate and palm oil mill	20	37,611	1992
Ladang Bukit Tabin	Leasehold	2079	2,916	Oil palm estate	-	33,949	1993
Ladang Segar Usaha	Leasehold	2077	2,792	Oil palm estate	-	30,993	1990*
Ladang Rimmer	Leasehold	2085	2,730	Oil palm estate	-	23,824	1991*
Ladang Sungai Silabukan	Leasehold	2079	2,654	Oil palm estate	-	31,115	1993
Ladang Lungmanis	Leasehold	2085	1,656	Oil palm estate and palm oil mill	18	15,697	1991*
KLK Premier Oils	Leasehold	2066	4	Kernel crushing plant and refinery	15 11	10,965	1998
	Leasehold	2110	2	PKC warehouse	9	5,100	2007

INDONESIA

LOCATION	TENURE	YEAR OF EXPIRY	TITLED AREA HECTARES	DESCRIPTION	AGE OF BUILDINGS YEARS	CARRYING AMOUNTS RM'000	YEAR OF ACQUISITION/ LAST REVALUATION
BELITUNG ISLAND							
Kebun Steelindo Wahana Perkasa	Hak Guna Usaha	2020	14,065	Oil palm estate, palm oil mill, refinery, kernel crushing plant and biogas power plant	19 5 5 5	38,912	1994
Kebun Parit Sembada	Hak Guna Usaha	2020	3,990	Oil palm estate and palm oil mill	11	11,602	2003
Kebun Alam Karya Sejahtera	Hak Guna Usaha	2050 and 2053	2,335	Oil palm estate	-	53,242	2010

* Year of last revaluation

PROPERTIES HELD BY THE GROUP
AS AT 30 SEPTEMBER 2018

PLANTATION

LOCATION	TENURE	YEAR OF EXPIRY	TITLED AREA HECTARES	DESCRIPTION	AGE OF BUILDINGS YEARS	CARRYING AMOUNTS RM'000	YEAR OF ACQUISITION/ LAST REVALUATION
SUMATRA							
RIAU REGION							
Kebun Mandau	Hak Guna Usaha	2020	14,837	Oil palm estate, palm oil mill, kernel crushing plant, refinery and biogas power plant	 15 11 5 5	153,209	1996
Kebun Nilo	Hak Guna Usaha	2028	12,860	Oil palm estate and palm oil mills	16 & 7	135,492	1996
	Izin Lokasi	-	1,363	Oil palm estate		11,027	2005
Kebun Sekarbumi Alamlestari	Hak Guna Usaha	2024	6,200	Oil palm estate and palm oil mill	22	67,935	2009
NORTH SUMATRA REGION							
P.T. Langkat Nusantara Kepong**	Leased property	2039	21,372	Oil palm estate and palm oil mill	4	256,521	2009
EAST KALIMANTAN							
Kebun Jabontara Eka Karsa	Hak Guna Usaha	2033	14,086	Oil palm estate and palm oil mill	3	233,911	2006
Kebun Putra Bongan Jaya	Hak Guna Usaha	2044	11,602	Oil palm estate	-	239,689	2018
	Izin Lokasi	2020	4,460	-	-		2018
Kebun Malindomas Perkebunan	Hak Guna Usaha	2043	7,971	Oil palm estate	-	117,653	2007
Kebun Hutan Hijau Mas	Hak Guna Usaha	2029 and 2043	7,317	Oil palm estate, palm oil mill and biogas power plant	 10 2	95,336	2007 2009
Kebun Anugrah Surya Mandiri	Hak Guna Usaha	2048	2,682	-	-	6,442	2012
CENTRAL KALIMANTAN							
Kebun Karya Makmur Abadi	Hak Guna Usaha	2051	9,397	Oil palm estate and palm oil mill	3	255,103	2007
	Izin Prinsip	2019	3,406	Oil palm estate			
Kebun Mulia Agro Permai	Hak Guna Usaha	2040	9,056	Oil palm estate and palm oil mill	5	180,629	2006
Kebun Menteng Jaya Sawit Perdana	Izin Lokasi	2020	5,893	Oil palm estate	-	40,617	2007
LIBERIA							
Palm Bay Estate Grand Bassa County	Leasehold	2057	13,007	Oil palm estate and palm oil mill	-	246,005	2013
Butaw Estate Sinoe County	Leasehold	2057	8,011	Oil palm estate	-	110,626	2013

** P.T. Langkat Nusantara Kepong operates on the property owned by the joint venture partner, P.T. Perkebunan Nusantara II

PROPERTIES HELD BY THE GROUP

AS AT 30 SEPTEMBER 2018

MANUFACTURING

LOCATION	TENURE	YEAR OF EXPIRY	TITLED AREA#	DESCRIPTION	AGE OF BUILDINGS YEARS	CARRYING AMOUNTS RM'000	YEAR OF ACQUISITION/ LAST REVALUATION
MALAYSIA							
KL-Kepong Oleomas Klang, Selangor	Leasehold	2097	19	Oleochemical factory	9 to 12	41,159	2004
Palm-Oleo Rawang, Selangor	Freehold	-	15	Oleochemical, soap noodles and industrial amides factories	22 & 27	14,948	1991 1994
Palm-Oleo (Klang) Klang, Selangor	Leased property	2088	7	Oleochemical factory	27 & 37	27,845	2007
B.K.B. Hevea Products Ipoh, Perak	Leasehold	2089	5	Parquet factory	24	3,415	1994
KL-Kepong Rubber Products Ipoh, Perak	Freehold	-	3	Rubber gloves factory	34	15,426	2012
KLK Bioenergy Shah Alam, Selangor	Leasehold	2074	1	Biodiesel plant	33	3,112	2009
INDONESIA							
P.T. KLK Dumai Dumai Timur, Riau	Leased property	2031	12,876 sq m	Oleochemical factory	4	19,047	2011
BELGIUM							
KLK Tensachem SA Ougree	Freehold	-	10	Surfactant factory	11 to 88	22,411	2014
CHINA							
Taiko Palm-Oleo (Zhangjiagang) Zhangjiagang City, Jiangsu	Leasehold	2054	20	Oleochemical factory	13	38,459	2004
Shanghai Jinshan Jingwei Chemical Jinshan, Shanghai	Leasehold	2052	2	Oleochemical factory	13	2,743	2008
GERMANY							
KLK Emmerich Emmerich Am Rhein	Freehold	-	21	Oleochemical factory	25 to 65	16,914	2010
KLK Emmerich Dusseldorf	Leasehold	2104	6	Oleochemical factory	13 to 108	43,307	2015
NETHERLANDS							
Dr. W. Kolb Netherlands BV Moerdijk	Freehold	-	8	Ethoxylation factory	25	86,835	2007
KLK Kolb Specialties BV Delden	Freehold	-	17	Chemical specialty factory	15 to 71	50,587	2018
SWITZERLAND							
Dr. W. Kolb AG Hedingen	Freehold	-	2	Ethoxylation factory	18 to 54	70,716	2007

Titled area is in hectares except otherwise indicated

PROPERTIES HELD BY THE GROUP
AS AT 30 SEPTEMBER 2018

PROPERTY DEVELOPMENT

LOCATION	TENURE	YEAR OF EXPIRY	TITLED AREA HECTARES	DESCRIPTION	AGE OF BUILDINGS YEARS	CARRYING AMOUNTS RM'000	YEAR OF ACQUISITION/ LAST REVALUATION
MALAYSIA							
KL-Kepong Country Homes Ijok, Selangor	Freehold	-	110	Property development	-	27,681	1979
	Freehold Leasehold	- 2082, 2108 and 2117	666 11	Property development operating as oil palm estate	-	12,450	1979 2010 2018
Colville Holdings Setul, Negeri Sembilan	Freehold	-	421	Property development operating as oil palm estate	-	10,429	1985
KL-Kepong Property Development Gombak, Selangor	Freehold	-	403	Property development operating as oil palm estate	-	142,043	2004
Palermo Corporation Bagan Samak, Kedah	Freehold	-	351	Property development operating as oil palm estate	-	13,017	1986
Scope Energy Tanjung Kupang, Johor	Freehold	-	203	Property development	-	883,814	2016
Kompleks Tanjong Malim Hulu Selangor, Selangor	Freehold	-	172	Property development operating as oil palm estate	-	7,617	1979
KL-Kepong Property Management Paloh, Johor	Freehold	-	26	Property development operating as oil palm estate	-	391	1979*
KL-Kepong Complex Sungai Buloh, Selangor	Freehold	-	8	Property development	-	2,806	1979

* Year of last revaluation

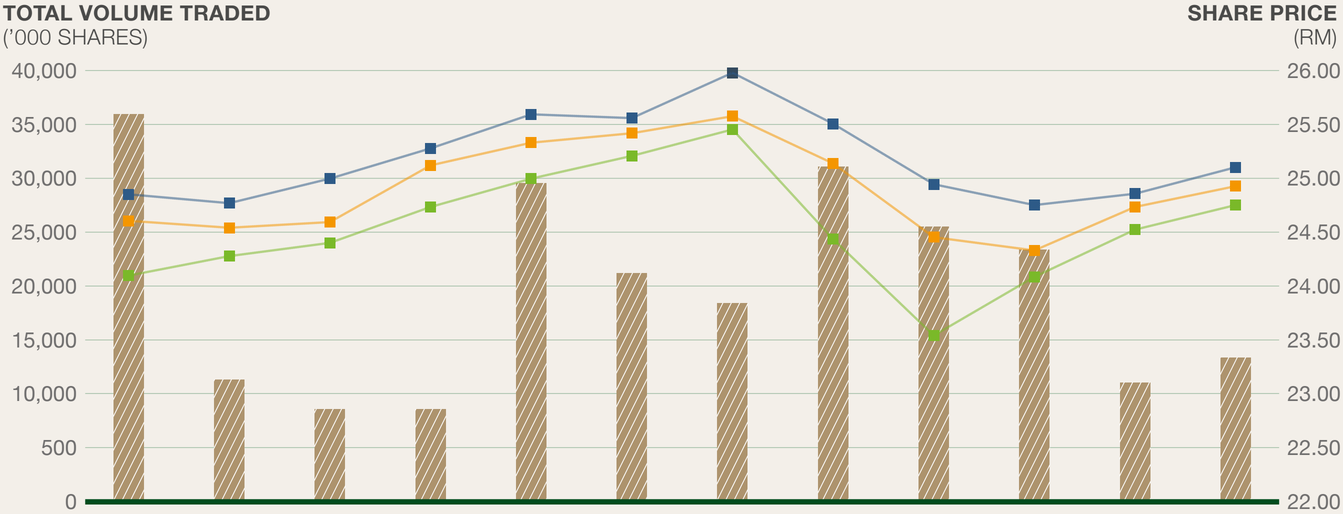
PROPERTIES HELD BY THE GROUP
AS AT 30 SEPTEMBER 2018

OTHERS

LOCATION	TENURE	YEAR OF EXPIRY	TITLED AREA#	DESCRIPTION	AGE OF BUILDINGS YEARS	CARRYING AMOUNTS RM'000	YEAR OF ACQUISITION/ LAST REVALUATION
SWP Bulking Installation Belitung Island, Indonesia	Hak Guna Bangunan	2035	20	Bulking installation and jetty	9 & 13 12	9,672	2005
Stolthaven (Westport) Klang, Selangor Malaysia	Leased property	2024	12	Bulking installation	4 & 20	13,789	2006 2014
P.T. Hutan Hijau Mas Berau, East Kalimantan Indonesia	Hak Pakai	2035	8	Jetty	4	1,781	2010
P.T. Steelindo Wahana Perkasa, Belitung Timur, Indonesia	Hak Guna Bangunan	2026	49,875 sq m	Office and warehouse	19 19	2,445	2018
Wisma Taiko 1, Jalan S.P. Seenivasagam Ipoh, Perak, Malaysia	Freehold Leasehold	– 2892	2,984 sq m 2,408 sq m	Head Office building	33	3,605 1,597	1983 2000
Kelkay Bulking Installation Port Klang, Selangor Malaysia	Leased property	2013	3,351 sq m	Bulking installation	43	344	1975 2014
3, 5, 6 & 7, Block C Ruko Puri Mutiara Sunter Agung, Tanjung Priok,Jakarta Utara Indonesia	Hak Guna Bangunan	2027	300 sq m	Office building	11	42	2007
Chilimony Farm Northampton Western Australia	Freehold	-	16,189	Cereal and cattle farm	-	87,116	2012 2013
Wyunga Farm Dandaragan Western Australia	Freehold	-	14,418	Cereal and cattle farm	-	102,649	2013 2014 2016
Erregulla Farm Mingenew Western Australia	Freehold	-	10,238	Cereal and sheep farm	-	38,202	1989* 2018
Warrening Gully Farm Williams Western Australia	Freehold	-	5,119	Cereal and sheep farm	-	29,468	1989* 2014
Jonlorrie Farm York, Western Australia	Freehold	-	4,927	Cereal and sheep farm	-	71,821	2013 2014
Tatchbrook Farm Arthur River Western Australia	Freehold	-	6,516	Cereal and sheep farm	-	53,455	2015 2016 2017

Titled area is in hectares except otherwise indicated
* Year of last revaluation

SHARE PRICE & VOLUME TRADED



	OCT 2017	NOV 2017	DEC 2017	JAN 2018	FEB 2018	MAR 2018	APR 2018	MAY 2018	JUN 2018	JUL 2018	AUG 2018	SEP 2018
Highest Price (RM)	24.80	24.78	25.00	25.26	25.58	25.58	25.98	25.50	24.94	24.76	24.86	25.10
Lowest Price (RM)	24.10	24.26	24.38	24.72	25.00	25.20	25.48	24.42	23.54	24.10	24.52	24.74
Average Closing Price (RM)	24.60	24.52	24.56	25.11	25.31	25.42	25.55	25.13	24.45	24.34	24.70	24.91
Total Volume ('000 Shares)	35,675	11,222	8,267	8.267	29,703	20,548	18,389	30,817	25,243	23,501	10,813	13,375

LEGEND: HIGHEST PRICE (RM) | LOWEST PRICE (RM) | AVERAGE CLOSING PRICE (RM) | TOTAL VOLUME ('000 SHARES)

CHANGES IN SHARE CAPITAL

DATE OF ALLOTMENT	NO. OF SHARES ALLOTTED	PAR VALUE* (RM)	TYPE OF ISSUE/CONSIDERATION	CUMULATIVE ISSUED & PAID-UP SHARE CAPITAL (RM)
06.07.73	2	1.00	Subscribers' shares	2
01.10.73	147,500,374	1.00	Issue of shares under a scheme of reconstruction	147,500,376
26.05.76	5,000,000	1.00	Allotment of shares to the minority shareholders of Kepong Plantations Bhd ("KPB") in exchange for their shareholdings in KPB	152,500,376
10.05.78	15,000,000	1.00	Bumiputera issue at RM1.15 per share	167,500,376
30.04.81	167,500,376	1.00	Bonus issue of one (1) for one (1)	335,000,752
31.03.84	43,000,000	1.00	Bumiputera issue at RM1.70 per share	378,000,752
17.11.86	43,900,000	1.00	Bumiputera issue at RM1.80 per share	421,900,752
19.03.87	1,800,000	1.00	Special issue of shares to KLK Group's employees at RM1.80 per share	423,700,752
15.08.92	51,500,000	1.00	Issue of shares to Batu Kawan Berhad ("BKB") at RM3.60 per share in satisfaction for the acquisition of BKB's plantation assets and two (2) wholly-owned subsidiaries	475,200,752
02.04.96	237,600,376	1.00	Bonus issue of one (1) for two (2)	712,801,128
29.10.98 & 30.10.98	(285,000)	1.00	Shares bought back and cancelled	712,516,128
08.03.07	354,988,564	1.00	Bonus issue of one (1) for two (2)	1,067,504,692

* Par value was abolished after the Companies Act 2016 came into effect on 31 January 2017

SHAREHOLDING STATISTICS

AS AT 3 DECEMBER 2018

Issued and Fully Paid-Up Capital	- RM1,067,504,692 (including 2,539,000 treasury shares)
Class of Shares	- Ordinary Shares

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	NO. OF SHARES	% OF ISSUED SHARE CAPITAL
Less than 100	149	3,605	0.00
100 to 1,000	1,087	701,507	0.07
1,001 to 10,000	2,407	9,293,671	0.87
10,001 to 100,000	1,054	33,656,797	3.16
100,001 to less than 5% of issued shares	322	396,400,897	37.22
5% and above of issued shares	2	624,909,215	58.68
TOTAL	**5,021**	**1,064,965,692**	**100.00**

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS

	NAME	NO. OF SHARES	% OF ISSUED SHARE CAPITAL#
1.	Batu Kawan Berhad	500,901,527	47.03
2.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	124,007,688	11.64
3.	AmanahRaya Trustees Berhad - Amanah Saham Bumiputera	48,397,400	4.54
4.	Maybank Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lembaga Kemajuan Tanah Persekutuan (415321)	38,000,000	3.57
5.	DB (Malaysia) Nominee (Asing) Sdn Bhd - BNYM SA/NV for First State Investments ICVC - Stewart Investors Asia Pacific Leaders Fund	26,020,600	2.44
6.	AmanahRaya Trustees Berhad - Amanah Saham Malaysia 2 - Wawasan	14,189,000	1.33
7.	DB (Malaysia) Nominee (Asing) Sdn Bhd - BNYM SA/NV for First State Investments ICVC - Stewart Investors Global Emerging Markets Leaders Fund	12,873,600	1.21
8.	AmanahRaya Trustees Berhad - Amanah Saham Malaysia	11,121,300	1.04
9.	Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)	10,069,400	0.95
10.	Cartaban Nominees (Asing) Sdn Bhd - Exempt AN for State Street Bank & Trust Company (West CLT OD67)	9,671,072	0.91
11.	AmanahRaya Trustees Berhad - Amanah Saham Malaysia 3	8,624,800	0.81
12.	Cartaban Nominees (Tempatan) Sdn Bhd - PAMB for Prulink Equity Fund	8,021,050	0.75
13.	HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Vanguard Emerging Markets Stock Index Fund	7,608,392	0.71
14.	HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Vanguard Total International Stock Index Fund	7,087,497	0.67
15.	Maybank Nominees (Tempatan) Sdn Bhd - Maybank Trustees Berhad for Public Ittikal Fund (N14011970240)	7,000,000	0.66
16.	ABB Nominee (Tempatan) Sdn Bhd - Pledged Securities Account for Lembaga Kemajauan Tanah Persekutuan (FELDA)	6,705,200	0.63
17.	AmanahRaya Trustees Berhad - Amanah Saham Bumiputera 2	6,000,000	0.56
18.	Yeoh Chin Hin Investments Sdn Berhad	4,633,500	0.44

SHAREHOLDING STATISTICS
AS AT 3 DECEMBER 2018

	NAME	NO. OF SHARES	% OF ISSUED SHARE CAPITAL#
19.	Cartaban Nominees (Asing) Sdn Bhd - RBC Investor Services Bank S.A. for Robeco Capital Growth Funds	4,451,700	0.42
20.	Cartaban Nominees (Asing) Sdn Bhd - GIC Private Limited for Government of Singapore (C)	4,220,050	0.40
21.	HSBC Nominees (Asing) Sdn Bhd - HSBC BK Plc for Stewart Investors Global Emerging Markets Leaders Fund	3,988,300	0.37
22.	Citigroup Nominees (Tempatan) Sdn Bhd - Exempt AN for AIA Bhd	3,910,100	0.37
23.	DB (Malaysia) Nominee (Asing) Sdn Bhd - BNYM SA/NV for First State Investments ICVC - Stewart Investors Asia Pacific Fund	3,622,900	0.34
24.	AmanahRaya Trustees Berhad - Public Islamic Dividend Fund	3,500,100	0.33
25.	HSBC Nominees (Asing) Sdn Bhd - TNTC for Mahout Global Emerging Markets Leaders Fund (DST)	3,275,500	0.31
26.	HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Flexshares Morningstar Global Upstream Natural Resources Index Fund	3,113,100	0.29
27.	Maybank Nominees (Tempatan) Sdn Bhd - MTrustee Berhad for CIMB Islamic Dali Equity Growth Fund (UT-CIMB-DALI) (419455)	2,942,600	0.28
28.	Pertubuhan Keselamatan Sosial	2,893,380	0.27
29.	AmanahRaya Trustees Berhad - Public Islamic Select Enterprises Fund	2,604,400	0.24
30.	HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for MSCI Equity Index Fund B - Malaysia	2,402,786	0.23
	TOTAL	**891,856,942**	**83.74**

Note:
\# Calculated based on 1,064,965,692 shares, which do not include 2,539,000 treasury shares

SUBSTANTIAL SHAREHOLDERS BASED ON REGISTER OF SUBSTANTIAL SHAREHOLDERS

		NUMBER OF SHARES			
	NAME	DIRECT INTEREST	DEEMED INTEREST	TOTAL	% OF ISSUED SHARE CAPITAL#
1.	Batu Kawan Berhad	500,901,527	-	500,901,527	47.03
2.	Employees Provident Fund Board	126,244,188[a]	-	126,244,188	11.85
3.	Wan Hin Investments Sdn Berhad	448,500	500,901,527[b]	501,350,027	47.08
4.	Tan Sri Dato' Seri Lee Oi Hian	72,000	501,372,027[c]	501,444,027	47.09
5.	Dato' Lee Hau Hian	83,250	501,372,027[b]	501,455,277	47.09
6.	Grateful Blessings Foundation	-	501,372,027[b]	501,372,027	47.08
7.	Grateful Blessings Inc	-	501,372,027[b]	501,372,027	47.08
8.	Di-Yi Sdn Bhd	22,000	501,350,027[b]	501,372,027	47.08
9.	High Quest Anstalt	-	501,372,027[b]	501,372,027	47.08
10.	Cubic Crystal Corporation	-	501,372,027[b]	501,372,027	47.08
11.	High Quest Holdings Sdn Bhd	22,000	501,350,027[b]	501,372,027	47.08

Notes:
\# Calculated based on 1,064,965,692 shares, which do not include 2,539,000 treasury shares
a Includes those held through Citigroup Nominees (Tempatan) Sdn Bhd
b Deemed interest by virtue of section 8(4) of the Companies Act 2016
c Deemed interest by virtue of section 8(4) of the Companies Act 2016. Nevertheless he does not have any economic or beneficial interest in the shares of KLK as his deemed interest is held via the interest of his family members as discretionary beneficiaries of Grateful Blessings Foundation (which said family members' interest is held subject to the discretion of Grateful Blessings Foundation Council)

SHAREHOLDING STATISTICS
AS AT 3 DECEMBER 2018

DIRECTORS' SHAREHOLDINGS BASED ON REGISTER OF DIRECTORS' SHAREHOLDINGS

	NAME	DIRECT INTEREST	% OF ISSUED SHARE CAPITAL[a]	DEEMED INTEREST	% OF ISSUED SHARE CAPITAL[a]
	Shares in the Company				
1.	R. M. Alias	337,500	0.03	1,000[b]	-[c]
2.	Tan Sri Dato' Seri Lee Oi Hian	72,000	0.01	501,372,027[d]	47.08
3.	Dato' Lee Hau Hian	83,250	0.01	501,372,027[e]	47.08
4.	Dato' Yeoh Eng Khoon	335,000	0.03	4,764,850[f]	0.45
5.	Tan Sri Azlan Bin Mohd Zainol	-	-	-	-
6.	Quah Poh Keat	-	-	-	-
7.	Anne Rodrigues	1,500	-[c]	-	-
8.	Lee Jia Zhang	-	-	-	-

	NAME	DIRECT INTEREST	% OF ISSUED SHARE CAPITAL[g]	DEEMED INTEREST	% OF ISSUED SHARE CAPITAL[g]
	Shares in the holding company, Batu Kawan Berhad				
1.	Tan Sri Dato' Seri Lee Oi Hian	854,355	0.21	213,728,705[h]	53.37
2.	Dato' Lee Hau Hian	1,425,530	0.36	212,531,980[i]	53.07
3.	Dato' Yeoh Eng Khoon	315,000	0.08	21,802,250[f]	5.44
4.	Lee Jia Zhang	10,000	-[c]	-	-

Notes:
a Calculated based on 1,064,965,692 shares, which do not include 2,539,000 treasury shares
b Deemed interest through the shares held by his child
c Less than 0.01%
d Deemed interest by virtue of section 8(4) of the Companies Act 2016. Nevertheless he does not have any economic or beneficial interest in the shares of KLK as his deemed interest is held via the interest of his family members as discretionary beneficiaries of Grateful Blessings Foundation (which said family members' interest is held subject to the discretion of Grateful Blessings Foundation Council)
e Deemed interest by virtue of section 8(4) of the Companies Act 2016
f Deemed interest through the shares held by his spouse and/or children, and by virtue of section 8(4) of the Companies Act 2016
g Calculated based on 400,438,769 shares, which do not include 35,512,231 treasury shares
h Deemed interest through the shares held by his children. Tan Sri Dato' Seri Lee Oi Hian is also deemed to have an interest by virtue of section 8(4) of the Companies Act 2016 although he does not have any economic or beneficial interest in the shares of Batu Kawan Berhad as his deemed interest is held via the interest of his family members as discretionary beneficiaries of Grateful Blessings Foundation (which said family members' interest is held subject to the discretion of Grateful Blessings Foundation Council)
i Deemed interest through the shares held by his child and by virtue of section 8(4) of the Companies Act 2016

By virtue of their deemed interests in the shares of the Company and its holding company, Tan Sri Dato' Seri Lee Oi Hian and Dato' Lee Hau Hian are deemed to have an interest in the shares of the related corporations to the extent that the Company and the holding company have interests.

Other than as disclosed above, none of the other Directors has any interest in the shares of its related corporations.

VOTING RIGHTS OF SHAREHOLDERS

Every member of the Company present in person or by proxy shall have one (1) vote on a show of hand and in the case of a poll shall have one (1) vote for every share of which he is the holder.

GLOBAL REPORTING INITIATIVE CONTENT INDEX

This report has been prepared with guidance from Bursa Malaysia Securities Berhad's Sustainability Reporting Framework and the Global Reporting Initiative ("GRI") Standards 2016 - Core option, instead of prior years' G4.

GRI is an internationally accepted framework for reporting an organisation's economic, environmental and social performance to a diverse set of stakeholders worldwide. For more information on GRI, please visit *www.globalreporting.org*.

GRI 101 : FOUNDATION 2016

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1 There were no significant changes during the reporting period regarding size, structure, ownership or supply chain.

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102-52	Reporting cycle	Annual
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❷ KLK Kolb Specialities BV has been partially included in the scope of this report due to its acquisition during the financial period.

❸ We have opted to consider external assurance for a later reporting period. We will consult stakeholders in the future on the form of assurance they seek from us.

GLOBAL REPORTING INITIATIVE CONTENT INDEX

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4 KLK Website : Code of Conduct and Ethics for the Company
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NOTICE OF MEETING

Notice is hereby given that the Forty-Sixth Annual General Meeting of Kuala Lumpur Kepong Berhad ("KLK" or "Company") will be held at WEIL Hotel, Ballroom 1, Level 6, 292 Jalan Sultan Idris Shah, 30000 Ipoh, Perak, Malaysia on Tuesday, 19 February 2019 at 11.00 a.m. for the following purposes:

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the year ended 30 September 2018 and the Directors' and Auditors' reports thereon.

2. To re-elect the following Directors who retire by rotation in accordance with Article 119 of the Company's Constitution:

   (i) Dato' Yeoh Eng Khoon **(ORDINARY RESOLUTION 1)**

   (ii) Quah Poh Keat **(ORDINARY RESOLUTION 2)**

3. To re-elect Lee Jia Zhang who retires in accordance with Article 123 of the Company's Constitution. **(ORDINARY RESOLUTION 3)**

4. To approve Directors' fees for the year ended 30 September 2018 amounting to RM1,970,258 (2017: RM1,686,109). **(ORDINARY RESOLUTION 4)**

5. To approve the payment of Directors' benefits (other than Directors' fees) to Non-Executive Directors for the period from the Forty-Sixth Annual General Meeting to the Forty-Seventh Annual General Meeting to be held in 2020. **(ORDINARY RESOLUTION 5)**

6. To appoint Messrs. BDO as Auditors of the Company in place of the retiring Auditors, Messrs. KPMG PLT and to authorise the Directors to fix the remuneration of Messrs. BDO. **(ORDINARY RESOLUTION 6)**

As Special Business

To consider and, if thought fit, to pass the following Resolutions:

7. **PROPOSED RENEWAL OF AUTHORITY TO BUY BACK ITS OWN SHARES BY THE COMPANY** **(ORDINARY RESOLUTION 7)**

   "THAT authority be given to the Company to buy back an aggregate number of shares in the Company ("Authority to Buy Back Shares") as may be determined by the Directors from time to time through Bursa Malaysia Securities Berhad upon such terms and conditions as the Directors may deem fit and expedient in the best interest of the Company provided that at the time of purchase, the aggregate number of shares which may be purchased and/or held by the Company as treasury shares pursuant to this resolution does not exceed ten percent (10%) of the issued and paid-up share capital of the Company and that the maximum funds to be allocated for the Authority to Buy Back Shares shall not exceed the latest audited retained profits of the Company;

   THAT the shares purchased by the Company pursuant to Authority to Buy Back Shares may be dealt with by the Directors in all or any of the following manner:

   (a) distribute the shares as share dividends to the shareholders; or

   (b) resell the shares or any of the shares on Bursa Malaysia Securities Berhad; or

(c) transfer the shares or any of the shares for the purposes of or under an employees' shares scheme; or

(d) transfer the shares or any of the shares as purchase consideration; or

(e) cancel the shares or any of the shares; or

(f) sell, transfer or otherwise use the shares for such other purposes as allowed by the Companies Act 2016.

AND THAT the Directors be and are hereby empowered to do all such acts and things to give full effect to the Authority to Buy Back Shares with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities AND THAT such Authority shall commence upon passing of this ordinary resolution and will expire at the conclusion of the next Annual General Meeting ("AGM") of the Company following the passing of this ordinary resolution or the expiry of the period within which the next AGM is required by law to be held (unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting) but not so as to prejudice the completion of a purchase by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the guidelines issued by Bursa Malaysia Securities Berhad or any other relevant authority."

8. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE** **(ORDINARY RESOLUTION 8)**

"THAT approval be given to the Company and/or its subsidiary companies to enter into recurrent transactions of a revenue or trading nature with related parties which are necessary for the Company's and/or its subsidiaries' day-to-day operations and carried out in the ordinary course of business on normal commercial terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders as set out in the Annexure of Part B of the Company's Circular to Shareholders dated 31 December 2018 ("the Mandate");

AND THAT the Directors be and are hereby empowered to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give full effect to the Mandate, with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities AND THAT the Mandate shall commence upon passing of this ordinary resolution and will expire at the conclusion of the next Annual General Meeting ("AGM") of the Company following the passing of this ordinary resolution or the expiry of the period within which the next AGM is required by law to be held but shall not extend to such extension as may be allowed pursuant to section 340(4) of the Companies Act 2016 (unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting)."

NOTICE OF MEETING

9. **PROPOSED RENEWAL OF THE AUTHORITY FOR DIRECTORS TO ALLOT AND ISSUE NEW ORDINARY SHARES IN THE COMPANY ("KLK SHARES") IN RELATION TO THE DIVIDEND REINVESTMENT PLAN THAT PROVIDES THE SHAREHOLDERS OF THE COMPANY THE OPTION TO ELECT TO REINVEST THEIR CASH DIVIDEND ENTITLEMENTS IN NEW KLK SHARES ("DIVIDEND REINVESTMENT PLAN")** **(ORDINARY RESOLUTION 9)**

   "THAT pursuant to the Dividend Reinvestment Plan ("DRP") approved by the shareholders at the Annual General Meeting ("AGM") held on 13 February 2018 and subject to the approval of the relevant authorities (if any), approval be and is hereby given to the Company to allot and issue such number of KLK Shares pursuant to the DRP until the conclusion of the next AGM, upon such terms and conditions and to such persons as the Directors may, in their absolute discretion, deem fit and in the best interest of the Company PROVIDED THAT the issue price of the said KLK Shares shall be fixed by the Directors at not more than ten percent (10%) discount to the adjusted five (5)-day volume weighted average market price ("VWAMP") of KLK Shares immediately prior to the price-fixing date, of which the VWAMP shall be adjusted ex-dividend before applying the aforementioned discount in fixing the issue price;

   AND THAT the Directors be and are hereby authorised to do all such acts and enter into all such transactions, arrangements and documents as may be necessary or expedient in order to give full effect to the DRP with full power to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed or agreed to by any relevant authorities or consequent upon the implementation of the said conditions, modifications, variations and/or amendments, as they, in their absolute discretion, deem fit and in the best interest of the Company."

10. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016.

By Order of the Board
YAP MIOW KIEN
Company Secretary

Ipoh, Perak
Malaysia.

31 December 2018

Notes:

(1) Members Entitled to Attend
Only members whose names appear on the Register of Members or General Meeting Record of Depositors as at 11 February 2019 will be entitled to attend, speak and vote at the meeting.

(2) Appointment of Proxy

(a) A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company. A member shall not be entitled to appoint more than two (2) proxies to attend at the same meeting. Where a member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.

(b) Where the proxy form is executed by a corporation, it must be either under its seal or under the hand of its officer or attorney duly authorised.

(c) If a member having appointed a proxy to attend a general meeting attends such meeting in person, the appointment of such proxy shall be null and void in respect of such meeting and his proxy shall not be entitled to attend such meeting.

(d) Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.

NOTICE OF MEETING

(e) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provisions of Subsection 25A(1) of SICDA.

(f) Where a member or the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

(g) The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed and authorised must be deposited at the Registered Office of the Company, Bangunan Mayban Trust Ipoh, Level 9, No. 28, Jalan Tun Sambanthan, 30000 Ipoh, Perak, Malaysia, not less than twenty-four (24) hours before the time appointed for the taking of the poll.

(3) Voting by Poll
Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in this Notice shall be put to vote by poll.

(4) Explanatory Notes on Ordinary Businesses:

(i) Agenda 1 – Audited Financial Statements
This item is meant for discussion only as under section 340(1) of the Companies Act 2016, the Audited Financial Statements are to be laid at the Annual General Meeting and do not require a formal approval of the shareholders. Hence, this matter will not be put forward for voting.

(ii) Ordinary Resolution 4 - Payment of Directors' Fees to the Non-Executive Directors
Having considered that the Non-Executive Directors' fees had been held constant over the past three (3) years and the Board Committees' fees had remained unchanged for more than seven (7) years, the Board had, at its meeting held in November 2018, approved the Remuneration Committee's recommendation for a proposed revision to the fees in accordance with the remuneration structure as follows:

	BOARD (RM) PER ANNUM	AUDIT AND RISK COMMITTEE (RM) PER ANNUM	OTHER BOARD COMMITTEES (RM) PER ANNUM
Non-Executive Chairman	480,000	30,000	20,000
Non-Executive Director/Member	240,000	25,000	15,000

The payment of the Non-Executive Directors' fees in respect of the financial year ended 30 September 2018 will only be made if the proposed Ordinary Resolution 4 has been passed at the Forty-Sixth Annual General Meeting.

(iii) Ordinary Resolution 5 - Payment of Directors' Benefits (excluding Directors' Fees)
The Company is seeking shareholders' approval for the following payment of benefits to its Non-Executive Directors pursuant to section 230(1) of the Companies Act 2016 for the period from the Forty-Sixth Annual General Meeting to the Forty-Seventh Annual General Meeting to be held in 2020:

TYPE OF BENEFIT/ALLOWANCE	AMOUNT
Meeting Allowance (Board and Committees)	RM2,000 per meeting
Travelling (Overseas) Allowance	RM1,000 per day
Other Benefits	• Company car, petrol and driver • Business travel, medical, insurance coverage, and other claimables and reimbursables for the purpose of enabling the Directors to perform their duties

(iv) Ordinary Resolution 6 - Appointment of Auditors
The Company's existing Auditors, Messrs. KPMG PLT, have been the Auditors of the Company for more than forty (40) years. They were re-appointed as the Auditors of the Company at the Forty-Fifth Annual General Meeting of the Company held on 13 February 2018 to hold office until the conclusion of the forthcoming Annual General Meeting.

Ordinary Resolution 6 proposed under Item 6 of the Agenda, if passed, will effect the appointment of Messrs. BDO as the Auditors of the Company in place of the retiring Auditors, Messrs. KPMG PLT. Messrs. BDO shall hold office until the conclusion of the next Annual General Meeting of the Company at a remuneration to be agreed between the Directors and the Auditors.

(5) Explanatory notes on Special Businesses:

(i) Ordinary Resolution 7 - Proposed Renewal of Authority to Buy Back Shares
Ordinary Resolution 7 proposed under Item 7 of the Agenda, if passed, will empower the Directors of the Company to buy back the Company's own shares through Bursa Malaysia Securities Berhad at any time within the time period stipulated by utilising the funds allocated out of the audited retained profits of the Company.

(ii) Ordinary Resolution 8 - Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")
Ordinary Resolution 8 proposed under Item 8 of the Agenda, if passed, will enable the Group to enter into Recurrent Related Party Transactions of a Revenue or Trading Nature in the ordinary course of business which are necessary for the Group's day-to-day operations and on normal commercial terms not more favourable to the related parties than those generally available to the public, and are not to the detriment of the minority shareholders of the Company.

The procurement of the Proposed Shareholders' Mandate would reduce substantially administrative time, effort and expenses associated with the convening of separate general meetings to seek shareholders' approval as and when potential Recurrent Related Party Transactions arise.

(iii) Ordinary Resolution 9 - Proposed Renewal of Authority for Directors to Allot and Issue New KLK Shares in relation to the Dividend Reinvestment Plan
The Shareholders had, at the Forty-Fifth Annual General Meeting held on 13 February 2018, approved the authority for the Directors to allot and issue KLK Shares in relation to the Dividend Reinvestment Plan ("DRP") and such authority will expire at the conclusion of this Annual General Meeting.

Ordinary Resolution 9 proposed under Item 9 of the Agenda, if passed, will give authority to the Directors to allot and issue KLK Shares pursuant to the DRP in respect of any dividends to be declared, and such authority shall expire at the conclusion of the next Annual General Meeting of the Company.

The authority given for Ordinary Resolutions 7, 8 and 9 mentioned above unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company. Further information on Ordinary Resolutions 7 and 8 is set out in the Circular to Shareholders of the Company dated 31 December 2018 which is despatched together with the Company's Annual Report 2018.

NOTIS MESYUARAT

NOTIS DENGAN INI DIBERIKAN bahawa Mesyuarat Agung Tahunan Kuala Lumpur Kepong Berhad ("KLK" atau "Syarikat") yang Ke-Empat Puluh Enam akan diadakan di WEIL Hotel, Ballroom 1, Level 6, 292 Jalan Sultan Idris Shah, 30000 Ipoh, Perak, Malaysia pada hari Selasa, 19 Februari 2019 pada pukul 11.00 pagi untuk tujuan-tujuan berikut:

AGENDA

Sebagai Urusan Biasa

1. Untuk menerima Penyata Kewangan telah diaudit bagi tahun berakhir 30 September 2018 berserta Laporan Pengarah dan Juruaudit yang berkaitan dengannya.

2. Untuk memilih semula para Pengarah berikut yang akan bersara mengikut giliran menurut Artikel 119 Perlembagaan Syarikat:

   (i) Dato' Yeoh Eng Khoon **(RESOLUSI BIASA 1)**

   (ii) Quah Poh Keat **(RESOLUSI BIASA 2)**

3. Untuk memilih semula Lee Jia Zhang yang akan bersara menurut Artikel 123 Perlembagaan Syarikat. **(RESOLUSI BIASA 3)**

4. Untuk meluluskan bayaran fi para Pengarah berjumlah RM1,970,258 bagi tahun berakhir 30 September 2018 (2017: RM1,686,109). **(RESOLUSI BIASA 4)**

5. Untuk meluluskan bayaran faedah para Pengarah (tidak termasuk fi para Pengarah) kepada Pengarah Bukan Eksekutif bagi tempoh dari Mesyuarat Agung Tahunan Syarikat yang Ke-Empat Puluh Enam sehingga Mesyuarat Agung Tahunan Syarikat yang Ke-Empat Puluh Tujuh yang akan diadakan pada tahun 2020. **(RESOLUSI BIASA 5)**

6. Untuk melantik Tetuan BDO sebagai Juruaudit Syarikat sebagai ganti kepada Juruaudit yang bersara, Tetuan KPMG PLT dan memberi kuasa kepada para Pengarah untuk menetapkan saraan Tetuan BDO. **(RESOLUSI BIASA 6)**

Sebagai Urusan Khas

Untuk mempertimbangkan dan jika difikirkan sesuai, meluluskan Resolusi-Resolusi berikut:

7. **CADANGAN PEMBAHARUAN KUASA UNTUK MEMBELI BALIK SYER SYARIKAT** **(RESOLUSI BIASA 7)**

   "BAHAWA kuasa diberikan kepada Syarikat untuk membeli balik agregat syer Syarikat ("Kuasa untuk Membeli Balik Syer") sepertimana yang ditentukan oleh para Pengarah dari semasa ke semasa melalui Bursa Malaysia Securities Berhad berdasarkan terma dan syarat yang dianggap sesuai dan wajar oleh para Pengarah demi kepentingan Syarikat tertakluk dengan syarat bahawa pada masa pembelian, bilangan agregat syer yang boleh dibeli dan/atau dipegang oleh Syarikat sebagai syer perbendaharaan menurut resolusi ini adalah tidak melebihi sepuluh peratus (10%) daripada jumlah modal syer terbitan dan berbayar Syarikat dan dana maksimum yang diperuntukkan kepada Kuasa untuk Membeli Balik Syer tidak melebihi jumlah keuntungan terkumpul Syarikat yang terkini dan telah diaudit;

   BAHAWA syer yang dibeli oleh Syarikat menurut Kuasa untuk Membeli Balik Syer boleh diuruskan oleh para Pengarah mengikut semua atau mana-mana cara yang berikut:

   (a) membahagikan syer tersebut sebagai dividen kepada para pemegang syer; atau

   (b) menjual semula syer tersebut atau mana-mana bahagian daripada syer itu melalui Bursa Malaysia Securities Berhad; atau

(c) memindah milik syer tersebut atau mana-mana bahagian daripada syer itu bagi tujuan atau di bawah perlaksanaan skim syer pekerja; atau

(d) memindah milik syer tersebut atau mana-mana bahagian daripada syer itu sebagai balasan pembelian; atau

(e) membatalkan syer tersebut atau mana-mana bahagian daripada syer itu; atau

(f) menjual, memindah milik atau selainnya menggunakan syer itu bagi lain-lain tujuan sepertimana yang dibenarkan oleh Akta Syarikat 2016.

DAN BAHAWA para Pengarah adalah dan dengan ini diberi kuasa untuk melaksanakan semua tindakan dan perkara yang berkaitan bagi memberi kesan sepenuhnya kepada Kuasa untuk Membeli Balik Syer untuk menyetujui dan mematuhi apa-apa syarat, pengubahsuaian, penilaian semula, variasi dan/atau pindaan (jika ada) seperti yang mungkin dikenakan oleh pihak berkuasa yang berkaitan; DAN BAHAWA Kuasa tersebut akan bermula pada masa resolusi biasa ini diluluskan dan akan tamat pada penamatan Mesyuarat Agung Tahunan ("MAT") Syarikat yang berikutnya, berikutan kelulusan resolusi biasa ini atau penamatan tempoh di mana MAT yang berikutnya sepatutnya diadakan mengikut syarat undang-undang (melainkan ditarik balik lebih awal atau diubah melalui resolusi biasa pemegang syer Syarikat dalam mesyuarat agung), namun tidak boleh menggugat penyempurnaan pembelian oleh Syarikat sebelum tarikh akhir yang dinyatakan dan, dalam apa jua keadaan, menurut peruntukan garis panduan yang dikeluarkan oleh Bursa Malaysia Securities Berhad atau pihak berkuasa lain yang berkenaan."

8. **CADANGAN PEMBAHARUAN MANDAT PEMEGANG SYER UNTUK TRANSAKSI PIHAK BERKAITAN YANG BERULANG YANG MELIBATKAN PENDAPATAN ATAU PERDAGANGAN** **(RESOLUSI BIASA 8)**

"BAHAWA kelulusan diberikan kepada Syarikat dan/atau syarikat subsidiarinya untuk menjalankan transaksi berulang yang melibatkan pendapatan atau perdagangan dengan pihak berkaitan di mana transaksi berulang ini adalah penting dan diperlukan bagi operasi harian Syarikat dan/atau subsidiarinya, dan hendaklah dilaksanakan di dalam urus niaga biasa dengan mengikut terma-terma komersial biasa di mana tidak memberi kelebihan kepada pihak yang berkaitan selain daripada yang biasanya tersedia kepada pihak umum dan tidak menggugat kepentingan pemegang syer minoriti sepertimana yang dinyatakan dalam Lampiran Bahagian B Surat Pekeliling Syarikat kepada Pemegang Syer bertarikh 31 Disember 2018 ("Mandat");

DAN BAHAWA para Pengarah adalah dan dengan ini diberi kuasa untuk melaksanakan semua tindakan dan perkara (termasuk menandatangani semua dokumen yang diperlukan) yang dianggap perlu atau penting bagi melaksanakan sepenuhnya Mandat, termasuk mematuhi apa-apa syarat, pengubahsuaian, penilaian semula, variasi dan/atau pindaan (jika ada) sepertimana yang dikenakan oleh pihak-pihak berkuasa yang berkenaan; DAN BAHAWA Mandat tersebut akan bermula selepas kelulusan resolusi biasa ini dan akan tamat pada masa penamatan Mesyuarat Agung Tahunan ("MAT") Syarikat yang berikutnya, berikutan kelulusan resolusi biasa ini atau penamatan tempoh di mana MAT yang berikutnya sepatutnya diadakan mengikut undang-undang, tetapi tidak dilanjutkan sepertimana yang dibenarkan menurut seksyen 340(4) Akta Syarikat 2016 (melainkan ditarik balik lebih awal atau diubah melalui resolusi biasa pemegang syer Syarikat dalam mesyuarat agung)."

NOTIS MESYUARAT

9. **CADANGAN PEMBAHARUAN KUASA KEPADA PARA PENGARAH UNTUK MEMPERUNTUKKAN DAN MENERBITKAN SYER BIASA BARU SYARIKAT ("SYER KLK") BERHUBUNG DENGAN PELAN PELABURAN SEMULA DIVIDEN YANG MEMBERIKAN OPSYEN KEPADA PARA PEMEGANG SYER SYARIKAT UNTUK MELABUR SEMULA DIVIDEN TUNAI KE DALAM SYER BARU KLK ("PELAN PELABURAN SEMULA DIVIDEN")** **(RESOLUSI BIASA 9)**

"BAHAWA menurut Pelan Pelaburan Semula Dividen yang telah diluluskan oleh para pemegang syer pada Mesyuarat Agung Tahunan ("MAT") yang diadakan pada 13 Februari 2018 dan tertakluk kepada kelulusan pihak berkuasa yang berkenaan (jika ada), Syarikat dengan ini diberi kuasa untuk memperuntukkan dan menerbitkan sejumlah Syer KLK mengikut Pelan Pelaburan Semula Dividen sehingga penamatan MAT yang berikutnya, tertakluk kepada terma dan syarat sebagaimana yang para Pengarah boleh, mengikut budi bicara mutlak mereka, dianggap wajar dan demi kepentingan terbaik Syarikat DENGAN SYARAT harga terbitan Syer KLK tersebut akan ditetapkan oleh para Pengarah tidak melebihi sepuluh peratus (10%) diskaun dari nilai harga pasaran purata wajaran lima (5)-hari ("NHPPW") yang diselaraskan bagi Syer KLK sejurus sebelum tarikh penetapan harga, yang mana NHPPW hendaklah diselaraskan ex-dividen sebelum menggunakan diskaun yang dinyatakan dalam penentuan harga terbitan;

DAN BAHAWA para Pengarah adalah dan dengan ini diberi kuasa untuk melakukan segala tindakan berkenaan dan melaksanakan semua urusniaga, pengaturan dan dokumen berkenaan sebagaimana perlu atau wajar untuk memberi kesan sepenuhnya kepada Pelan Pelaburan Semula Dividen dengan kuasa penuh untuk menerima sebarang syarat, pengubahsuaian, variasi dan/atau pindaan (jika ada) sepertimana yang dikenakan atau dipersetujui oleh mana-mana pihak berkuasa yang berkaitan ataupun kesan daripada pelaksanaan syarat, pengubahsuaian, variasi dan/atau pindaan tersebut, sepertimana yang para Pengarah boleh, mengikut budi bicara mutlak mereka, anggap wajar dan demi kepentingan terbaik Syarikat."

10. Untuk melaksanakan sebarang urusan lain yang mana notis sewajarnya telah diberikan menurut Akta Syarikat 2016.

Dengan Perintah Lembaga Pengarah
YAP MIOW KIEN
Setiausaha Syarikat

Ipoh, Perak
Malaysia.

31 Disember 2018

Nota:

(1) Kelayakan pemegang syer menghadiri mesyuarat
Hanya pemegang syer yang namanya terkandung di dalam Rekod Pendeposit atau Daftar Anggota pada 11 Februari 2019 adalah layak untuk menghadiri mesyuarat ini atau melantik proksi untuk hadir dan mengundi bagi pihaknya.

(2) Pelantikan Proksi

(a) Pemegang syer Syarikat yang layak untuk hadir dan mengundi pada mesyuarat ini berhak melantik seorang proksi untuk hadir dan mengundi bagi pihaknya. Seseorang proksi mungkin tetapi tidak semestinya pemegang syer Syarikat. Seseorang pemegang syer Syarikat tidak boleh melantik lebih daripada dua (2) proksi untuk menghadiri mesyuarat yang sama. Sekiranya pemegang syer Syarikat melantik dua (2) proksi, pelantikan tersebut dianggap tidak sah melainkan pemegang syer Syarikat telah menetapkan bahagian pegangannya yang akan diwakili oleh setiap proksi.

(b) Pelantikan proksi yang dilaksanakan oleh anggota korporat harus ditandatangani di bawah meteri atau ditandatangani oleh pegawainya atau perwakilan kuasa.

(c) Sekiranya seseorang pemegang syer Syarikat telah melantik proksi untuk menghadiri mesyuarat agung menghadiri mesyuarat agung tersebut, pelantikan proksi tersebut akan dianggap telah dibatalkan dan tidak sah dalam mesyuarat tersebut dan proksi itu tidak layak untuk menghadiri mesyuarat tersebut.

(d) Bagi nomini yang sah sebagai pemegang syer Syarikat sepertimana yang didefinisikan dalam Akta Perindustrian Sekuriti (Depositori Pusat) 1991 ("SICDA"), beliau adalah layak melantik tidak melebihi dua (2) proksi bagi setiap akaun sekuriti yang dipegangnya dalam syer biasa Syarikat, dalam unit berdasarkan kredit akaun sekuriti tersebut.

(e) Bagi nomini yang sah berkecualian sebagai pemegang syer Syarikat yang memegang syer biasa dalam Syarikat bagi beberapa pihak pemilik benefisial dalam satu (1) akaun sekuriti ("akaun omnibus"), tiada had proksi yang boleh dilantik bagi setiap akaun omnibus yang dipegang. Nomini yang sah berkecualian merujuk kepada nomini yang sah yang didefinisikan di bawah SICDA yang dikecualikan daripada mematuhi peruntukan Subseksyen 25A(1) SICDA.

NOTIS MESYUARAT

(f) Di mana pemegang syer atau nomini yang sah melantik dua (2) proksi, atau di mana nomini yang sah berkecualian melantik dua (2) atau lebih proksi, bahagian pegangan syer yang diwakili oleh setiap proksi hendaklah ditetapkan dalam surat cara pelantikan proksi tersebut.

(g) Surat cara pelantikan proksi dan kuasa wakil atau kuasa lain (jika ada) yang ditandatangani dan diiktiraf oleh kuasa perwakilan atau pihak berkuasa yang lain (jika ada) harus disampaikan ke Pejabat Berdaftar Syarikat, Bangunan Mayban Trust Ipoh, Level 9, No. 28, Jalan Tun Sambanthan, 30000 Ipoh, Perak, Malaysia, dalam tempoh tidak kurang dari dua puluh empat (24) jam sebelum masa yang ditetapkan bagi menjalankan pengundian.

(3) Pengundian
Menurut Perenggan 8.29A(1) Keperluan Penyenaraian Pasaran Utama Bursa Malaysia Securities Berhad, semua resolusi yang terkandung di dalam Notis harus dilaksanakan dengan pengundian.

(4) Nota Penjelasan berkenaan Urusan-urusan Biasa:

(i) Agenda 1 – Penyata Kewangan yang telah Diaudit
Perkara ini bertujuan untuk perbincangan sahaja. Menurut seksyen 340(1) Akta Syarikat 2016, Penyata Kewangan yang telah diaudit hanyalah dibentangkan di Mesyuarat Agung Tahunan dan tidak memerlukan kelulusan rasmi daripada para pemegang syer. Oleh yang demikian, Agenda ini tidak akan dibentangkan untuk pengundian.

(ii) Resolusi Biasa 4 – Pembayaran Fi Pengarah kepada Pengarah Bukan Eksekutif
Setelah mempertimbangkan perihal fi bagi Pengarah Bukan Eksekutif yang ditetapkan pada kadar yang sama selama tiga (3) tahun berturut-turut dan fi ahli Jawatankuasa Lembaga yang tidak berubah lebih dari tujuh (7) tahun, Lembaga Pengarah pada mesyuaratnya yang diadakan pada bulan November 2018, telah meluluskan cadangan daripada Jawatankuasa Saraan untuk memperbaharui kadar fi mengikut struktur saraan seperti berikut:

	LEMBAGA PENGARAH (RM) SETIAP TAHUN	JAWATANKUASA AUDIT DAN RISIKO (RM) SETIAP TAHUN	JAWATANKUASA LEMBAGA (LAIN-LAIN) (RM) SETIAP TAHUN
Pengerusi Bukan Eksekutif	480,000	30,000	20,000
Pengarah Bukan Eksekutif/Ahli	240,000	25,000	15,000

Pembayaran fi kepada Pengarah Bukan Eksekutif bagi tahun kewangan berakhir 30 September 2018 hanya akan dibuat, jika Resolusi Biasa 4 yang dicadangkan telah diluluskan pada Mesyuarat Agung Tahunan yang Ke-Empat Puluh Enam.

(iii) Resolusi Biasa 5 - Pembayaran Faedah Pengarah (tidak termasuk fi Pengarah)
Syarikat dengan ini memohon kelulusan daripada para pemegang syer untuk pembayaran faedah yang terdiri daripada elaun dan faedah seperti berikut, kepada para Pengarah Bukan Eksekutif menurut seksyen 230(1) Akta Syarikat 2016 bagi tempoh dari Mesyuarat Agung Tahunan yang Ke-Empat Puluh Enam sehingga Mesyuarat Agung Tahunan yang Ke-Empat Puluh Tujuh yang akan diadakan pada tahun 2020:

JENIS FAEDAH/ELAUN	AMAUN
Elaun Mesyuarat (Lembaga Pengarah dan Jawatankuasa lain)	RM2,000 setiap mesyuarat
Elaun Perjalanan (Luar Negara)	RM1,000 setiap hari
Faedah lain	• Kereta syarikat, petrol dan pemandu • Perjalanan perniagaan, perubatan, perlindungan insurans, dan segala bayaran balik dan tuntutan bagi para Pengarah menjalankan tugasnya

(iv) Resolusi Biasa 6 – Pelantikan Juruaudit
Juruaudit sedia ada Syarikat, Tetuan KPMG PLT telah dilantik sebagai Juruaudit Syarikat lebih daripada empat puluh (40) tahun. Mereka telah dilantik semula sebagai Juruaudit Syarikat pada Mesyuarat Agung Tahunan Syarikat yang Ke-Empat Puluh Lima yang diadakan pada 13 Februari 2018 untuk memegang jawatan sehingga tamatnya Mesyuarat Agung Tahunan Syarikat yang akan datang.

Resolusi Biasa 6 yang dicadangkan di bawah Agenda 6, jika diluluskan, akan menguatkuasa pelantikan Tetuan BDO sebagai Juruaudit Syarikat sebagai ganti kepada juruaudit sedia ada yang akan bersara, Tetuan KPMG PLT. Tetuan BDO akan memegang jawatan sehingga tamatnya Mesyuarat Agung Tahunan Syarikat yang akan datang pada kadar saraan yang akan dipersetujui antara para Pengarah dan Juruaudit.

(5) Nota Penjelasan berkenaan Urusan-urusan Khas:

(i) Resolusi Biasa 7 - Cadangan Pembaharuan Kuasa Beli Balik Syer
Resolusi Biasa 7 yang dicadangkan di bawah Agenda 7, jika diluluskan, akan memberi kuasa kepada para Pengarah Syarikat untuk membeli balik syer Syarikat melalui Bursa Malaysia Securities Berhad pada bila-bila masa dalam tempoh yang ditetapkan dengan menggunakan dana yang diperuntukkan daripada keuntungan tersimpan Syarikat yang telah diaudit.

(ii) Resolusi Biasa 8 - Cadangan Pembaharuan Mandat Pemegang Syer untuk Transaksi Pihak Berkaitan yang berulang melibatkan Pendapatan atau Perdagangan ("Cadangan Mandat Pemegang Syer")
Resolusi Biasa 8 yang dicadangkan di bawah Agenda 8, jika diluluskan, akan membolehkan Kumpulan melakukan Transaksi Dagangan Sering Berulang dengan Pihak-pihak yang Berkaitan dalam urusan perniagaan biasa yang diperlukan untuk operasi harian Kumpulan dan dilakukan mengikut terma-terma komersial biasa yang tidak berat sebelah berbanding dengan yang tersedia ada untuk pihak umum dan tidak menggugat kepentingan para pemegang syer minoriti Syarikat.

Dengan memperolehi Mandat Pemegang Syer yang dicadangkan, masa pentadbiran, kesulitan dan perbelanjaan yang berkaitan dengan mengadakan mesyuarat agung yang berasingan akan dapat dijimatkan tanpa menjejaskan peluang perniagaan yang sedia ada kepada Kumpulan.

(iii) Resolusi Biasa 9 – Cadangan Pembaharuan Kuasa kepada Para Pengarah untuk Memperuntukkan dan Menerbitkan Syer Baru KLK berhubung dengan Pelan Pelaburan Semula Dividen
Para pemegang syer telah meluluskan dan memberi kuasa kepada para Pengarah untuk memperuntukkan dan menerbitkan Syer KLK di bawah Pelan Pelaburan Semula Dividen pada Mesyuarat Agung Tahunan yang Ke-Empat Puluh Lima yang telah diadakan pada 13 Februari 2018, dan kuasa tersebut akan tamat pada penamatan Mesyuarat Agung Tahunan Syarikat ini.

Resolusi Biasa 9 yang dicadangkan di bawah Agenda 9, jika diluluskan, akan memberi kuasa kepada para Pengarah untuk memperuntukkan dan menerbitkan Syer KLK di bawah Pelan Pelaburan Semula Dividen selaras dengan dividen yang akan diisytiharkan, dan kuasa tersebut akan habis tempoh pada penamatan Mesyuarat Agung Tahunan Syarikat yang akan datang.

Kuasa yang diberikan untuk Resolusi Biasa 7, 8 dan 9 yang dinyatakan di atas, melainkan ditarik balik atau diubah pada mesyuarat agung, akan tamat pada penamatan Mesyuarat Agung Tahunan Syarikat yang berikutnya. Maklumat lanjut mengenai Resolusi Biasa 7 dan 8 dapat diperolehi dalam Surat Pekeliling kepada Pemegang Syer bertarikh 31 Disember 2018 yang dihantar bersama dengan Laporan Tahunan Syarikat 2018.

PROXY FORM

KUALA LUMPUR KEPONG BERHAD (15043-V)

NO. OF SHARES HELD	CDS ACCOUNT NO.	TEL. NO.

I/We ....
(Full Name in Block Letters)

NRIC/Passport/Company No. ....

of ....
being (a) member(s) of KUALA LUMPUR KEPONG BERHAD hereby appoint

.... NRIC/Passport No. ....
(Full Name in Block Letters)

*and/or .... NRIC/Passport No. ....
(Full Name in Block Letters)

or failing him THE CHAIRMAN OF THE MEETING as my/our proxy/proxies to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at WEIL Hotel, Ballroom 1, Level 6, 292 Jalan Sultan Idris Shah, 30000 Ipoh, Perak, Malaysia on Tuesday, 19 February 2019 at 11.00 a.m. and at any adjournment thereof, and to vote as indicated below:

RESOLUTION	RELATING TO:	FOR	AGAINST
	Re-election of Directors pursuant to Article 119 of the Company's Constitution:		
1	Dato' Yeoh Eng Khoon		
2	Quah Poh Keat		
3	Re-election of Lee Jia Zhang pursuant to Article 123 of the Company's Constitution		
4	Payment of Directors' fees		
5	Payment of Directors' benefits		
6	Appointment of Messrs. BDO as auditors and their remuneration		
7	Proposed Renewal of Authority to Buy Back Shares		
8	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions		
9	Proposed Renewal of Authority for Directors to Allot and Issue New KLK Shares in relation to the Dividend Reinvestment Plan		

* Please indicate with a tick (√) how you wish your vote to be cast

For appointment of two (2) proxies, percentage of shareholding to be represented by the proxies:

	Percentage (%)
Proxy 1	
Proxy 2	

* Please delete if inapplicable.

....
Signature of Shareholder/Common Seal

Date: ....

Notes:

(a) A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company. A member shall not be entitled to appoint more than two (2) proxies to attend at the same meeting. Where a member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.

(b) Where this proxy form is executed by a corporation, it must be either under its seal or under the hand of its officer or attorney duly authorised.

(c) If a member having appointed a proxy to attend a general meeting attends such meeting in person, the appointment of such proxy shall be null and void in respect of such meeting and his proxy shall not be entitled to attend such meeting.

(d) Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.

(e) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provisions of Subsection 25A(1) of SICDA.

(f) Where a member or the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

(g) The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed and authorised must be deposited at the Registered Office of the Company, Bangunan Mayban Trust Ipoh, Level 9, No. 28, Jalan Tun Sambanthan, 30000 Ipoh, Perak, Malaysia, not less than twenty-four (24) hours before the time appointed for the taking of the poll.

(h) Only members whose names appear on the Register of Members or General Meeting Record of Depositors as at 11 February 2019 will be entitled to attend, speak and vote at the meeting.

(i) Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in this Notice shall be put to vote by poll.

Personal Data Privacy

By submitting the proxy form, the member consents to the Company (and/or its agents/service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010, for the purpose of the Annual General Meeting, including any adjournment thereof.

FOLD HERE

AFFIX
STAMP HERE

THE COMPANY SECRETARY
KUALA LUMPUR KEPONG BERHAD
Bangunan Mayban Trust Ipoh
Level 9, No. 28, Jalan Tun Sambanthan
30000 Ipoh
Perak, Malaysia

FOLD HERE

DIRECTORY

PLANTATION

REGISTERED OFFICE / PRINCIPAL PLACE OF BUSINESS
(WITH EFFECT FROM 1 DECEMBER 2018)
Bangunan Mayban Trust Ipoh
Level 9, No. 28, Jalan Tun Sambanthan
30000 Ipoh, Perak, Malaysia
Tel : +605-240 8000
Fax : +605-240 8115
Email : cosec@klk.com.my
Website : *www.klk.com.my*

MAIN OFFICE (SABAH)
Mile 40, Tawau-Semporna Highway
91000 Tawau
Sabah, Malaysia
Te : +6089-975 111
Fax : +6089-975 445
Email : sabah.admin@klk.com.my

MAIN OFFICE (INDONESIA)
Komplek Ruko Puri Mutiara
Blok C, No. 3, 5, 6 & 7
Sunter Griya, Kel. Sunter Agung
Jakarta Utara 14350, Indonesia
Tel : +62 21 6531 0746
Fax : +62 21 6531 0749
Email : klk-jakarta@klk.co.id

MAIN OFFICE (LIBERIA)
Big-Joe Town,
Lower Harlandsville
Buchanan City
Grand Bassa County
Republic of Liberia
Tel : +231 7 777 91140
Email : sn@epoil.co.uk

PROPERTY DEVELOPMENT

KLK LAND SDN BHD
Suite 1A-1, Level 1
Menara KLK
1 Jalan PJU 7/6
Mutiara Damansara
47810 Petaling Jaya
Selangor, Malaysia
Tel : +603-7726 1868
Fax : +603-7726 2868
Email : info@klkland.com.my

MANUFACTURING

GROUP MANUFACTURING CORPORATE OFFICE
Level 8, Menara KLK
1 Jalan PJU 7/6
Mutiara Damansara
47810 Petaling Jaya
Selangor, Malaysia
Tel : +603-7809 8833
Fax : +603-7725 9858
Email : enquiry@klkoleo.com
Website : *www.klkoleo.com*

PALM-OLEO SDN BHD
Lot 1245
Kundang Industrial Estate
48020 Rawang
Selangor, Malaysia
Tel : +603-6034 4800
Fax : +603-6034 1279

KSP MANUFACTURING SDN BHD
PALMAMIDE SDN BHD
Lot 1245
Kundang Industrial Estate
48020 Rawang
Selangor, Malaysia
Tel : +603-6034 1218
Fax : +603-6034 3090

KL-KEPONG OLEOMAS SDN BHD
25 Jalan Sungai Pinang 5/18
Fasa 2D
Taman Perindustrian Pulau Indah
42920 Pelabuhan Klang
Selangor, Malaysia
Tel : +603-3101 2633
Fax : +603-3101 3299

PALM-OLEO (KLANG) SDN BHD
Lot 1 & 2, Solok Waja 3
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41710 Klang
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Tel : +603-3341 2115
Fax : +603-3342 7877

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