

KUALA LUMPUR KEPONG BERHAD
(15043-V)
(Incorporated in Malaysia)

Condensed Consolidated Income Statement
For the first quarter ended 31 December 2008

(The figures have not been audited.)

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 December		3 months ended 31 December	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Revenue	1,882,882	1,779,511	1,882,882	1,779,511
Operating expenses	(1,781,585)	(1,447,038)	(1,781,585)	(1,447,038)
Other operating income	54,359	48,596	54,359	48,596
Finance costs	(18,810)	(15,559)	(18,810)	(15,559)
Share of results of associates	10,248	7,106	10,248	7,106
Profit before taxation	147,094	372,616	147,094	372,616
Tax expense	(77,599)	(69,248)	(77,599)	(69,248)
Net profit for the period	<u>69,495</u>	<u>303,368</u>	<u>69,495</u>	<u>303,368</u>
Attributable to :-				
Equity holders of the Company	65,845	291,136	65,845	291,136
Minority interests	3,650	12,232	3,650	12,232
	<u>69,495</u>	<u>303,368</u>	<u>69,495</u>	<u>303,368</u>
	Sen	Sen	Sen	Sen
Earnings per share - Basic	<u>6.18</u>	<u>27.34</u>	<u>6.18</u>	<u>27.34</u>
- Diluted	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

N/A - Not applicable

The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Report for the year ended 30 September 2008.

KUALA LUMPUR KEPONG BERHAD
(15043-V)
(Incorporated in Malaysia)

Condensed Consolidated Balance Sheet
As at 31 December 2008
(The figures have not been audited.)

	31 December 2008	30 September 2008
	RM'000	RM'000
Assets		
Property, plant and equipment	2,364,395	2,372,018
Investment properties	5,124	5,137
Prepaid lease payments	344,194	347,725
Biological assets	1,386,429	1,426,545
Land held for property development	194,068	195,378
Goodwill on consolidation	261,495	255,940
Intangible assets	35,209	37,656
Investments in associates	258,039	258,495
Other investments	137,448	288,770
Deferred tax assets	7,524	6,888
Total non-current assets	4,993,925	5,194,552
Inventories	968,132	1,219,972
Biological assets	1,169	3,647
Trade and other receivables	879,793	902,461
Tax recoverable	11,083	7,462
Property development costs	15,276	22,445
Cash and cash equivalents	1,391,429	1,159,705
Total current assets	3,266,882	3,315,692
Total assets	8,260,807	8,510,244
Equity		
Share capital	1,067,505	1,067,505
Reserves	4,429,712	4,483,036
	5,497,217	5,550,541
Less: Cost of treasury shares	(13,447)	(13,447)
Total equity attributable to equity holders of the Company	5,483,770	5,537,094
Minority interests	203,243	202,913
Total equity	5,687,013	5,740,007
Liabilities		
Deferred tax liabilities	221,073	220,278
Provision for retirement benefits	26,129	27,136
Borrowings	916,956	920,844
Total non-current liabilities	1,164,158	1,168,258
Trade and other payables	547,908	657,279
Borrowings	756,997	858,991
Tax payable	104,731	85,709
Total current liabilities	1,409,636	1,601,979
Total liabilities	2,573,794	2,770,237
Total equity and liabilities	8,260,807	8,510,244
Net assets per share attributable to equity holders of the Company (RM)	5.15	5.20

The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the year ended 30 September 2008.

KUALA LUMPUR KEPONG BERHAD
(15043-V)
(Incorporated in Malaysia)

Condensed Consolidated Statement of Changes in Equity
For the first quarter ended 31 December 2008
(The figures have not been audited.)

	← Attributable to the equity holders of the Company →									
	Share capital	Capital reserve	Revaluation reserve	Capital redemption reserve	Exchange fluctuation reserve	Retained earnings	Treasury shares	Total	Minority Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 October 2008	1,067,505	875,952	49,759	27,714	151,628	3,377,983	(13,447)	5,537,094	202,913	5,740,007
Net gain/(loss) not recognised in the income statement	-	14	-	1	(119,065)	(119)	-	(119,169)	(3,320)	(122,489)
Net profit for the period	-	-	-	-	-	65,845	-	65,845	3,650	69,495
At 31 December 2008	<u>1,067,505</u>	<u>875,966</u>	<u>49,759</u>	<u>27,715</u>	<u>32,563</u>	<u>3,443,709</u>	<u>(13,447)</u>	<u>5,483,770</u>	<u>203,243</u>	<u>5,687,013</u>
At 1 October 2007	1,067,505	876,144	49,655	29,714	141,309	2,768,173	(13,447)	4,919,053	176,159	5,095,212
Net (loss)/gain not recognised in the income statement	-	(35)	104	(1)	(68,510)	462	-	(67,980)	(4,479)	(72,459)
Net profit for the period	-	-	-	-	-	291,136	-	291,136	12,232	303,368
At 31 December 2007	<u>1,067,505</u>	<u>876,109</u>	<u>49,759</u>	<u>29,713</u>	<u>72,799</u>	<u>3,059,771</u>	<u>(13,447)</u>	<u>5,142,209</u>	<u>183,912</u>	<u>5,326,121</u>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 30 September 2008.

KUALA LUMPUR KEPONG BERHAD
(15043-V)
(Incorporated in Malaysia)

Condensed Consolidated Cash Flow Statement
For the first quarter ended 31 December 2008
(The figures have not been audited.)

	3 months ended	
	31 December	
	2008	2007
	RM'000	RM'000
Cash Flows from Operating Activities		
Profit before taxation	147,094	372,616
Adjustment for non-cash flow :-		
Non-cash items	204,606	36,924
Non-operating items	7,270	8,628
Operating profit before working capital changes	358,970	418,168
Working capital changes :-		
Net change in current assets	282,569	(159,412)
Net change in current liabilities	(104,087)	(1,839)
Cash generated from operations	537,452	256,917
Interest paid	(22,842)	(17,266)
Tax paid	(92,658)	(72,232)
Retirement benefit paid	(385)	(278)
Net cash generated from operating activities	<u>421,567</u>	<u>167,141</u>
Cash Flow from Investing Activities		
Equity investments	7,056	(34,310)
Other investments	(89,543)	(57,267)
Net cash used in investing activities	<u>(82,487)</u>	<u>(91,577)</u>
Cash Flow from Financing Activities		
Bank borrowings	(93,421)	259,951
Return of capital to minority shareholders	-	(6,721)
Net cash (used in)/generated from financing activities	<u>(93,421)</u>	<u>253,230</u>
Net increase in cash and cash equivalents	245,659	328,794
Cash and cash equivalents at 1 October	1,132,962	472,323
	1,378,621	801,117
Foreign exchange difference on opening balance	(2,757)	(6,877)
Cash and cash equivalents at 31 December	<u>1,375,864</u>	<u>794,240</u>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the year ended 30 September 2008.

KUALA LUMPUR KEPONG BERHAD
(15043-V)
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Notes to Interim Financial Report

A Explanatory Notes as required by FRS 134

A1. Accounting Policies

The interim financial report is unaudited and has been prepared in compliance with Financial Reporting Standard ("FRS") 134 *Interim Financial Reporting*, issued by the Malaysian Accounting Standards Board and paragraph 9.22 of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements for the year ended 30 September 2008.

A2. Seasonal and Cyclical Factors

The Group's plantation operations are affected by seasonal crop production, weather conditions and fluctuating commodity prices. The business of its retailing sector is subject to seasonal sales.

A3. Unusual Items

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

A4. Changes in Estimates

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

A5. Issuance or Repayment of Debts and Equity Securities

There were no issuance and repayment of debts and equity securities, share buy-backs, share cancellation, shares held as treasury shares or resale of treasury shares for the current financial year to-date.

A6. Dividends Paid

There were no dividends paid during the financial quarter ended 31 December 2008 (31 December 2007 : Nil).

A7. Segment Information

Segment information is presented in respect of the Group's business segments. Inter-segment pricing is determined based on current market prices.

	3 months ended 31 December			
	Revenue		Profit before tax	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Plantation	1,004,833	800,293	289,616	252,325
Manufacturing	652,598	760,067	(5,871)	38,124
Retailing	257,630	310,200	30,534	55,367
Property development	18,410	4,960	4,330	1,686
Investment holding	15,854	9,514	11,540	6,931
Others	15,659	13,947	1,427	1,176
	<u>1,964,984</u>	<u>1,898,981</u>	<u>331,576</u>	<u>355,609</u>
Inter-segment elimination	<u>(82,102)</u>	<u>(119,470)</u>	-	-
	<u>1,882,882</u>	<u>1,779,511</u>	<u>331,576</u>	<u>355,609</u>
Corporate			<u>(175,920)</u>	<u>25,460</u>
			<u>155,656</u>	<u>381,069</u>
Finance costs			<u>(18,810)</u>	<u>(15,559)</u>
Share of results of associates			<u>10,248</u>	<u>7,106</u>
			<u>147,094</u>	<u>372,616</u>

A8. Events subsequent to Balance Sheet Date

- (a) KL-Kepong Oleomas Sdn Bhd, a subsidiary of the Company, had on 6 February 2009 entered into a conditional sale and purchase agreement to acquire the entire issued capital of Zoop Sdn Bhd ("Zoop") free from all encumbrances for a total cash consideration of RM1,155,510 ("the Proposed Acquisition").

The principal businesses of Zoop are biofuel production and supply services and general trading in methyl esters.

The completion of the Proposed Acquisition is conditional on the fulfillment of conditions as stated in our related announcement to the Bursa Malaysia on 10 February 2009.

- (b) On 11 February 2009, Taiko Plantations Sdn Bhd, a wholly-owned subsidiary of the Company has incorporated a new wholly-owned company in Singapore, "Taiko Plantations (Singapore) Private Limited", which has an issued and paid-up capital of SGD1 and is currently non-operational.

The intended principal activity of Taiko Plantations (Singapore) Private Limited is management of plantations.

A9. Changes in the Composition of the Group

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

A10. Changes in Contingent Liabilities and Contingent Assets

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

B Explanatory Notes as required by the BMSB Revised Listing Requirements

B1. Review of Performance

For the quarter under review, the Group's pre-tax profit fell sharply by 60.5% to RM147.1 million compared to the preceding year's same quarter. Whilst plantations sector's profit improved 14.1% to RM294.1 million compared to the same quarter last year, the Group's results for the current quarter was impacted mainly by the following :-

- (a) write-down of RM160.3 million in book values of quoted investments out of which a substantial sum of RM142.2 million was in relation to our investment in Yule Catto & Co plc wherein its carrying value had been reduced to RM76.2 million, equivalent to its market price of 55 pence per share as at 31 December 2008;
- (b) oleochemical operations in Malaysia continued to perform well whereas the plant in China, Taiko Palm-Oleo (Zhangjiagang) Co Ltd, suffered a loss of RM33.5 million primarily due to one-off write-down of inventories and this had dragged down the overall results of the oleochemical division;
- (c) Davos Life Science Pte Ltd (nutraceutical plant in Singapore) continued to incur losses amounting to RM9.4 million compared to the loss of RM6.7 million in the same quarter last year owing to poor sales;
- (d) earnings from retailing declined significantly by 52.3% to RM29.1 million from RM61.0 million in the same quarter last year as a result of weak consumer demand caused by global economic recession especially in the United States and United Kingdom; and
- (e) realised foreign exchange loss of RM23.5 million on the repayment of inter-company loans by the Indonesian subsidiaries from their internally generated funds.

B2. Variation of Results to Preceding Quarter

The Group's profit before taxation for the 1st quarter slipped 60.1% to RM147.1 million from that of the previous quarter. The lower profit was attributed to reduced plantations earnings owing to weaker palm product prices, deterioration in manufacturing sector results and from higher write-down of quoted investments.

B3. Current Year Prospects

Notwithstanding the prevailing lower commodity prices, plantations sector will continue to perform reasonably well although its profit is expected to fall below that of the preceding year. In view of this and together with :-

- (i) the write-down in quoted investments;
- (ii) the difficult market conditions faced by the manufacturing sector due to the current global economic crisis; and
- (iii) expected higher loss from retailing sector,

the Directors are of the opinion that the Group's profit for the current financial year will be much lower than that of the previous year.

B4. Profit Forecast and Profit Guarantee

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

B5. Tax Expense

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 December		3 months ended 31 December	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
Malaysian taxation	53,218	58,127	53,218	58,127
Overseas taxation	22,162	28,886	22,162	28,886
	<u>75,380</u>	<u>87,013</u>	<u>75,380</u>	<u>87,013</u>
Deferred tax				
Relating to origination and reversal of temporary differences	(525)	(7,402)	(525)	(7,402)
Relating to changes in tax rate	-	(10,579)	-	(10,579)
	<u>(525)</u>	<u>(17,981)</u>	<u>(525)</u>	<u>(17,981)</u>
	<u>74,855</u>	<u>69,032</u>	<u>74,855</u>	<u>69,032</u>
Under/(Over) provision in respect of previous years				
Malaysian taxation	780	(39)	780	(39)
Overseas taxation	1,964	255	1,964	255
	<u>2,744</u>	<u>216</u>	<u>2,744</u>	<u>216</u>
	<u>77,599</u>	<u>69,248</u>	<u>77,599</u>	<u>69,248</u>

The effective tax rate for the current quarter is higher than the statutory tax rate mainly due to non tax deductible expenses which largely consisted of impairment in value of quoted investments.

B6. Sale of Unquoted Investments and Properties

(a) There were no material disposals of unquoted investments during the financial year ended 31 December 2008 (31 December 2007 : Nil).

(b) Sale of properties

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 December		3 months ended 31 December	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Surplus arising from government acquisition of land	<u>1,162</u>	<u>-</u>	<u>1,162</u>	<u>-</u>
Surplus on sale of property	<u>-</u>	<u>7,665</u>	<u>-</u>	<u>7,665</u>

B7. Quoted Securities

- (a) Purchases and sales of quoted securities other than securities in existing subsidiaries for the current quarter and financial year to-date :-

	Individual Quarter		Cumulative Quarter	
	3 months ended		3 months ended	
	31 December		31 December	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Purchases of quoted securities	<u>6,579</u>	<u>5,478</u>	<u>6,579</u>	<u>5,478</u>
Sales proceeds of quoted securities	<u>11,057</u>	<u>6,453</u>	<u>11,057</u>	<u>6,453</u>
(Deficit)/Surplus on sales of quoted securities	<u>(364)</u>	<u>2,064</u>	<u>(364)</u>	<u>2,064</u>

- (b) Investments in quoted securities other than securities in existing subsidiaries as at end of the reporting period were as follows :-

	31 December	30 September
	2008	2008
	RM'000	RM'000
At cost		
Associate	37,838	37,838
Other investments	<u>384,026</u>	<u>388,588</u>
	<u>421,864</u>	<u>426,426</u>
At carrying value less allowance		
Associate	-	13,551
Other investments	<u>136,482</u>	<u>287,773</u>
	<u>136,482</u>	<u>301,324</u>
At market value		
Associate	11,118	13,549
Other investments	<u>136,374</u>	<u>292,021</u>
	<u>147,492</u>	<u>305,570</u>

B8. Status of Corporate Proposals Announced

The Company has proposed to issue up to USD300 million nominal value of 5-year unsecured guaranteed exchangeable bonds ("Exchangeable Bonds") via KKK Capital Resources (L) Ltd, a wholly-owned subsidiary incorporated in the Federal Territory of Labuan. The Exchangeable Bonds may be exchangeable into new ordinary shares of RM1.00 each in the Company.

Approvals have been obtained from the relevant authorities.

The Company has yet to implement the Proposed Exchangeable Bonds Issue and the Securities Commission has via its letter dated 9 October 2008, approved an extension of time until 2 April 2009.

B9. Group Borrowings

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

	31 December 2008		30 September 2008	
	RM'000	Amount in Foreign Currency '000	RM'000	Amount in Foreign Currency '000
(a) Repayable within 12 months :-				
(i) Term Loans				
- Unsecured	112,590	USD32,270	131,969	USD38,235
	20,194	GBP4,000	31,383	GBP5,000
	69,053	Rmb135,000	58,098	Rmb115,000
	<u>201,837</u>		<u>221,450</u>	
(ii) Bank Overdraft				
- Secured	26	CHF8	1,379	CHF438
	3,403	EURO692	5,718	EURO1,146
	<u>3,429</u>		<u>7,097</u>	
- Unsecured	3,735	USD1,071	9,403	USD2,723
	4,058	GBP804	6,178	GBP984
	4,343	HKD9,652	4,065	HKD9,145
	<u>12,136</u>		<u>19,646</u>	
	<u>15,565</u>		<u>26,743</u>	
(iii) Short Term Borrowings				
- Secured	54,100	EURO11,000	34,931	EURO7,000
	-		6,297	CHF2,000
	<u>54,100</u>		<u>41,228</u>	
- Unsecured	73,230	USD21,000	89,703	USD26,000
	17,903	Rmb35,000	17,682	Rmb35,000
	<u>394,362</u>		<u>462,185</u>	
	<u>485,495</u>		<u>569,570</u>	
	<u>539,595</u>		<u>610,798</u>	
Total repayable within 12 months	<u>756,997</u>		<u>858,991</u>	

	31 December 2008		30 September 2008	
	RM'000	Amount in Foreign Currency '000	RM'000	Amount in Foreign Currency '000
(b) Repayable after 12 months :-				
(i) Term Loans				
- Secured	14,753	EURO3,000	14,968	EURO3,000
	6,649	Rmb13,000	6,568	Rmb13,000
	<u>21,402</u>		<u>21,536</u>	
- Unsecured	234,426	USD67,180	239,830	USD69,500
	161,128		159,478	
	<u>395,554</u>		<u>399,308</u>	
	416,956		420,844	
(ii) Islamic Medium Term Notes				
- Unsecured	500,000		500,000	
Total repayable after 12 months	<u>916,956</u>		<u>920,844</u>	

B10. Financial Instruments with Off Balance Sheet Risk

- (a) The forward exchange contracts entered into by the Group as at 11 February 2009 (being a date not earlier than 7 days from the date of this report) were as follows :-

	Currency	Contract Amount Million	Equivalent Amount RM million	Maturing within One Year RM million
Sale contracts	GBP	0.8	4.1	4.1
	EURO	14.9	70.7	70.7
	USD	196.0	692.5	692.5
	YEN	41.3	1.6	1.6

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

The transactions in foreign currencies which are hedged by forward foreign exchange contracts are recorded in the book at the contracted rates. Any gains or losses arising from forward contracts are recognised in the Income Statement upon maturity.

There is minimal credit risk for the forward foreign exchange contracts because these contracts are entered into with licensed financial institutions.

- (b) The commodity future contracts entered into by the Group as at 11 February 2009 (being a date not earlier than 7 days from the date of this report) were as follows :-

	<u>Contracted Amount</u> RM million	<u>Maturing within One Year</u> RM million
Sale contracts	<u>79.1</u>	<u>79.1</u>

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

The credit risk for the commodity future contracts is minimal as these contracts were entered into with brokers of commodity exchanges. Any gains or losses arising from these contracts are deferred until the date of such transactions at which time they are included in the measurement of such transactions.

- (c) KL-Kepong Industrial Holdings Sdn Bhd ("KLKIH") and Barry Callebaut Group ("BCG") had on 31 March 2008 entered into a Joint Venture Agreement which stipulates the manner in which Barry Callebaut Malaysia Sdn Bhd (formerly known as KL-Kepong Cocoa Products Sdn Bhd) ("BCM") shall be managed and the way in which KLKIH and BCG shall exercise their rights as shareholders of BCM.

Under the Joint Venture Agreement :-

- (i) KLKIH may exercise a put option to require BCG to acquire the remaining 40% shares in BCM held by KLKIH including the working capital of BCM of approximately RM129.5 million; and
- (ii) BCG may also exercise a call option to require KLKIH to sell the remaining 40% shares in BCM held by KLKIH based on the value of 9 times of the audited average EBITDA of the 3 financial years prior to the exercise of the Call Option plus cash minus all interest bearing debts at that point of time.

Both the put option and call option may be exercised by KLKIH and BCG respectively between the second anniversary and the fifth anniversary starting from 30 April 2008.

B11. Material Litigation

There was no pending material litigation as at the date of this report.

B12. Dividend

- (a) The Directors do not recommend the payment of dividend for the first quarter ended 31 December 2008 (31 December 2007 : Nil).
- (b) The total dividend for the current financial year todate is Nil (2008 : Nil).

B13. Earnings Per Share

Basic earnings per share

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

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended		3 months ended	
	31 December		31 December	
	2008	2007	2008	2007
(a) Net profit for the period attributable to equity holders of the Company (RM'000)	<u>65,845</u>	<u>291,136</u>	<u>65,845</u>	<u>291,136</u>
(b) Weighted average number of shares	<u>1,064,965,692</u>	<u>1,064,965,692</u>	<u>1,064,965,692</u>	<u>1,064,965,692</u>
(c) Earnings per share (sen)	<u>6.18</u>	<u>27.34</u>	<u>6.18</u>	<u>27.34</u>

B14. Audit Report

The audit report for the financial year ended 30 September 2008 was not subject to any qualifications.

By Order of the Board
J. C. LIM
YAP MIOW KIEN
Company Secretaries

18 February 2009