



# **KUALA LUMPUR KEPONG BERHAD**

(15043-V)  
(Incorporated in Malaysia)

**Interim Financial Report  
For the second quarter ended 31 March 2011**



# KUALA LUMPUR KEPONG BERHAD

(15043-V)  
(Incorporated in Malaysia)

The Directors are pleased to announce the unaudited financial results of the Group for the second quarter ended 31 March 2011.

## Condensed Consolidated Income Statement For the second quarter ended 31 March 2011

(The figures have not been audited.)

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 March		6 months ended 31 March	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Revenue	2,368,357	1,901,301	4,791,337	3,649,017
Operating expenses	(1,929,416)	(1,619,352)	(3,956,330)	(3,059,783)
Other operating income	68,279	18,399	73,144	52,449
Finance costs	(18,291)	(14,140)	(35,093)	(29,014)
Share of results of associates	14,904	13,256	23,054	16,265
Profit before taxation	503,833	299,464	896,112	628,934
Tax expense	(107,015)	(71,246)	(181,842)	(145,113)
Net profit for the period	<u>396,818</u>	<u>228,218</u>	<u>714,270</u>	<u>483,821</u>
Attributable to:-				
Equity holders of the Company	373,854	215,938	678,040	457,754
Non-controlling interests	22,964	12,280	36,230	26,067
	<u>396,818</u>	<u>228,218</u>	<u>714,270</u>	<u>483,821</u>
	Sen	Sen	Sen	Sen
Earnings per share - Basic	<u>35.10</u>	<u>20.28</u>	<u>63.67</u>	<u>42.98</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 2010.

**KUALA LUMPUR KEPONG BERHAD**

(15043-V)  
(Incorporated in Malaysia)

**Condensed Consolidated Statement of Comprehensive Income  
For the second quarter ended 31 March 2011**

(The figures have not been audited.)

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<u>3 months ended</u>		<u>6 months ended</u>	
	<u>31 March</u>		<u>31 March</u>	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Net profit for the period	<u>396,818</u>	<u>228,218</u>	<u>714,270</u>	<u>483,821</u>
Other comprehensive income/(loss)				
Foreign currency translation differences	15,600	(69,678)	50,819	(64,394)
Available-for-sale investments				
Net change in fair value	8,100	-	101,213	-
Reclassification adjustment for surplus on disposal included in profit or loss	<u>(9,585)</u>	<u>-</u>	<u>(9,585)</u>	<u>-</u>
Total other comprehensive income/(loss) for the period	<u>14,115</u>	<u>(69,678)</u>	<u>142,447</u>	<u>(64,394)</u>
Total comprehensive income for the period	<u>410,933</u>	<u>158,540</u>	<u>856,717</u>	<u>419,427</u>
Attributable to:-				
Equity holders of the Company	387,874	148,536	818,463	394,990
Non-controlling interests	<u>23,059</u>	<u>10,004</u>	<u>38,254</u>	<u>24,437</u>
	<u>410,933</u>	<u>158,540</u>	<u>856,717</u>	<u>419,427</u>

*The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 30 September 2010.*



# KUALA LUMPUR KEPONG BERHAD

(15043-V)  
(Incorporated in Malaysia)

## Condensed Consolidated Statement of Financial Position As at 31 March 2011

(The figures have not been audited.)

	31 March 2011	30 September 2010
	RM'000	RM'000
<b>Assets</b>		(Restated)
Property, plant and equipment	2,944,406	2,923,763
Investment properties	-	4,463
Biological assets	1,739,385	1,672,395
Land held for property development	233,292	229,419
Goodwill on consolidation	303,220	289,529
Intangible assets	34,479	32,410
Investment in associates	95,110	199,361
Available-for-sale investments	668,498	349,300
Other receivable	52,451	46,808
Deferred tax assets	25,275	21,022
<b>Total non-current assets</b>	<b>6,096,116</b>	<b>5,768,470</b>
Inventories	1,779,226	1,287,939
Biological assets	1,524	3,759
Trade and other receivables	1,156,586	811,788
Tax recoverable	20,992	20,309
Property development costs	3,388	3,316
Derivative financial assets	52,468	-
Assets held for sale	125,723	12,845
Cash and cash equivalents	1,065,614	1,255,105
<b>Total current assets</b>	<b>4,205,521</b>	<b>3,395,061</b>
<b>Total assets</b>	<b>10,301,637</b>	<b>9,163,531</b>
<b>Equity</b>		
Share capital	1,067,505	1,067,505
Reserves	5,299,406	4,951,146
	6,366,911	6,018,651
Less: Cost of treasury shares	(13,447)	(13,447)
<b>Total equity attributable to equity holders of the Company</b>	<b>6,353,464</b>	<b>6,005,204</b>
Non-controlling interests	369,778	320,145
<b>Total equity</b>	<b>6,723,242</b>	<b>6,325,349</b>
<b>Liabilities</b>		
Deferred tax liabilities	246,577	241,989
Provision for retirement benefits	220,492	219,378
Borrowings	896,091	1,107,089
<b>Total non-current liabilities</b>	<b>1,363,160</b>	<b>1,568,456</b>
Trade and other payables	784,096	619,907
Borrowings	1,330,353	579,612
Tax payable	100,134	70,207
Derivative financial liabilities	652	-
<b>Total current liabilities</b>	<b>2,215,235</b>	<b>1,269,726</b>
<b>Total liabilities</b>	<b>3,578,395</b>	<b>2,838,182</b>
<b>Total equity and liabilities</b>	<b>10,301,637</b>	<b>9,163,531</b>
Net assets per share attributable to equity holders of the Company (RM)	5.97	5.64

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 30 September 2010.



## KUALA LUMPUR KEPONG BERHAD

(15043-V)  
(Incorporated in Malaysia)

### Condensed Consolidated Statement of Changes in Equity For the second quarter ended 31 March 2011

(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	Fair value reserve	Retained earnings	Treasury shares	Total	Non-controlling interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 October 2010											
As previously stated	1,067,505	1,017,861	81,121	27,841	44,434	-	3,779,889	(13,447)	6,005,204	320,145	6,325,349
Effect of adopting FRS 139	-	-	-	-	-	23,578	936	-	24,514	479	24,993
As restated	1,067,505	1,017,861	81,121	27,841	44,434	23,578	3,780,825	(13,447)	6,029,718	320,624	6,350,342
Profit for the period	-	-	-	-	-	-	678,040	-	678,040	36,230	714,270
Net change in fair value of available-for-sale investments	-	-	-	-	-	101,213	-	-	101,213	-	101,213
Reclassification adjustment for surplus on disposal of available-for-sale investments included in profit or loss	-	-	-	-	-	(9,585)	-	-	(9,585)	-	(9,585)
Foreign currency translation differences	-	141	-	(1)	48,655	-	-	-	48,795	2,024	50,819
Total comprehensive income for the period	-	141	-	(1)	48,655	91,628	678,040	-	818,463	38,254	856,717
Rights issue to non-controlling interests	-	-	-	-	-	-	-	-	-	24,254	24,254
Acquisition of shares from non-controlling interests	-	-	-	-	-	-	-	-	-	(4,156)	(4,156)
Redemption of RPS from non-controlling interests	-	-	-	-	-	-	-	-	-	(1,500)	(1,500)
Effect of changes in shareholdings in subsidiaries	-	-	-	-	-	-	(15,482)	-	(15,482)	15,482	-
Dividend paid	-	-	-	-	-	-	(479,235)	-	(479,235)	-	(479,235)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(23,180)	(23,180)
At 31 March 2011	1,067,505	1,018,002	81,121	27,840	93,089	115,206	3,964,148	(13,447)	6,353,464	369,778	6,723,242
At 1 October 2009	1,067,505	880,131	81,121	27,715	194,242	-	3,396,742	(13,447)	5,634,009	308,760	5,942,769
Profit for the period	-	-	-	-	-	-	457,754	-	457,754	26,067	483,821
Transfer from retained earnings to capital reserve	-	1,742	-	-	-	-	(1,742)	-	-	-	-
Foreign currency translation differences	-	(93)	-	(2)	(62,608)	-	(61)	-	(62,764)	(1,630)	(64,394)
Total comprehensive income for the period	-	1,649	-	(2)	(62,608)	-	455,951	-	394,990	24,437	419,427
Acquisition through business combination	-	-	-	-	-	-	-	-	-	311	311
Acquisition of shares from non-controlling interests	-	-	-	-	-	-	-	-	-	(5,723)	(5,723)
Dividend paid	-	-	-	-	-	-	(319,489)	-	(319,489)	-	(319,489)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(17,991)	(17,991)
At 31 March 2010	1,067,505	881,780	81,121	27,713	131,634	-	3,533,204	(13,447)	5,709,510	309,794	6,019,304

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 30 September 2010.

**KUALA LUMPUR KEPONG BERHAD**

(15043-V)  
(Incorporated in Malaysia)

**Condensed Consolidated Statement of Cash Flows  
For the second quarter ended 31 March 2011**

(The figures have not been audited.)

	6 months ended	
	31 March	
	2011	2010
	RM'000	RM'000
<b>Cash Flows from Operating Activities</b>		
Profit before taxation	896,112	628,934
Adjustment for non-cash flow:-		
Non-cash items	47,085	66,599
Non-operating items	15,643	9,850
Operating profit before working capital changes	958,840	705,383
Working capital changes:-		
Net change in current assets	(825,964)	(43,123)
Net change in current liabilities	171,570	68,776
Cash generated from operations	304,446	731,036
Interest paid	(33,935)	(28,019)
Tax paid	(155,932)	(115,157)
Retirement benefits paid	(11,088)	(2,908)
Net cash generated from operating activities	103,491	584,952
<b>Cash Flows from Investing Activities</b>		
Equity investments	(168,633)	13,861
Other investments	(179,932)	(160,765)
Net cash used in investing activities	(348,565)	(146,904)
<b>Cash Flows from Financing Activities</b>		
Bank borrowings	555,644	(183,126)
Dividends paid to shareholders of the Company	(479,235)	(319,489)
Dividends paid to non-controlling interests	(23,180)	(17,991)
Rights issue of shares to non-controlling interests	24,254	-
Redemption of RPS from non-controlling interests	(1,500)	-
Increase in other receivable	(3,830)	(6,577)
Net cash generated from/(used in) financing activities	72,153	(527,183)
Net decrease in cash and cash equivalents	(172,921)	(89,135)
Cash and cash equivalents at 1 October	1,220,882	1,274,677
	1,047,961	1,185,542
Foreign exchange difference on opening balance	7,650	(4,619)
Cash and cash equivalents at 31 March	1,055,611	1,180,923

*The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 30 September 2010.*



---

## **Notes to Interim Financial Report**

### **A Explanatory Notes as required by FRS 134**

#### **A1. Basis of Preparation**

The Interim Financial Report is unaudited and has been prepared in compliance with Financial Reporting Standard ("FRS") 134 *Interim Financial Reporting*, issued by the Malaysian Accounting Standards Board and paragraph 9.22 of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad ("BMSB"). The report should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 September 2010.

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 2010 except for the adoption of the following new FRSs, amendments and IC Interpretations:-

#### ***FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2010***

- FRS 4 *Insurance Contracts*
- FRS 7 *Financial Instruments: Disclosures*
- FRS 101 *Presentation of Financial Statements* (revised)
- FRS 123 *Borrowing Costs* (revised)
- FRS 139 *Financial Instruments: Recognition and Measurement*
- Amendments to FRS 1 *First-time Adoption of Financial Reporting Standards*
- Amendments to FRS 2 *Share-based Payment: Vesting Conditions and Cancellations*
- Amendments to FRS 7 *Financial Instruments: Disclosures*
- Amendments to FRS 101 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
- Amendments to FRS 127 *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Amendments to FRS 132 *Financial Instruments: Presentation*
  - *Puttable Financial Instruments and Obligations Arising on Liquidation*
  - *Separation of Compound Instruments*
- Amendments to FRS 139 *Financial Instruments: Recognition and Measurement*
  - *Reclassification of Financial Assets*
  - *Collective Assessment of Impairment for Banking Institutions*
- Improvements to FRSs (2009)
- IC Interpretation 9 *Reassessment of Embedded Derivatives*
- IC Interpretation 10 *Interim Financial Reporting and Impairment*
- IC Interpretation 11 *FRS 2 – Group and Treasury Share Transactions*
- IC Interpretation 13, *Customer Loyalty Programmes*
- IC Interpretation 14, FRS 119 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction*

#### ***Amendments to FRS effective for annual periods beginning on or after 1 March 2010***

- Amendments to FRS 132 *Financial Instruments: Presentation – Classification of Rights Issues*

#### ***FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010***

- FRS 1 *First-time Adoption of Financial Reporting Standards* (revised)
- FRS 3 *Business Combinations* (revised)
- FRS 127 *Consolidated and Separate Financial Statements* (revised)
- Amendments to FRS 2 *Share-based Payment*
- Amendments to FRS 5 *Non-current Assets Held for Sale and Discontinued Operations*
- Amendments to FRS 138 *Intangible Assets*
- IC Interpretation 12 *Service Concession Agreements*
- IC Interpretation 16 *Hedges of a Net Investment in a Foreign Operation*
- IC Interpretation 17 *Distribution of Non-cash Assets to Owners*
- Amendments to IC Interpretation 9 *Reassessment of Embedded Derivatives*

**Notes to Interim Financial Report**

(Continued)

FRS 4, 123, Amendments to FRS 2, 101, IC Interpretation 12, 13 and 17 are not applicable to the Group.

The adoption of the other new/revised FRSs, amendments and IC Interpretations has no significant effect to the financial statements of the Group except for the followings:-

(i) *FRS 101 Presentation of Financial Statements (revised)*

The revised FRS 101 changes the title "Balance Sheet" and Cash Flow Statement" to "Statement of Financial Position" and "Statement of Cash Flows" respectively.

The revised FRS 101 also introduces changes in the presentation of financial statements. This revised standard requires all owner changes in equity to be presented in a statement of changes in equity. All non-owner changes in equity are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). The Group has elected the presentation in two statements. Apart from this new presentation, there is no other impact on the financial statements of the Group on the adoption of this revised standard.

(ii) *Amendments to FRS 117 Leases*

Prior to the adoption of the amendments to FRS 117, the Group's leasehold land was treated as operating leases and the consideration paid was classified and presented as prepaid lease payments in the statement of financial position. With the adoption of the amendments to FRS 117, the Group has reassessed and determined that its leasehold land is in substance finance leases and has reclassified the leasehold land to property, plant and equipment. The reclassification has been accounted for retrospectively in accordance with the transitional provisions of the amendments. This change in classification has no effect to the profit or loss of the current period or the comparatives of the prior financial period. The effect of the reclassification of the comparative of the prior financial year's consolidated statement of financial position is as follows:-

	As previously reported	Effects of adoption of amendments to FRS 117	As restated
	RM'000	RM'000	RM'000
<b>As at 30 September 2010</b>			
Property, plant and equipment	2,569,226	354,537	2,923,763
Prepaid lease payments	<u>354,537</u>	<u>(354,537)</u>	<u>-</u>

(iii) *FRS 139 Financial Instruments: Recognition and Measurement*

FRS 139 sets out the principles for the recognition and measurement of financial instruments. The major changes to the recognition and measurement of the Group's financial instruments arising from the adoption of this Standard are as follows:-

Available-for-sale investments

Prior to adoption of FRS 139, "Other investments" were stated at cost less accumulated impairment losses. With the adoption of FRS 139, other investments which are not held for trading are now classified at "Available-for-sale investments". Investments in quoted securities are initially stated at fair value and subsequently gains or losses arising from changes in the fair value are recognised directly in equity until the investment is derecognised or impaired. Impairment losses, if any, are recognised directly to profit or loss. Investments in unquoted securities are stated at cost less impairment losses, if any, because their fair value cannot be reliably measured.





# KUALA LUMPUR KEPONG BERHAD

(15043-V)  
(Incorporated in Malaysia)

## Notes to Interim Financial Report

(Continued)

### Borrowings

Prior to adoption of FRS 139, borrowings were stated at proceeds received. With the adoption of FRS 139, borrowings are initially measured at fair value plus directly attributable transaction costs and subsequently at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised or through the amortisation process.

### Derivative financial instruments

Prior to adoption of FRS 139, the Group's forward foreign exchange contracts and commodity future contracts were not recognised in the financial statement until settlement occurs. With the adoption of FRS 139, these derivative financial instruments are initially recognised at fair value on the date the derivative contracts are entered into and are subsequently remeasured at fair value. Gains or losses arising from changes in fair value are recognised in profit or loss.

In accordance with the transitional provisions for the first time adoption of FRS 139, the effects of adoption of FRS 139 are to be applied prospectively by adjusting the opening balances as at 1 October 2010. Comparatives are not restated. Adjustments made on 1 October 2010 are stated below:-

	Opening balances as at 1 October 2010	Effects of adoption of FRS 139	Opening balances as restated
	RM'000	RM'000	RM'000
<b>Non-current assets</b>			
Available-for-sale investments	349,300	23,578	372,878
<b>Current assets</b>			
Derivative financial assets	-	11,122	11,122
<b>Equity</b>			
Fair value reserve	-	23,578	23,578
Retained earnings	3,779,889	936	3,780,825
Non-controlling interests	320,145	479	320,624
<b>Non-current liabilities</b>			
Borrowings	1,107,089	8,976	1,116,065
<b>Current liabilities</b>			
Trade and other payables	619,907	(9,402)	610,505
Borrowings	579,612	(100)	579,512
Tax payable	70,207	13	70,220
Derivative financial liabilities	-	10,220	10,220
Impact on net profit for the current financial period		Increase/ (Decrease)	
		RM'000	
Net fair value loss on derivative financial instruments		51,380	
Deferred tax arising from fair valuation of derivatives		(2,730)	
Total		48,650	



# KUALA LUMPUR KEPONG BERHAD

(15043-V)  
(Incorporated in Malaysia)

## Notes to Interim Financial Report

(Continued)

**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**

	6 months ended	
	31 March	
	2011	2010
	RM'000	RM'000
Dividend proposed in Year 2010, paid in Year 2011:-		
Final single tier dividend 45 sen (2010: 30 sen) per share	<u>479,235</u>	<u>319,489</u>

Dividends are paid on the number of outstanding shares in issue and fully paid of 1,064,965,692 (2010: 1,064,965,692).

**A7. Segment Information**

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



# KUALA LUMPUR KEPONG BERHAD

(15043-V)  
(Incorporated in Malaysia)

## Notes to Interim Financial Report

(Continued)

### (a) Segment revenue and results

	Plantations RM'000	Manufacturing RM'000	Retailing RM'000	Property Development RM'000	Investment Holding/ Others RM'000	Elimination RM'000	Consolidated RM'000
<b>6 months ended</b>							
<b>31 March 2011</b>							
Revenue							
External revenue	2,127,650	2,247,934	379,627	1,823	34,303	-	4,791,337
Inter-segment revenue	385,323	3,892	52	-	15,849	(405,116)	-
<b>Total revenue</b>	<b>2,512,973</b>	<b>2,251,826</b>	<b>379,679</b>	<b>1,823</b>	<b>50,152</b>	<b>(405,116)</b>	<b>4,791,337</b>
Results							
Operating results	687,061	162,645	31,238	(748)	21,278	-	901,474
Interest income	42	881	52	431	11,023	(3,474)	8,955
Finance costs	(256)	(13,951)	(2,254)	-	(22,106)	3,474	(35,093)
Share of results of associates	6,803	6,123	-	9,864	264	-	23,054
<b>Segment results</b>	<b>693,650</b>	<b>155,698</b>	<b>29,036</b>	<b>9,547</b>	<b>10,459</b>	<b>-</b>	<b>898,390</b>
Corporate expense							(2,278)
<b>Profit before taxation</b>							<b>896,112</b>
<b>6 months ended</b>							
<b>31 March 2010</b>							
Revenue							
External revenue	1,805,285	1,420,661	372,535	15,165	35,371	-	3,649,017
Inter-segment revenue	121,680	9,594	-	-	14,832	(146,106)	-
<b>Total revenue</b>	<b>1,926,965</b>	<b>1,430,255</b>	<b>372,535</b>	<b>15,165</b>	<b>50,203</b>	<b>(146,106)</b>	<b>3,649,017</b>
Results							
Operating results	503,584	60,654	33,586	3,160	11,448	-	612,432
Interest income	40	886	58	365	15,849	(4,661)	12,537
Finance costs	(318)	(9,024)	(1,382)	-	(22,951)	4,661	(29,014)
Share of results of associates	8,345	8,741	-	(423)	(398)	-	16,265
<b>Segment results</b>	<b>511,651</b>	<b>61,257</b>	<b>32,262</b>	<b>3,102</b>	<b>3,948</b>	<b>-</b>	<b>612,220</b>
Corporate income							16,714
<b>Profit before taxation</b>							<b>628,934</b>

### (b) Segment assets

	Plantations RM'000	Manufacturing RM'000	Retailing RM'000	Property Development RM'000	Investment Holding/ Others RM'000	Consolidated RM'000
<b>As at 31 March 2011</b>						
Operating assets	4,084,225	3,835,281	389,129	331,908	1,519,717	10,160,260
Associates	57,157	3,330	-	21,873	12,750	95,110
<b>Segment assets</b>	<b>4,141,382</b>	<b>3,838,611</b>	<b>389,129</b>	<b>353,781</b>	<b>1,532,467</b>	<b>10,255,370</b>
Tax assets						46,267
<b>Total assets</b>						<b>10,301,637</b>
<b>As at 30 September 2010</b>						
Operating assets	3,687,379	3,084,392	422,688	344,744	1,383,636	8,922,839
Associates	53,927	120,686	-	12,009	12,739	199,361
<b>Segment assets</b>	<b>3,741,306</b>	<b>3,205,078</b>	<b>422,688</b>	<b>356,753</b>	<b>1,396,375</b>	<b>9,122,200</b>
Tax assets						41,331
<b>Total assets</b>						<b>9,163,531</b>



# KUALA LUMPUR KEPONG BERHAD

(15043-V)  
(Incorporated in Malaysia)

## Notes to Interim Financial Report

(Continued)

### A8. Events Subsequent to Balance Sheet Date

In April 2011, KL-Kepong Industrial Holdings Sdn Bhd, a wholly-owned subsidiary of the Company, had disposed of its remaining 40% interest comprising of 14.0 million ordinary shares of RM1 each in Barry Callebaut Malaysia Sdn Bhd ("BCM") for a cash consideration of RM117.7 million. Following this disposal, BCM had ceased to be an associate in the Group.

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

There were no material 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

#### **2<sup>nd</sup> Quarter FY2011 vs 2<sup>nd</sup> Quarter FY2010**

For the quarter under review, the Group's pre-tax profit soared 68.2% to RM503.8 million compared to the profit in the same quarter last year. Both the plantations and manufacturing sectors had contributed substantially to the improvement in the quarter's results.

Plantations profit surged 36.7% to RM379.1 million on account of stronger commodity prices achieved as follows:-

	<u>2QFY2011</u>	<u>2QFY2010</u>
Crude Palm Oil (RM/mt ex-mill)	3,041	2,509
Palm Kernel (RM/mt ex-mill)	2,324	1,253
Rubber (RM/kg net of cess)	14.55	9.56

Manufacturing sector reported a significant rise in earnings to RM136.2 million (2QFY2010: RM40.0 million) on the back of higher revenue.

#### **Todate 2<sup>nd</sup> Quarter FY2011 vs Totate 2<sup>nd</sup> Quarter FY2010**

The Group's half year profit before taxation rose sharply by 42.5% to RM896.1 million from that of the previous year. The interim results was boosted by FRS 139's fair value gains of RM32.7 million for plantations sector and RM18.7 million for manufacturing sector.

Plantations sector recorded a 35.6% improvement in profit to RM693.7 million which was attributed to favourable commodity prices despite the increase in cost of production. The average commodity selling prices realised were as follows:-

	<u>Todate 2QFY2011</u>	<u>Todate 2QFY2010</u>
Crude Palm Oil (RM/mt ex-mill)	2,850	2,319
Palm Kernel (RM/mt ex-mill)	1,997	1,149
Rubber (RM/kg net of cess)	12.98	8.70

Manufacturing sector's profit had improved sharply to RM155.7 million (Todate 2QFY2010: RM61.3 million) whilst the profit from retailing sector was slightly lower at RM29.0 million.

### B2. Variation of Results to Preceding Quarter

#### **2<sup>nd</sup> Quarter FY2011 vs 1<sup>st</sup> Quarter FY2011**

The Group's pre-tax profit for the 2<sup>nd</sup> quarter climbed 28.4% to RM503.8 million compared to the previous quarter. Plantations profit had increased 20.5% to RM379.1 million on account of higher commodity prices and FRS 139's fair value gain of RM32.7 million (1QFY2011: loss RM45.1 million) despite lower FFB crop and higher cost of production. Manufacturing sector, aided by the fair value gain of RM18.7 million (1QFY2011: loss RM50.2 million) from FRS 139, was significantly better at



# KUALA LUMPUR KEPONG BERHAD

(15043-V)  
(Incorporated in Malaysia)

## Notes to Interim Financial Report

(Continued)

RM136.2 million (1QFY2011: RM19.5 million). However, owing to seasonal factors, the retailing sector suffered a loss of RM24.6 million (1QFY2011: profit RM53.6 million).

### B3. Current Year Prospects

For the current financial year, the Group expects improvement in earnings in view of the following:-

- (i) higher plantations profit due to prevailing favourable commodity prices; and
- (ii) improved contribution from oleochemical division although the business remains competitive and challenging.

### 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		6 months ended	
	31 March		31 March	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
Malaysian taxation	59,566	43,150	118,022	85,854
Overseas taxation	32,868	27,781	68,043	60,780
	<u>92,434</u>	<u>70,931</u>	<u>186,065</u>	<u>146,634</u>
Deferred tax				
Relating to origination and reversal of temporary differences	17,042	206	805	(30)
Relating to changes in tax rate	(574)	-	(574)	-
	<u>16,468</u>	<u>206</u>	<u>231</u>	<u>(30)</u>
	<u>108,902</u>	<u>71,137</u>	<u>186,296</u>	<u>146,604</u>
Under/(Over) provision in respect of previous years				
Malaysian taxation	6	(65)	(2,587)	(83)
Overseas taxation	(1,893)	174	(1,867)	(1,408)
	<u>(1,887)</u>	<u>109</u>	<u>(4,454)</u>	<u>(1,491)</u>
	<u>107,015</u>	<u>71,246</u>	<u>181,842</u>	<u>145,113</u>

The effective tax rates for the current quarter and financial year-to-date are lower than the statutory tax rate mainly due to non-taxable income received and the utilisation of previously unrecognised tax losses and capital allowances by certain subsidiaries.

### B6. Sale of Unquoted Investments and Properties

(a) There were no material disposals of unquoted investments during the financial period ended 31 March 2011 (31 March 2010: Nil).

(b) Sale of properties

	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	31 March		31 March	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Surplus arising from government acquisition of land	<u>279</u>	<u>-</u>	<u>984</u>	<u>-</u>



# KUALA LUMPUR KEPONG BERHAD

(15043-V)  
(Incorporated in Malaysia)

## Notes to Interim Financial Report

(Continued)

### 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		6 months ended	
	31 March		31 March	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Purchases of quoted securities	<u>209,970</u>	<u>2,846</u>	<u>212,781</u>	<u>3,837</u>
Sales proceeds of quoted securities	<u>10,505</u>	<u>1,640</u>	<u>25,206</u>	<u>4,580</u>
Surplus on sales of quoted securities	<u>8,077</u>	<u>377</u>	<u>17,075</u>	<u>652</u>

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

	31 March	30 September
	2011	2010
	RM'000	RM'000
At cost		
Associate	37,838	37,838
Other investments	<u>552,637</u>	<u>348,599</u>
	<u>590,475</u>	<u>386,437</u>
At carrying value less allowance		
Associate	-	-
Other investments	<u>667,844</u>	<u>348,599</u>
	<u>667,844</u>	<u>348,599</u>
At market value		
Associate	22,211	25,298
Other investments	<u>667,844</u>	<u>372,177</u>
	<u>690,055</u>	<u>397,475</u>

### B8. Status of Corporate Proposals Announced

In February 2008, the Company has proposed to issue up to USD300 million nominal value of 5-year unsecured guaranteed exchangeable bonds ("Proposed Exchangeable Bonds Issue") via KLK 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.

However, in March 2011 the Company has resolved not to proceed with the Proposed Exchangeable Bonds Issue. The Company is of the view that based on its current financial condition, the Proposed Exchangeable Bonds Issue is no longer required.



# KUALA LUMPUR KEPONG BERHAD

(15043-V)  
(Incorporated in Malaysia)

## Notes to Interim Financial Report

(Continued)

### B9. Group Borrowings

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

	31 March 2011		30 September 2010	
	Amount in Foreign Currency		Amount in Foreign Currency	
	RM'000	'000	RM'000	'000
(a) Repayable within 12 months:-				
(i) Term Loans				
- Secured	1,718	Rmb3,745	1,719	Rmb3,716
- Unsecured	20,252	USD6,680	20,703	USD6,680
	17,114	GBP3,524	24,576	GBP5,033
	50,864	Rmb110,000	50,875	Rmb110,000
	3,435	AUD1,100	5,992	AUD2,000
	348	CAD112	417	CAD139
	86,718		75,920	
	178,731		178,483	
	180,449		180,202	
(ii) Islamic Medium Term Notes				
- Unsecured	203,544		-	
(iii) Bank Overdraft				
- Secured	-		8,750	Euro2,081
- Unsecured	6,200	GBP1,277	8,468	GBP1,734
	3,128	HKD8,043	3,957	HKD9,937
	410	USD136	1,787	USD578
	-		11,261	CAD3,751
	259	Euro61	-	
	6	CHF2	-	
	10,003		25,473	
	10,003		34,223	
(iv) Short Term Borrowings				
- Secured	-		21,028	Euro5,000
	-		15,822	CHF5,000
	-		36,850	
- Unsecured	107,625	USD35,500	72,585	USD23,420
	9,248	Rmb20,000	9,250	Rmb20,000
	81,126	Euro19,000	40,916	Euro9,732
	29,579	CHF9,000	9,493	CHF3,000
	145,677	GBP30,000	-	
	563,102		196,093	
	936,357		328,337	
	936,357		365,187	
Total repayable within 12 months	1,330,353		579,612	



# KUALA LUMPUR KEPONG BERHAD

(15043-V)  
(Incorporated in Malaysia)

## Notes to Interim Financial Report

(Continued)

	31 March 2011		30 September 2010	
	Amount in Foreign Currency		Amount in Foreign Currency	
	RM'000	'000	RM'000	'000
(b) Repayable after 12 months:-				
(i) Term Loans				
- Secured	1,689	Rmb3,681	2,575	Rmb5,568
- Unsecured	77,856	USD25,650	70,848	USD22,990
	85,398	Euro20,000	84,086	Euro20,000
	-		41	GBP8
	426,430		449,539	
	589,684		604,514	
	591,373		607,089	
(ii) Islamic Medium Term Notes				
- Unsecured	304,718		500,000	
Total repayable after 12 months	896,091		1,107,089	

### B10. Derivative Financial Instruments

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

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

As at 31 March 2011, the values and maturity analysis of the outstanding derivatives are as follows:-

<u>Derivatives</u>	Contract/Notional	Fair value
	Value Net long/(short)	Net gains/(losses)
	RM'000	RM'000
(i) Forward foreign exchange contracts		
- Less than 1 year	(1,079,302)	7,446
- 1 year to 3 years	-	-
- More than 3 years	-	-
(ii) Commodity futures contracts		
- Less than 1 year	(328,348)	44,370
- 1 year to 3 years	-	-
- More than 3 years	-	-

With the adoption of FRS 139, derivative financial instruments are recognised at fair value on contract dates and are subsequently re-measured at fair value through profit or loss. The resulting gain or loss from the re-measurement is recognised in profit or loss.

For the current quarter ended 31 March 2011, there have been no significant changes to the Group's exposure to credit risk, market risk and liquidity risk from the previous financial year. Since the previous financial year, there have been no changes to the Group's risk management objectives, policies and processes.





# KUALA LUMPUR KEPONG BERHAD

(15043-V)  
(Incorporated in Malaysia)

## Notes to Interim Financial Report

(Continued)

### B11. Fair Value Changes of Financial Liabilities

The Group does not have any financial liabilities which are measured at fair value through profit or loss except for derivative financial instruments.

### B12. Breakdown of Realised and Unrealised Profits or Losses

	31 March 2011 RM'000	30 September 2010 RM'000
Total retained profits of the Company and its subsidiaries		
- realised	4,320,130	4,066,792
- unrealised	(19,119)	(102,412)
	<u>4,301,011</u>	<u>3,964,380</u>
Total share of retained profits from associates		
- realised	118,263	111,623
- unrealised	(6,833)	(6,927)
	<u>4,412,441</u>	<u>4,069,076</u>
Consolidation adjustments	<u>(448,293)</u>	<u>(289,187)</u>
Total group retained profits as per consolidated accounts	<u><u>3,964,148</u></u>	<u><u>3,779,889</u></u>

### B13. Material Litigation

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

### B14. Dividend

- (a) An interim single tier dividend of 15 sen per share has been declared by the Directors in respect of the financial year ending 30 September 2011 (2010: interim single tier dividend of 15 sen per share) and will be paid on 9 August 2011 to shareholders registered on the Company's Register of Members as at 15 July 2011.

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

- (i) Shares deposited into the Depositor's securities account before 12.30 p.m. on 13 July 2011 in respect of shares which are exempted from mandatory deposit;
  - (ii) Shares transferred into the Depositor's securities account before 4.00 p.m. on 15 July 2011 in respect of transfers; and
  - (iii) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.
- (b) The total dividend for the current financial year to-date is single tier dividend of 15 sen (2010: 15 sen) per share.



# KUALA LUMPUR KEPONG BERHAD

(15043-V)  
(Incorporated in Malaysia)

## Notes to Interim Financial Report

(Continued)

### B15. 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>	
	<u>3 months ended</u>		<u>6 months ended</u>	
	<u>31 March</u>		<u>31 March</u>	
	2011	2010	2011	2010
(a) Net profit for the period attributable to equity holders of the Company (RM'000)	<u>373,854</u>	<u>215,938</u>	<u>678,040</u>	<u>457,754</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>35.10</u>	<u>20.28</u>	<u>63.67</u>	<u>42.98</u>

### B16. Audit Report

The audit report for the financial year ended 30 September 2010 was not subject to any qualifications.

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

25 May 2011