



KUALA LUMPUR KEPONG BERHAD

(15043-V)
(Incorporated in Malaysia)

**Interim Financial Report
For the second quarter ended 31 March 2012**



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 2012.

Condensed Consolidated Income Statement For the second quarter ended 31 March 2012

(The figures have not been audited.)

	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	31 March		31 March	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Continuing operations				
Revenue	2,524,238	2,259,836	5,170,681	4,411,606
Operating expenses	(2,180,548)	(1,796,561)	(4,426,761)	(3,606,536)
Other operating income	10,019	67,725	30,949	71,791
Finance costs	(16,926)	(17,481)	(34,920)	(32,839)
Share of results of associates	3,217	14,904	6,536	23,054
Profit before taxation	340,000	528,423	746,485	867,076
Tax expense	(81,801)	(106,983)	(183,617)	(178,753)
Net profit from continuing operations	258,199	421,440	562,868	688,323
Discontinued operation				
Revenue	99,966	108,521	376,700	379,731
Operating expenses	(128,187)	(132,855)	(347,338)	(349,794)
Other operating income	637	554	1,308	1,353
Finance costs	(814)	(810)	(2,348)	(2,254)
(Loss)/Profit before taxation	(28,398)	(24,590)	28,322	29,036
Tax benefit/(expense)	837	(32)	(2,742)	(3,089)
Net (loss)/profit from discontinued operation	(27,561)	(24,622)	25,580	25,947
Net profit for the period	230,638	396,818	588,448	714,270
Consolidated				
Revenue	2,624,204	2,368,357	5,547,381	4,791,337
Profit before taxation	311,602	503,833	774,807	896,112
Tax expense	(80,964)	(107,015)	(186,359)	(181,842)
Net profit for the period	230,638	396,818	588,448	714,270
Attributable to:-				
Equity holders of the Company	214,908	373,854	555,893	678,040
Non-controlling interests	15,730	22,964	32,555	36,230
	230,638	396,818	588,448	714,270
	Sen	Sen	Sen	Sen
Basic earnings/(loss) per share				
from continuing operations	22.77	37.12	49.80	60.94
from discontinued operation	(2.59)	(2.02)	2.40	2.73
	20.18	35.10	52.20	63.67
Diluted earnings per share	N/A	N/A	N/A	N/A

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 2011.

**KUALA LUMPUR KEPONG BERHAD**

(15043-V)
(Incorporated in Malaysia)

**Condensed Consolidated Statement of Comprehensive Income
For the second quarter ended 31 March 2012**

(The figures have not been audited.)

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 March		6 months ended 31 March	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Net profit for the period	<u>230,638</u>	<u>396,818</u>	<u>588,448</u>	<u>714,270</u>
Other comprehensive (loss)/income				
Foreign currency translation differences	(82,504)	15,600	(156,191)	50,819
Net change in fair value of available-for-sale investments	273,157	8,100	280,954	101,213
Reclassification adjustment for surplus on disposal of available-for-sale investments	<u>(670)</u>	<u>(9,585)</u>	<u>(5,082)</u>	<u>(9,585)</u>
Total other comprehensive income for the period	<u>189,983</u>	<u>14,115</u>	<u>119,681</u>	<u>142,447</u>
Total comprehensive income for the period	<u><u>420,621</u></u>	<u><u>410,933</u></u>	<u><u>708,129</u></u>	<u><u>856,717</u></u>
Attributable to:-				
Equity holders of the Company	409,860	387,874	682,826	818,463
Non-controlling interests	<u>10,761</u>	<u>23,059</u>	<u>25,303</u>	<u>38,254</u>
	<u><u>420,621</u></u>	<u><u>410,933</u></u>	<u><u>708,129</u></u>	<u><u>856,717</u></u>

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 30 September 2011.



KUALA LUMPUR KEPONG BERHAD

(15043-V)
(Incorporated in Malaysia)

Condensed Consolidated Statement of Financial Position As at 31 March 2012

(The figures have not been audited.)

	31 March 2012	30 September 2011
	RM'000	RM'000
Assets		
Property, plant and equipment	2,848,589	2,886,437
Prepaid lease payments	160,121	164,139
Biological assets	1,822,862	1,836,811
Land held for property development	228,025	223,693
Goodwill on consolidation	292,713	304,266
Intangible assets	23,142	33,473
Investment in associates	95,076	92,521
Available-for-sale investments	823,631	559,704
Other receivable	69,723	61,940
Deferred tax assets	32,433	29,399
Total non-current assets	<u>6,396,315</u>	<u>6,192,383</u>
Inventories	1,260,555	1,673,013
Biological assets	1,725	4,752
Trade and other receivables	1,266,158	1,366,751
Tax recoverable	15,781	10,164
Property development costs	17,477	30,930
Derivative financial assets	3,676	21,709
Assets classified as held for sale	418,554	-
Cash and cash equivalents	<u>1,413,248</u>	<u>1,670,156</u>
Total current assets	<u>4,397,174</u>	<u>4,777,475</u>
Total assets	<u>10,793,489</u>	<u>10,969,858</u>
Equity		
Share capital	1,067,505	1,067,505
Reserves	<u>5,956,747</u>	<u>6,019,591</u>
	7,024,252	7,087,096
Less: Cost of treasury shares	<u>(13,447)</u>	<u>(13,447)</u>
Total equity attributable to equity holders of the Company	7,010,805	7,073,649
Non-controlling interests	<u>395,062</u>	<u>392,422</u>
Total equity	<u>7,405,867</u>	<u>7,466,071</u>
Liabilities		
Deferred tax liabilities	248,900	245,732
Provision for retirement benefits	213,745	224,747
Borrowings	<u>873,492</u>	<u>525,766</u>
Total non-current liabilities	<u>1,336,137</u>	<u>996,245</u>
Trade and other payables	788,629	768,178
Borrowings	1,095,697	1,563,830
Tax payable	68,433	113,927
Derivative financial liabilities	17,699	61,607
Liabilities classified as held for sale	<u>81,027</u>	<u>-</u>
Total current liabilities	<u>2,051,485</u>	<u>2,507,542</u>
Total liabilities	<u>3,387,622</u>	<u>3,503,787</u>
Total equity and liabilities	<u>10,793,489</u>	<u>10,969,858</u>
Net assets per share attributable to equity holders of the Company (RM)	6.58	6.64

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 30 September 2011.



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Condensed Consolidated Statement of Changes in Equity For the second quarter ended 31 March 2012

(The figures have not been audited.)

	← Attributable to the equity holders of the Company →								Non- controlling interests	Total Equity	
	Share capital	Capital reserve	Revaluation reserve	Capital redemption reserve	Exchange fluctuation reserve	Fair value reserve	Retained earnings	Treasury shares			Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000			RM'000
At 1 October 2011	1,067,505	1,018,204	81,121	55,742	206,751	(16,007)	4,673,780	(13,447)	7,073,649	392,422	7,466,071
Profit for the period	-	-	-	-	-	-	555,893	-	555,893	32,555	588,448
Net change in fair value of available-for-sale investments	-	-	-	-	-	280,954	-	-	280,954	-	280,954
Reclassification adjustment for surplus on disposal of available-for-sale investments	-	-	-	-	-	(5,082)	-	-	(5,082)	-	(5,082)
Currency translation differences	-	(430)	-	(1)	(148,508)	-	-	-	(148,939)	(7,252)	(156,191)
Total comprehensive income for the period	-	(430)	-	(1)	(148,508)	275,872	555,893	-	682,826	25,303	708,129
Effect of changes in shareholdings in a subsidiary	-	-	-	-	-	-	(194)	-	(194)	194	-
Dividend paid	-	-	-	-	-	-	(745,476)	-	(745,476)	-	(745,476)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(22,857)	(22,857)
At 31 March 2012	1,067,505	1,017,774	81,121	55,741	58,243	259,865	4,484,003	(13,447)	7,010,805	395,062	7,405,867
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	-	-	-	-	-	(9,585)	-	-	(9,585)	-	(9,585)
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

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 30 September 2011.



KUALA LUMPUR KEPONG BERHAD

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Condensed Consolidated Statement of Cash Flows For the second quarter ended 31 March 2012

(The figures have not been audited.)

	6 months ended 31 March	
	2012	2011
	RM'000	RM'000
Cash Flows from Operating Activities		
Profit before taxation from continuing operations	746,485	867,076
Adjustment for non-cash flow:-		
Non-cash items	99,188	39,525
Non-operating items	11,368	15,219
Operating profit from continuing operations before working capital changes	857,041	921,820
Working capital changes:-		
Net change in current assets	178,759	(848,325)
Net change in current liabilities	68,080	179,989
Cash generated from continuing operations	1,103,880	253,484
Interest paid	(34,076)	(33,459)
Tax paid	(226,264)	(151,786)
Retirement benefits paid	(8,001)	(11,088)
Net cash generated from operating activities of continuing operations	835,539	57,151
Net cash generated from operating activities of discontinued operation	68,076	46,340
Net cash generated from operating activities	<u>903,615</u>	<u>103,491</u>
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(185,563)	(110,234)
Purchase of leasehold land	(948)	(1,923)
Plantation development expenditure	(82,181)	(58,080)
Property development expenditure	(4,332)	(3,873)
Purchase of shares from minority shareholders	-	(11,967)
Purchase of available-for-sale investments	(7,676)	(212,781)
Purchase of intangible assets	(5)	(3,202)
Proceeds from sale of property, plant and equipment	3,481	536
Compensation from government on land acquired	2,396	760
Proceeds from sale of available-for-sale investments	15,884	26,746
Repayment from an associate	543	255
Dividends received from associates	962	16,322
Dividends received from investments	16,272	12,792
Interest received	10,375	7,010
Net cash used in investing activities of continuing operations	(230,792)	(337,639)
Net cash used in investing activities of discontinued operation	(8,114)	(10,926)
Net cash used in investing activities	<u>(238,906)</u>	<u>(348,565)</u>
Cash Flows from Financing Activities		
Term loans received	384,283	32,674
Repayment of term loans	(273,908)	(38,078)
(Repayment)/Drawdown of short term borrowings	(184,678)	571,221
Dividend paid to shareholder of the Company	(745,476)	(479,235)
Dividends paid to non-controlling interests	(22,857)	(23,180)
Rights issue of shares to non-controlling interests	-	24,254
Redemption of redeemable preference shares from non-controlling interests	-	(1,500)
Increase in other receivable	(10,115)	(3,830)
Net cash (used in)/generated from financing activities of continuing operations	(852,751)	82,326
Net cash used in financing activities of discontinued operation	(7,869)	(10,173)
Net cash (used in)/generated from financing activities	<u>(860,620)</u>	<u>72,153</u>
Net decrease in cash and cash equivalents	(195,911)	(172,921)
Cash and cash equivalents at 1 October	1,655,377	1,220,882
	1,459,466	1,047,961
Currency translation differences on opening balance	(18,108)	7,650
Cash and cash equivalents at 31 March	<u>1,441,358</u>	<u>1,055,611</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 30 September 2011.



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 2011.

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 2011 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 2011

- Amendments to FRS 1 *First-time Adoption of Financial Reporting Standards*
 - *Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters*
 - *Additional Exemptions for First-time Adopters*
- Amendments to FRS 2 *Share-based Payment: Group Cash-settled Share-based Payment Transactions*
- Amendments to FRS 7 *Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments*
- IC Interpretation 4 *Determining whether an Arrangement contains a Lease*
- IC Interpretation 18 *Transfers of Assets from Customers*
- Amendments to FRSs contained in the document entitled "*Improvements to FRSs (2010)*"

Interpretations and amendments effective for annual periods beginning on or after 1 July 2011

- IC Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments*
- *Prepayments of a Minimum Funding Requirement (Amendments to IC Interpretation 14)*

Amendments to FRS 2, IC Interpretation 18 and 19 are not applicable to the Group.

The application of the other amendments to FRSs and IC Interpretations has no significant effect to the financial statements of the Group.

A2. Seasonal and Cyclical Factors

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

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



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Notes to Interim Financial Report

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A6. Dividends Paid

	6 months ended 31 March	
	2012 RM'000	2011 RM'000
Dividend proposed in Year 2011, paid in Year 2012:-		
Final single tier dividend 70 sen (2011: 45 sen) per share	<u>745,476</u>	<u>479,235</u>

Dividends are paid on the number of outstanding shares in issue and fully paid of 1,064,965,692 (2011: 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.

(a) Segment revenue and results

	Plantations	Manufacturing	Retailing (discontinued)	Property Development	Investment Holding/ Others	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
6 months ended 31 March 2012							
Revenue							
External revenue	2,523,333	2,536,881	376,564	65,408	45,195	-	5,547,381
Inter-segment revenue	199,927	2,168	-	-	17,530	(219,625)	-
Total revenue	<u>2,723,260</u>	<u>2,539,049</u>	<u>376,564</u>	<u>65,408</u>	<u>62,725</u>	<u>(219,625)</u>	<u>5,547,381</u>
Results							
Operating results	687,280	53,709	30,534	16,555	25,108	-	813,186
Interest income	71	1,602	136	334	14,434	(4,316)	12,261
Finance costs	(190)	(14,312)	(2,348)	-	(24,734)	4,316	(37,268)
Share of results of associates	5,244	97	-	1,195	-	-	6,536
Segment results	<u>692,405</u>	<u>41,096</u>	<u>28,322</u>	<u>18,084</u>	<u>14,808</u>	-	<u>794,715</u>
Corporate expense							(19,908)
Profit before taxation							<u>774,807</u>
6 months ended 31 March 2011							
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)	-
Total revenue	<u>2,512,973</u>	<u>2,251,826</u>	<u>379,679</u>	<u>1,823</u>	<u>50,152</u>	<u>(405,116)</u>	<u>4,791,337</u>
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
Segment results	<u>693,650</u>	<u>155,698</u>	<u>29,036</u>	<u>9,547</u>	<u>10,459</u>	-	<u>898,390</u>
Corporate expense							(2,278)
Profit before taxation							<u>896,112</u>



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Notes to Interim Financial Report

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(b) Segment assets

	Plantations	Manufacturing	Retailing *	Property Development	Investment Holding/ Others	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 31 March 2012						
Operating assets	4,251,011	3,639,172	417,217	360,012	1,981,450	10,648,862
Associates	61,721	3,558	-	16,912	12,885	95,076
Segment assets	<u>4,312,732</u>	<u>3,642,730</u>	<u>417,217</u>	<u>376,924</u>	<u>1,994,335</u>	<u>10,743,938</u>
Tax assets						49,551
Total assets						<u>10,793,489</u>
As at 30 September 2011						
Operating assets	4,271,039	3,712,760	440,075	360,140	2,053,760	10,837,774
Associates	59,741	3,640	-	15,717	13,423	92,521
Segment assets	<u>4,330,780</u>	<u>3,716,400</u>	<u>440,075</u>	<u>375,857</u>	<u>2,067,183</u>	<u>10,930,295</u>
Tax assets						39,563
Total assets						<u>10,969,858</u>

* Total assets of the retailing segment are classified as held for sale as at 31 March 2012.

A8. Event Subsequent to Reporting Date

(a) The following wholly-owned subsidiaries of the Group, which have become dormant following the completion of a Group internal restructuring exercise, will be dissolved on 4 July 2012 pursuant to Section 272(5) of the Companies Act 1965:-

- (i) Masawit Plantation Sdn Bhd
- (ii) Sunshine Plantation Sdn Bhd
- (iii) Parit Perak Plantations Sdn Bhd
- (iv) Pinji Horticulture Sdn Bhd

(b) K H Syndicate Ltd, a wholly-owned subsidiary of the Company incorporated in the United Kingdom, had been dissolved on 16 April 2012.

A9. Changes in the Composition of the Group

(a) On 20 March 2012, the Company via its wholly-owned subsidiary, KL-Kepong Plantation Holdings Sdn Bhd ("KLKPH") had entered into 2 conditional agreements ("SPA") to acquire 90% of the issued and paid-up share capital of PT Global Primatama Mandiri ("GPM") for a total cash consideration of Rp10.8 billion (equivalent to approximately RM3.6 million). The proposed acquisition will result in GPM becoming a subsidiary of the Company.

GPM currently holds a *Certificate of Izin Lokasi* for land measuring approximately 7,400 hectares located in Kalimantan Timur, Republic of Indonesia which it intends to develop into oil palm plantations in due course.

The proposed acquisition is subject to the fulfillment of certain conditions precedent stated in the SPA.

The proposed acquisition will not have any effect on the share capital and shareholding of the Company's substantial shareholders nor have any material effect on the net assets, earnings and gearing of the Group for the financial year ending 30 September 2012.

(b) On 20 March 2012, the Company together with its wholly-owned subsidiary, KLK Overseas Investments Ltd entered into an unconditional share sale and purchase agreement ("SPA") with Khuan Choo International Ltd to dispose of the entire global Crabtree & Evelyn Business ("C&E Business"), which is the Retailing segment of the Group, via the sale of 100% equity interest in CE Holdings Ltd ("CEH"). The sale consideration shall be USD155 million and shall be adjusted based on the difference in the net tangible assets of CEH as at 31 March 2012 and USD105.6 million.

This proposed disposal is expected to complete within 3 months from the date of SPA unless extended in accordance with the SPA.



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Notes to Interim Financial Report

(Continued)

The proposed disposal of the C&E Business will allow the Company to exit from a non-core business and will enable the Company and its management to focus and harness the potential of its core plantations and oleochemical businesses where the returns are significantly higher.

The proposed disposal will not have any effect on the share capital and shareholding of the Company's substantial shareholders nor have any material effect on the net assets, earnings and gearing of the Group for the financial year ending 30 September 2012.

The proposed disposal is expected to result in a gain on disposal of approximately USD41 million for the financial year ending 30 September 2012.

Retailing segment's interim results are disclosed separately as discontinued operation in the consolidated income statement and the assets and liabilities of this segment are classified as held for sale in the consolidated statement of financial position as at 31 March 2012.

There were no other 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.

A11. Capital Commitments

	31 March 2012 RM'000	30 September 2011 RM'000
Capital expenditure		
Approved and contracted	481,994	390,305
Approved but not contracted	<u>892,462</u>	<u>1,315,996</u>
	<u>1,374,456</u>	<u>1,706,301</u>
Acquisition of shares in subsidiaries		
Approved and contracted	<u>8,540</u>	<u>6,013</u>

A12. Significant Related Party Transactions

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

	6 months ended 31 March	
	2012 RM'000	2011 RM'000
(i) Transactions with associates		
Sale of goods	1,740	1,530
Purchase of goods	1,553	2,886
Service charges paid	1,583	981
Research and development services paid	<u>3,035</u>	<u>3,007</u>

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	6 months ended	
	31 March	
	2012	2011
	RM'000	RM'000
(ii) Transactions with companies in which certain Directors are common directors and/or have direct or deemed interest		
Sale of goods		
Mitsubishi Corporation	227,726	270,974
Mitsui & Co Ltd	46,799	52,871
Taiko Marketing (Singapore) Pte Ltd	1,512	2,862
Taiko Marketing Sdn Bhd	2,617	817
Tejana Trading Corporation Sdn Bhd	<u>2,447</u>	<u>200</u>
Storage tanks rental received		
Taiko Marketing Sdn Bhd	<u>1,235</u>	<u>1,221</u>
Purchases of goods		
Borneo Taiko Clay Sdn Bhd	2,444	1,892
Bukit Katho Estate Sdn Bhd	3,730	4,583
Kampar Rubber & Tin Co Sdn Bhd	6,973	8,263
Malay Rubber Plantations (M) Sdn Bhd	3,162	7,807
PT Agro Makmur Abadi	37,291	19,959
PT Safari Riau	11,434	11,683
PT Satu Sembilan Delapan	20,904	13,869
PT Taiko Persada Indoprma	14,680	12,432
Taiko Fertiliser Marketing Sdn Bhd	19,824	10,498
Taiko Marketing Sdn Bhd	<u>9,345</u>	<u>5,841</u>

B Explanatory Notes as required by the BMSB Revised Listing Requirements**B1. Analysis of Performance****2nd Quarter FY2012 vs 2nd Quarter FY2011**

The Group's 2nd quarter's pre-tax profit fell 38.2% to RM311.6 million from the profit of RM503.8 million recorded in the same quarter last year. Revenue had improved 10.8% to RM2.62 billion. Comments on the business sectors are as follows:-

- (i) Plantations sector registered a profit of RM300.7 million which was 20.7% below the profit of RM379.1 million achieved in the 2nd quarter FY2011. The profit was brought down by:-
- Reduction in commodity selling prices. The realised selling prices for CPO and PK were diluted by the Indonesian export duties which had effectively reduced the Indonesian domestic CPO and PK prices.
 - Rising cost of production due to inflationary factors such as higher wages.
 - Lower refinery contributions. Last year's quarter results was aided by the gain of RM70.2 million arising from the changes in fair value on outstanding derivative contracts. Current quarter's changes in fair value amounted to a loss of RM2.9 million.

The average commodity prices achieved were as follows:-

	<u>2QFY2012</u>	<u>2QFY2011</u>
Crude Palm Oil (RM/mt ex-mill)	2,803	3,041
Palm Kernel (RM/mt ex-mill)	1,650	2,324
Rubber (RM/kg net of cess)	11.72	14.55

- (ii) The oleochemical division's revenue grew 5.8% to RM1.23 billion on account of better sales volume. However, this division ended the quarter with a 69.4% drop in profit to RM42.7 million (2QFY2011: profit RM139.9 million). The gain on fair value changes on outstanding derivative



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- contracts had reduced to RM3.1 million (2QFY2011: gain RM68.9 million). The performance of this division had been impacted by the erosion of margins due to the huge export duty advantage enjoyed by the Indonesian oleochemical players.
- (iii) Retailing sector incurred a slightly higher loss of RM28.4 million (2QFY2011: loss RM24.6 million) which was caused by the decline in revenue and lower margins.
 - (iv) Properties sector's profit of RM11.3 million was mainly recognised from the new project, Bandar Seri Coalfields in Sg. Buloh, Selangor.

Todate 2nd Quarter FY2012 vs Totate 2nd Quarter FY2011

The Group's pre-tax profit for the half year slipped 13.5% to RM774.8 million (Totate 2QFY2011: profit RM896.1 million) despite the 15.8% improvement in the Group's revenue to RM5.55 billion. The performance of our business sectors are as follows:-

- (i) Plantations profit of RM692.4 million was just a touch below that of the same period last year (Totate 2QFY2011: profit RM693.7 million). The average selling prices (ex-mill) achieved for CPO and PK had softened to RM2,777/mt and RM1,613/mt (Totate 2QFY2011: RM2,850/mt and RM1,997/mt) respectively which had been diluted by the Indonesian export duties. Cost of production, owing to higher wages, had increased and the fair value changes on outstanding derivative contracts was a loss of RM6.0 million (Totate 2QFY2011: gain RM32.7 million).

However, the improvement in FFB production and the higher contributions from refinery operations due to better margins had mitigated the decline in profit.

- (ii) The oleochemical division's profit dropped 71.4% to RM46.6 million (Totate 2QFY2011: profit RM163.0 million) although revenue had improved. Impact of the changes in fair value on outstanding derivative contracts amounted to a loss of RM10.0 million (Totate 2QFY2011: gain RM18.6 million). The persistent weak global macro-economic climate and the stiff competition from Indonesian producers offering at cheaper cost-base products had continued to squeeze margins.
- (iii) Retailing sector's profit was marginally lower at RM28.3 million (Totate 2QFY2011: profit RM29.0 million) on the back of a lower revenue.
- (iv) Properties sector reported a profit of RM18.1 million (Totate 2QFY2011: profit RM9.5 million). Profit recognition had commenced on the new project in Bandar Seri Coalfields in Sg. Buloh, Selangor which recorded encouraging sales.

B2. Variation of Results to Preceding Quarter

2nd Quarter FY2012 vs 1st Quarter FY2012

For the quarter under review, the Group registered a 32.7% decline in the pre-tax profit to RM311.6 million (1QFY2012: profit RM463.2 million) on the back of a lower revenue of RM2.62 billion (1QFY2012: RM2.92 billion).

Plantations profit dipped 23.2% to RM300.7 million (1QFY2012: profit RM391.7 million). Despite the improvement in the average selling prices (ex-mill) of CPO and PK to RM2,803/mt and RM1,650/mt (1QFY2012: RM2,753/mt and RM1,582/mt) respectively, the reduction in FFB production and the increase in production cost had impacted the results for the current quarter.

The oleochemical division registered a moderate recovery in the 2nd quarter after a weak 1st quarter performance, achieving a profit of RM42.7 million (1QFY2012: profit RM3.9 million). This quarter's fair value changes on outstanding derivative contracts was a gain of RM3.1 million (1QFY2012: loss RM13.0 million). Sales volume performance was generally stronger as the market recovered gradually after the seasonal low 1st quarter. Demand had picked up in East Asia after the Lunar New Year festival where customers had a period of stretched shutdowns.

Retailing sector incurred a loss of RM28.4 million for the 2nd quarter as against the 1st quarter's profit of RM56.7 million due to the significant drop in revenue to RM99.9 million (1QFY2012: RM276.6 million). The previous quarter's high revenue was attributed to the year-end festive season sales.



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Properties sector's profit of RM11.3 million had improved over that of preceding quarter (1QFY2012: profit RM6.8 million) on account of higher progressive recognition of profits in the 2nd quarter.

B3. Current Year Prospects

Despite the current volatility of palm oil price due to the uncertainties in the global economic environment and the unresolved sovereign debt crisis in the Eurozone, it should continue to be well supported by strong fundamentals and tight supply in competing oilseed crops. With the expectation of a higher production during the 2nd half, the Group can expect reasonably good profit from plantations for the current financial year.

The oleochemical business continues to face strong competition from Indonesian players who have the huge export duty advantage on the downstream raw materials. This scenario will continue until our downstream facilities in Indonesia, currently in progress, are commissioned in the next financial year.

The properties sector will continue to show improvement in profit contributions through its development in Bandar Seri Coalfields.

The disposal of Crabtree & Evelyn group, our retailing sector, is anticipated to complete in June 2012 and will result in a gain of approximately USD41 million.

Overall, the Group expects satisfactory results for the current financial 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		6 months ended	
	31 March		31 March	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Continuing operations				
Current tax expense				
Malaysian taxation	53,553	59,521	127,604	117,703
Overseas taxation	31,365	32,881	57,307	65,273
	<u>84,918</u>	<u>92,402</u>	<u>184,911</u>	<u>182,976</u>
Deferred tax				
Relating to origination and reversal of temporary differences	(3,720)	17,042	(1,850)	805
Relating to changes in tax rate	4	(574)	(44)	(574)
	<u>(3,716)</u>	<u>16,468</u>	<u>(1,894)</u>	<u>231</u>
	81,202	108,870	183,017	183,207
Under/(Over) provision in respect of previous years				
Malaysian taxation	7	6	8	(2,587)
Overseas taxation	592	(1,893)	592	(1,867)
	<u>599</u>	<u>(1,887)</u>	<u>600</u>	<u>(4,454)</u>
Tax expense of continuing operations	<u>81,801</u>	<u>106,983</u>	<u>183,617</u>	<u>178,753</u>
Discontinued operation				
Current tax expense/(benefit)				
Malaysian taxation	117	45	559	319
Overseas taxation	(954)	(13)	2,183	2,770
Tax (benefit)/expense of discontinued operation	<u>(837)</u>	<u>32</u>	<u>2,742</u>	<u>3,089</u>
Total tax expense	<u>80,964</u>	<u>107,015</u>	<u>186,359</u>	<u>181,842</u>



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The effective tax rate for the current quarter is higher than the statutory tax rate largely due to deferred tax assets not recognised by certain loss making subsidiaries.

The effective tax rate for the financial year-to-date is lower than the statutory tax rate mainly due to tax incentives claimed by certain subsidiaries.

B6. Status of Corporate Proposals Announced

There were no corporate proposals announced.

B7. Group Borrowings

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

	31 March 2012		30 September 2011	
	Amount in Foreign Currency		Amount in Foreign Currency	
	RM'000	'000	RM'000	'000
(a) Repayable within 12 months:-				
(i) Term Loans				
- Secured	1,793	Rmb3,710	1,855	Rmb3,716
- Unsecured	6,576	USD2,150	15,763	USD4,970
	-		24,948	GBP5,007
	-		34,937	Rmb70,000
	-		6,246	AUD2,000
	-		265	CAD86
	87,265		89,539	
	93,841		171,698	
	95,634		173,553	
(ii) Islamic Medium Term Notes				
- Unsecured	300,000		508,267	
(iii) Bank Overdraft				
- Unsecured	2,707	GBP552	4,908	GBP985
	3,482	HKD8,834	3,399	HKD8,307
	423	USD137	417	USD130
	5,117	CHF1,509	-	
	19,816	Euro4,853	-	
	-		6,055	CAD1,961
	31,545		14,779	
(iv) Short Term Borrowings				
- Unsecured	92,700	USD30,300	153,742	USD48,441
	7,046	Rmb14,500	7,986	Rmb16,000
	23,738	CHF7,000	17,772	CHF5,000
	132,297	GBP27,000	134,541	GBP27,000
	412,737		466,476	
	-		86,714	Euro20,000
	668,518		867,231	
Total repayable within 12 months	1,095,697		1,563,830	



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	31 March 2012		30 September 2011	
	RM'000	Amount in Foreign Currency '000	RM'000	Amount in Foreign Currency '000
(b) Repayable after 12 months:-				
(i) Term Loans				
- Secured	-		886	Rmb1,852
- Unsecured	153,765	USD50,000	77,456	USD24,520
	81,672	Euro20,000	86,714	Euro20,000
	338,055		360,710	
	573,492		524,880	
	573,492		525,766	
(ii) Islamic Medium Term Notes				
- Unsecured	300,000		-	
Total repayable after 12 months	873,492		525,766	

B8. Derivative Financial Instruments

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

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

As at 31 March 2012, the values and maturity analysis of the outstanding derivatives are as follows:-

Derivatives	Contract/Notional Value	Fair value
	Net long/(short)	Net gains/(losses)
	RM'000	RM'000
(i) Forward foreign exchange contracts		
- Less than 1 year	(1,211,596)	1,429
- 1 year to 3 years	-	-
- More than 3 years	-	-
(ii) Commodity futures contracts		
- Less than 1 year	(260,150)	(15,452)
- 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 2012, there have been no significant changes to the Group's exposure to credit risk, market risk and liquidity risk from the previous financial year. Since the previous financial year, there have been no changes to the Group's risk management objectives, policies and processes.

B9. Fair Value Changes of Financial Liabilities

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



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B10. Material Litigation

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

B11. 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 2012 (2011: interim single tier dividend of 15 sen per share) and will be paid on 8 August 2012 to shareholders registered on the Company's Register of Members as at 16 July 2012.

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 12 July 2012 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 16 July 2012 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 (2011: 15 sen) per share.

B12. Earnings Per Share

Basic earnings per share

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

	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	31 March		31 March	
	2012	2011	2012	2011
(a) Net profit for the period attributable to equity holders of the Company (RM'000)	<u>214,908</u>	<u>373,854</u>	<u>555,893</u>	<u>678,040</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>20.18</u>	<u>35.10</u>	<u>52.20</u>	<u>63.67</u>

B13. Audit Report

The audit report for the financial year ended 30 September 2011 was not subject to any qualifications.

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B14. Profit Before Taxation

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

	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	31 March		31 March	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Interest income	(5,948)	(5,112)	(12,261)	(8,955)
Other income including dividend income	(16,714)	(75,547)	(45,533)	(83,639)
Interest expense	17,740	18,291	37,268	35,093
Depreciation and amortisation	79,150	74,299	141,386	131,287
Provision for and write-off of receivables	1,512	764	1,512	764
Provision for and write-off of inventories	8,882	12,825	29,951	13,904
Gain on disposal of quoted or unquoted investments	(577)	(8,077)	(6,227)	(17,075)
(Gain)/Loss on disposal of properties	-	-	-	-
Surplus arising from government acquisition of land	(2,674)	(279)	(2,674)	(984)
Impairment of assets	-	-	-	-
Foreign exchange (gain)/loss	(10,117)	(2,285)	18,314	(1,826)
Loss/(Gain) on derivatives	4,377	(81,664)	(16,537)	43,818
Exceptional items	-	-	-	-

B15. Breakdown of Realised and Unrealised Profits or Losses

	31 March	30 September
	2012	2011
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries		
- realised	4,898,510	4,946,150
- unrealised	(72,426)	20,511
	4,826,084	4,966,661
Total share of retained profits from associates		
- realised	37,699	32,373
- unrealised	(1,353)	(1,601)
	36,346	30,772
	4,862,430	4,997,433
Consolidation adjustments	(378,427)	(323,653)
Total group retained profits as per consolidated accounts	4,484,003	4,673,780

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

24 May 2012