



# **KUALA LUMPUR KEPONG BERHAD**

(15043-V)

(Incorporated in Malaysia)

**Interim Financial Report  
For the first quarter ended 31 December 2013**



## KUALA LUMPUR KEPONG BERHAD

(15043-V)  
(Incorporated in Malaysia)

The Directors are pleased to announce the unaudited financial results of the Group for the first quarter ended 31 December 2013.

### Condensed Consolidated Statement of Profit or Loss For the first quarter ended 31 December 2013

(The figures have not been audited.)

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 December		3 months ended 31 December	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Revenue	2,494,152	2,320,957	2,494,152	2,320,957
Operating expenses	(2,140,262)	(1,968,840)	(2,140,262)	(1,968,840)
Other operating income	44,183	18,025	44,183	18,025
Finance costs	(21,042)	(20,718)	(21,042)	(20,718)
Share of results of associates	692	4,186	692	4,186
Profit before taxation	377,723	353,610	377,723	353,610
Tax expense	(75,263)	(81,291)	(75,263)	(81,291)
Net profit for the period	<u>302,460</u>	<u>272,319</u>	<u>302,460</u>	<u>272,319</u>
Attributable to:-				
Equity holders of the Company	292,684	260,919	292,684	260,919
Non-controlling interests	9,776	11,400	9,776	11,400
	<u>302,460</u>	<u>272,319</u>	<u>302,460</u>	<u>272,319</u>
	Sen	Sen	Sen	Sen
Earnings per share - basic	<u>27.5</u>	<u>24.5</u>	<u>27.5</u>	<u>24.5</u>
Earnings per share - diluted	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

N/A - Not applicable

*The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the Annual Financial Report for the year ended 30 September 2013.*



# KUALA LUMPUR KEPONG BERHAD

(15043-V)  
(Incorporated in Malaysia)

## Condensed Consolidated Statement of Other Comprehensive Income For the first quarter ended 31 December 2013

(The figures have not been audited.)

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 December		3 months ended 31 December	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Net profit for the period	<u>302,460</u>	<u>272,319</u>	<u>302,460</u>	<u>272,319</u>
Other comprehensive (loss)/income that will be reclassified subsequently to profit or loss				
Foreign currency translation differences	(53,624)	5,514	(53,624)	5,514
Net change in fair value of available-for-sale investments	83,279	77,322	83,279	77,322
Reclassification adjustment for surplus on disposal of available-for-sale investments	<u>(10,070)</u>	<u>(1,501)</u>	<u>(10,070)</u>	<u>(1,501)</u>
Total other comprehensive income for the period	<u>19,585</u>	<u>81,335</u>	<u>19,585</u>	<u>81,335</u>
Total comprehensive income for the period	<u>322,045</u>	<u>353,654</u>	<u>322,045</u>	<u>353,654</u>
Attributable to:-				
Equity holders of the Company	313,276	342,621	313,276	342,621
Non-controlling interests	<u>8,769</u>	<u>11,033</u>	<u>8,769</u>	<u>11,033</u>
	<u>322,045</u>	<u>353,654</u>	<u>322,045</u>	<u>353,654</u>

*The Condensed Consolidated Statement of Other Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 30 September 2013.*

**KUALA LUMPUR KEPONG BERHAD**

(15043-V)  
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**Condensed Consolidated Statement of Financial Position****As at 31 December 2013**

(The figures have not been audited.)

	31 December 2013	30 September 2013
	RM'000	RM'000
<b>Assets</b>		
Property, plant and equipment	3,813,620	3,728,605
Prepaid lease payments	266,036	193,229
Biological assets	1,946,584	1,908,218
Land held for property development	216,992	216,932
Goodwill on consolidation	297,829	297,016
Intangible assets	19,407	19,573
Investment in associates	109,595	112,477
Available-for-sale investments	1,034,220	889,422
Other receivable	104,233	106,208
Deferred tax assets	103,760	103,305
Total non-current assets	<u>7,912,276</u>	<u>7,574,985</u>
Inventories	1,360,103	1,062,155
Biological assets	2,245	17,811
Trade and other receivables	1,301,023	1,217,246
Tax recoverable	45,286	52,195
Property development costs	51,307	40,812
Derivative financial assets	3,636	14,158
Asset held for sale	11,950	11,610
Cash and cash equivalents	1,690,957	1,756,934
Total current assets	<u>4,466,507</u>	<u>4,172,921</u>
<b>Total assets</b>	<b><u>12,378,783</u></b>	<b><u>11,747,906</u></b>
<b>Equity</b>		
Share capital	1,067,505	1,067,505
Reserves	6,809,144	6,479,722
	7,876,649	7,547,227
Less: Cost of treasury shares	(13,447)	(13,447)
Total equity attributable to equity holders of the Company	7,863,202	7,533,780
Non-controlling interests	471,914	419,460
<b>Total equity</b>	<b><u>8,335,116</u></b>	<b><u>7,953,240</u></b>
<b>Liabilities</b>		
Deferred tax liabilities	251,630	250,064
Deferred income	75,341	72,010
Provision for retirement benefits	261,586	259,222
Borrowings	1,854,732	1,558,227
Total non-current liabilities	<u>2,443,289</u>	<u>2,139,523</u>
Trade and other payables	811,636	822,126
Deferred income	3,625	6,965
Borrowings	698,325	777,125
Tax payable	42,288	29,153
Derivative financial liabilities	44,504	19,774
Total current liabilities	<u>1,600,378</u>	<u>1,655,143</u>
<b>Total liabilities</b>	<b><u>4,043,667</u></b>	<b><u>3,794,666</u></b>
<b>Total equity and liabilities</b>	<b><u>12,378,783</u></b>	<b><u>11,747,906</u></b>
Net assets per share attributable to equity holders of the Company (RM)	7.38	7.07

*The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 30 September 2013.*



## KUALA LUMPUR KEPONG BERHAD

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### Condensed Consolidated Statement of Changes in Equity For the first quarter ended 31 December 2013

(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			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000			RM'000
At 1 October 2013	1,067,505	1,013,179	81,121	57,083	(180,767)	302,143	5,206,963	(13,447)	7,533,780	419,460	7,953,240
Net change in fair value of available-for-sale investments	-	-	-	-	-	83,279	-	-	83,279	-	83,279
Reclassification adjustment for surplus on disposal of available-for-sale investments	-	-	-	-	-	(10,070)	-	-	(10,070)	-	(10,070)
Transfer from retained earnings to reserves	-	541	-	-	-	-	(541)	-	-	-	-
Currency translation differences	-	(187)	-	-	(52,430)	-	-	-	(52,617)	(1,007)	(53,624)
Total other comprehensive income/(loss) for the year	-	354	-	-	(52,430)	73,209	(541)	-	20,592	(1,007)	19,585
Profit for the period	-	-	-	-	-	-	292,684	-	292,684	9,776	302,460
Total comprehensive income/(loss) for the period	-	354	-	-	(52,430)	73,209	292,143	-	313,276	8,769	322,045
Acquisition through business combination	-	-	-	-	-	-	-	-	-	72,347	72,347
Effect of changes in shareholdings in subsidiaries	-	-	-	-	-	-	16,146	-	16,146	(24,162)	(8,016)
Redemption of redeemable preference shares	-	-	-	-	-	-	-	-	-	(4,500)	(4,500)
Total transactions with owners of the Company	-	-	-	-	-	-	16,146	-	16,146	43,685	59,831
At 31 December 2013	1,067,505	1,013,533	81,121	57,083	(233,197)	375,352	5,515,252	(13,447)	7,863,202	471,914	8,335,116
At 1 October 2012	1,067,505	1,012,245	81,121	52,391	(78,168)	12,088	4,976,102	(13,447)	7,109,837	397,751	7,507,588
Net change in fair value of available-for-sale investments	-	-	-	-	-	77,322	-	-	77,322	-	77,322
Reclassification adjustment for surplus on disposal of available-for-sale investments	-	-	-	-	-	(1,501)	-	-	(1,501)	-	(1,501)
Transfer from retained earnings to reserves	-	1,063	-	3,190	-	-	(4,253)	-	-	-	-
Currency translation differences	-	(31)	-	-	5,912	-	-	-	5,881	(367)	5,514
Total other comprehensive income/(loss) for the period	-	1,032	-	3,190	5,912	75,821	(4,253)	-	81,702	(367)	81,335
Profit for the period	-	-	-	-	-	-	260,919	-	260,919	11,400	272,319
Total comprehensive income for the period	-	1,032	-	3,190	5,912	75,821	256,666	-	342,621	11,033	353,654
Acquisition through business combination	-	-	-	-	-	-	-	-	-	7,177	7,177
Redemption of redeemable preference shares	-	-	-	-	-	-	-	-	-	(1,200)	(1,200)
Total transactions with owners of the Company	-	-	-	-	-	-	-	-	-	5,977	5,977
At 31 December 2012	1,067,505	1,013,277	81,121	55,581	(72,256)	87,909	5,232,768	(13,447)	7,452,458	414,761	7,867,219

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 30 September 2013.

**KUALA LUMPUR KEPONG BERHAD**

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(Incorporated in Malaysia)

**Condensed Consolidated Statement of Cash Flows  
For the first quarter ended 31 December 2013**

(The figures have not been audited.)

	3 months ended 31 December	
	2013	2012
	RM'000	RM'000
<b>Cash Flows from Operating Activities</b>		
Profit before taxation from operations	377,723	353,610
Adjustment for non-cash flow:-		
Non-cash items	50,256	68,580
Non-operating items	6,905	6,000
Operating profit before working capital changes	434,884	428,190
Working capital changes:-		
Net change in current assets	(271,648)	79,958
Net change in current liabilities	(56,927)	(106,456)
Cash generated from continuing operations	106,309	401,692
Interest paid	(12,649)	(12,460)
Tax paid	(61,418)	(63,768)
Retirement benefits paid	(8,844)	(3,959)
Net cash generated from operating activities	<u>23,398</u>	<u>321,505</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of property, plant and equipment	(141,419)	(166,964)
Purchase of leasehold land	(2,767)	(2,752)
Plantation development expenditure	(36,227)	(37,074)
Property development expenditure	(60)	(736)
Purchase of subsidiaries, net of cash acquired	(66,563)	(10,618)
Purchase of shares from non-controlling interests	(8,150)	-
Purchase of available-for-sale investments	(70,071)	(1,919)
Purchase of intangible assets	(357)	(5)
Proceeds from disposal of property, plant and equipment	1,627	463
Compensation from government on land acquired	1,530	-
Proceeds from disposal of available-for-sale investments	16,010	4,584
Dividends received from associates	1,748	1,147
Dividends received from investments	13,648	10,820
Interest received	6,943	4,932
Net cash used in investing activities	<u>(284,108)</u>	<u>(198,122)</u>
<b>Cash Flows from Financing Activities</b>		
Repayment of term loans	(23,720)	(18,984)
Drawdown/(Repayment) of short term borrowings	186,009	(115,117)
Redemption of redeemable preference shares from non-controlling interests	(4,500)	(1,200)
Increase in other receivable	(4,062)	(5,281)
Net cash generated from/(used in) financing activities	<u>153,727</u>	<u>(140,582)</u>
Net decrease in cash and cash equivalents	(106,983)	(17,199)
Cash and cash equivalents at 1 October	1,753,846	2,326,061
	1,646,863	2,308,862
Currency translation differences on opening balance	(5,174)	(159)
Cash and cash equivalents at 31 December	<u>1,641,689</u>	<u>2,308,703</u>

*The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 30 September 2013.*



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## **Notes to Interim Financial Report**

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

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

The Interim Financial Report is unaudited and has been prepared in compliance with Financial Reporting Standard ("FRS") 134 *Interim Financial Reporting*, issued by the Malaysian Accounting Standards Board and paragraph 9.22 of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad ("BMSB"). The report should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 September 2013.

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 2013 except for the adoption of the following revised and amendments to FRSs:-

#### ***FRSs, amendments to FRSs and interpretation effective for annual periods beginning on or after 1 January 2013***

- FRS 10 *Consolidated Financial Statements*
- FRS 11 *Joint Arrangements*
- FRS 12 *Disclosure of Interests in Other Entities*
- FRS 13 *Fair Value Measurement*
- FRS 119 *Employee Benefits* (2011)
- FRS 127 *Separate Financial Statements* (2011)
- FRS 128 *Investments in Associates and Joint Ventures* (2011)
- IC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to FRS 7 *Financial Instruments Disclosures - Offsetting Financial Assets and Financial Liabilities*
- Amendments to FRS 1 *First-time Adoption of Financial Reporting Standards - Government Loans*
- Amendments to FRS 1 *First-time Adoption of Financial Reporting Standards (Improvements to FRSs (2012))*
- Amendments to FRS 101 *Presentation of Financial Statements (Improvements to FRSs (2012))*
- Amendments to FRS 116 *Property, Plant and Equipment (Improvements to FRSs (2012))*
- Amendments to FRS 132 *Financial Instruments: Presentation (Improvements to FRSs (2012))*
- Amendments to FRS 134 *Interim Financial Reporting (Improvements to FRSs (2012))*
- Amendments to FRS 10 *Consolidated Financial Statements: Transition Guidance*
- Amendments to FRS 11 *Joint Arrangements: Transition Guidance*
- Amendments to FRS 12 *Disclosure of Interests in Other Entities: Transition Guidance*
- Amendments to IC Interpretation 2 *Members' Shares in Co-operative Entities and Similar Instruments (Improvements to FRSs (2012))*

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

#### **A2. Seasonal and Cyclical Factors**

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

#### **A3. Unusual Items**

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

#### **A4. Changes in Estimates**

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



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## Notes to Interim Financial Report (Continued)

### A5. Changes in Debt and Equity Securities

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

### A6. Dividends Paid

There were no dividends paid during the financial quarter ended 31 December 2013 (31 December 2012: Nil).

### 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	Property Development	Investment Holding/ Others	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>3 months ended</b>						
<b>31 December 2013</b>						
Revenue						
External revenue	1,135,235	1,268,593	27,432	62,892	-	2,494,152
Inter-segment revenue	61,284	244	-	10,004	(71,532)	-
Total revenue	<u>1,196,519</u>	<u>1,268,837</u>	<u>27,432</u>	<u>72,896</u>	<u>(71,532)</u>	<u>2,494,152</u>
Results						
Operating results	256,139	82,127	12,892	23,188	-	374,346
Interest income	222	2,174	33	10,776	(4,519)	8,686
Finance costs	-	(4,387)	-	(21,174)	4,519	(21,042)
Share of results of associates	368	39	285	-	-	692
Segment results	<u>256,729</u>	<u>79,953</u>	<u>13,210</u>	<u>12,790</u>	<u>-</u>	<u>362,682</u>
Corporate income						15,041
Profit before taxation						<u>377,723</u>
<b>3 months ended</b>						
<b>31 December 2012</b>						
Revenue						
External revenue	1,117,061	1,114,299	55,418	34,179	-	2,320,957
Inter-segment revenue	49,372	125	-	8,495	(57,992)	-
Total revenue	<u>1,166,433</u>	<u>1,114,424</u>	<u>55,418</u>	<u>42,674</u>	<u>(57,992)</u>	<u>2,320,957</u>
Results						
Operating results	269,079	66,551	19,009	12,188	-	366,827
Interest income	162	831	33	5,685	(368)	6,343
Finance costs	(87)	(3,331)	-	(17,668)	368	(20,718)
Share of results of associates	2,390	83	1,713	-	-	4,186
Segment results	<u>271,544</u>	<u>64,134</u>	<u>20,755</u>	<u>205</u>	<u>-</u>	<u>356,638</u>
Corporate expense						(3,028)
Profit before taxation						<u>353,610</u>





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(15043-V)  
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## Notes to Interim Financial Report (Continued)

(b) Segment assets

	Plantations	Manufacturing	Property Development	Investment Holding/ Others	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>As at 31 December 2013</b>					
Operating assets	4,761,230	4,771,415	363,313	2,224,184	12,120,142
Associates	70,301	4,177	21,370	13,747	109,595
Segment assets	<u>4,831,531</u>	<u>4,775,592</u>	<u>384,683</u>	<u>2,237,931</u>	<u>12,229,737</u>
Tax assets					149,046
Total assets					<u>12,378,783</u>
<b>As at 30 September 2013</b>					
Operating assets	4,504,475	4,608,267	399,715	1,967,472	11,479,929
Associates	73,559	4,169	21,085	13,664	112,477
Segment assets	<u>4,578,034</u>	<u>4,612,436</u>	<u>420,800</u>	<u>1,981,136</u>	<u>11,592,406</u>
Tax assets					155,500
Total assets					<u>11,747,906</u>

### A8. Events Subsequent to Reporting Date

- (a) The dissolution process of Kolb Italia Srl, a wholly-owned subsidiary of the Group, was completed on 3 February 2014 and Kolb Italia Srl had been dissolved accordingly.
- (b) The Company via its wholly-owned subsidiary, KLK Land Sdn Bhd (formerly known as KL-Kepong Property Holdings Sdn Bhd) ("KLKL") had on 7 February 2014 entered into shareholders' agreements ("SHAs") with UEM Land Bhd ("UEMLB") in relation to the formation of two joint venture companies as set out below:-
- (i) Scope Energy Sdn Bhd ("SESB"), wherein KLKL will be holding 60% equity interest in SESB and the remaining 40% will be held by UEMLB; and
  - (ii) Aura Muhibah Sdn Bhd ("AMSB"), wherein KLKL will be holding 40% equity interest in AMSB and the remaining 60% will be held by UEMLB.

It is intended for SESB and AMSB to develop the following:-

- (i) SESB shall develop 500 acres of freehold land comprising several parcels of freehold land located in Mukim Tanjung Kupang, District of Johor Bahru, Johor ("Gerbang Land") into a proposed mixed residential and commercial development ("Proposed Gerbang Land Development") which is expected to be developed over a period of 8 years; and
- (ii) AMSB shall develop 2,500 acres of freehold land comprising 3 parcels of freehold land located in Mukim Senai, District of Kulai Jaya, Johor ("Fraser Land") into a proposed mixed residential, commercial and industrial development ("Proposed Fraser Land Development") which is expected to be developed over a period of 15 years.

The Proposed Gerbang Land Development and the Proposed Fraser Land Development ("the Proposed Joint Development") are not inter-conditional.

The objectives of SESB and AMSB are to conceptualize, commence, manage, implement and develop all aspects of the Proposed Joint Development, including acquisition of the Gerbang Land and Fraser Land for the purpose of the Proposed Joint Development.

Simultaneous with the signing of the SHAs, SESB and AMSB entered into respective Sale and Purchase Agreements ("SPAs") for the acquisition of the Gerbang Land and Fraser Land for the purpose of the Proposed Gerbang Land Development and Proposed Fraser Land Development with the details as set out below:-



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**Notes to Interim Financial Report**

(Continued)

- (i) The Company, the parent company of KLKL to dispose the Fraser Land and AMSB to acquire the Fraser Land for a purchase consideration of RM871.2 million ("AMSB SPA"); and
- (ii) SESB to acquire the Gerbang Land from the three wholly-owned subsidiaries of UEM Sunrise Bhd for a purchase consideration of RM871.2 million ("SESB SPA").

The completion of the SPAs will be subject to the conditions precedent being satisfied or waived in accordance with the terms of the respective SPAs.

If any conditions precedent is not satisfied or waived within 15 months from the date of the SPAs (with an extension of 3 months) or such other period as may be mutually agreed by both parties ("Unconditional Date"), the SPAs shall be deemed terminated and thereafter shall have no further effect. All monies paid pursuant to the SPAs shall be returned by SESB and AMSB to the respective vendors. The SESB SPA and the AMSB SPA are not conditional with each other.

Completion of the SPAs shall take place within 3 months from the Unconditional Date.

The Proposed Joint Development, being the Group's first development outside of Selangor will enable the Group to unlock the value of the Group's property development potential in Peninsular Malaysia. The joint development of the land with UEMLB will also allow the Group to leverage on UEM Sunrise Group's experience in township development in the state of Johor.

The disposal of the Fraser Land will result in the Company recording a gain (net of RPGT) of RM816.8 million.

The Proposed Joint Development is not expected to have any material effect on the earnings, net assets and gearing of the Group for the current financial year ending 30 September 2014 nor have any effect on the share capital and the shareholding structure of the Company.

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

- (a) The Group's wholly-owned subsidiaries, Dr W Kolb Holding AG ("Kolb Holding") and Kolb Distribution AG ("Kolb Distribution"), both of which were incorporated in Switzerland, had applied to the Commercial Register in Switzerland for a merger. This merger process was completed on 12 December 2013.

As a result of the merger, the separate existence of Kolb Holding had ceased and merged with and into Kolb Distribution on 12 December 2013.

The merger of Kolb Holding and Kolb Distribution was undertaken to centralize and streamline the Kolb Group's management, operational and corporate functions.

- (b) The mandatory cash offer for the Company's wholly-owned subsidiary, KL-Kepong International Ltd ("KLKI") to acquire the entire issued share capital of Equatorial Palm Oil plc ("EPO") not already owned by KLKI closed on 20 December 2013.

As at 20 December 2013, KLKI received valid acceptances in all respects of 29,788,330 EPO shares representing 8.4% of the issued share capital of EPO.

Including valid acceptances in all respects, KLKI owns 223,866,969 EPO shares representing 63.2% of the issued share capital of EPO.

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

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



# KUALA LUMPUR KEPONG BERHAD

(15043-V)  
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## Notes to Interim Financial Report (Continued)

### A11. Capital Commitments

	31 December 2013	30 September 2013
	RM'000	RM'000
Capital expenditure		
Approved and contracted	266,918	501,998
Approved but not contracted	723,924	701,210
	<u>990,842</u>	<u>1,203,208</u>
Acquisition of shares in subsidiaries		
Approved and contracted	<u>3,081</u>	<u>3,211</u>

### A12. Significant Related Party Transactions

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

	3 months ended 31 December	
	2013	2012
	RM'000	RM'000
(i) Transactions with associates		
Sale of goods	1,065	1,032
Purchase of goods	1,770	1,228
Research and development services paid	<u>2,398</u>	<u>2,052</u>
(ii) Transactions with companies in which certain Directors are common directors and/or have direct or deemed interest		
Sale of goods		
Taiko Marketing (Singapore) Pte Ltd	<u>1,676</u>	<u>484</u>
Purchases of goods		
Borneo Taiko Clay Sdn Bhd	1,292	1,015
Bukit Katho Estate Sdn Bhd	1,008	1,469
Kampar Rubber & Tin Co Sdn Bhd	2,966	2,928
Malay Rubber Plantations (M) Sdn Bhd	2,175	2,478
PT Agro Makmur Abadi	14,327	15,794
PT Safari Riau	7,108	4,644
PT Satu Sembilan Delapan	17,205	3
PT Taiko Persada Indoprima	4,062	1,682
Taiko Fertiliser Marketing Sdn Bhd	12,219	8,408
Taiko Marketing Sdn Bhd	<u>6,687</u>	<u>6,494</u>
(ii) Transactions between subsidiaries and their non-controlling interest		
Sale of goods		
Mitsubishi Corporation	57,248	67,895
Mitsui & Co Ltd	23,611	20,361
Tejana Trading & Management Services Sdn Bhd	<u>1,435</u>	<u>1,954</u>

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

### B1. Analysis of Performance

#### **1<sup>st</sup> Quarter FY2014 vs 1<sup>st</sup> Quarter FY2013**

The Group's pre-tax profit for the 1<sup>st</sup> quarter increased 6.8% to RM377.7 million (1QFY2013: profit RM353.6 million) on the back of a 7.5% improvement in revenue to RM2.494 billion (1QFY2013: RM2.321 billion). Comments on the business sectors are as follows:-



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- (i) Plantations sector reported a profit of RM256.7 million which was 5.5% below last year's same quarter profit of RM271.5 million. Despite the increase in the selling price of PK and better contributions from refineries, the quarter's results was impacted by lower selling prices and higher production cost of both CPO and rubber. Decrease in FFB and rubber productions had pushed up the production cost.

The average commodity selling prices realised were:-

	<u>1QFY2014</u>	<u>1QFY2013</u>
Crude Palm Oil (RM/mt ex-mill)	2,291	2,395
Palm Kernel (RM/mt ex-mill)	1,372	1,134
Rubber (RM/kg net of cess)	8.75	9.60

The palm products prices continued to suffer the dilution effect from Indonesian sales although part of the lost value was captured by our refineries in Indonesia.

- (ii) Manufacturing sector's profit improved 24.7% to RM80.0 million (1QFY2013: profit RM64.1 million) despite the recognition of an unrealised loss of RM31.9 million (1QFY2013: unrealised loss RM3.8 million) arising from the fair value changes on outstanding derivative contracts. Revenue rose 13.8% to RM1.269 billion (1QFY2013: RM1.114 billion) on account of increased sales volume particularly fatty acids products and specialties products in the European market. The oleochemical division recorded a profit of RM74.5 million (1QFY2013: profit RM62.6 million) and the other manufacturing units posted a profit of RM5.5 million (1QFY2013: profit RM1.5 million).
- (iii) Properties sector registered a 36.4% decline in profit to RM13.2 million (1QFY2013: profit RM20.8 million) attributed to the decrease in progressive recognition of profits from the development project in Bandar Seri Coalfields, Sungai Buloh. Revenue had dropped 50.5% to RM27.4 million (1QFY2013: RM55.4 million).
- (iv) The Group's profit had accounted for a gain of RM15.8 million which was the negative goodwill arising from the acquisition of Liberian Palm Developments Ltd.

**B2. Variation of Results to Preceding Quarter**

**1<sup>st</sup> Quarter FY2014 vs 4<sup>th</sup> Quarter FY2013**

For the current quarter, the pre-tax profit of the Group rose 13.5% to RM377.7 million (4QFY2013: profit RM332.7 million) with a 3.3% increase in revenue to RM2.494 billion (4QFY2013: RM2.415 billion).

Plantations profit increased 20.4% to RM256.7 million (4QFY2013: profit RM213.2 million) on account of:-

- Improved sales volume of CPO and PK
- Better FFB production
- Favourable PK selling price

The average commodity prices realised were as follows:-

	<u>1QFY2014</u>	<u>4QFY2013</u>
Crude Palm Oil (RM/mt ex-mill)	2,291	2,298
Palm Kernel (RM/mt ex-mill)	1,372	1,212
Rubber (RM/kg net of cess)	8.75	8.60

Manufacturing sector's profit fell 24.5% to RM80.0 million (4QFY2013: profit RM105.9 million) after accounting for the unrealised loss of RM31.9 million (4QFY2013: unrealised gain RM3.2 million) from the changes in fair value on outstanding derivative contracts. Revenue was marginally higher at RM1.269 billion (4QFY2013: RM1.245 billion), attributed to better selling prices which were in line with higher raw material prices. The performance of the China operations had fallen but the improved results from European operations had mitigated the decline in profit.

The oleochemical division's profit dipped 19.3% to RM74.5 million (4QFY2013: profit RM92.3 million) and the other manufacturing units posted a lower profit of RM5.5 million (4QFY2013: profit RM13.6 million).



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Properties sector's profit had reduced by 45.9% to RM13.2 million (4QFY2013: profit RM24.4 million) on the back of a 43.9% decline in revenue to RM27.4 million (4QFY2013: RM48.9 million). This was due to the lower recognition of profits from the development project in Bandar Seri Coalfields, Sungai Buloh.

The Group had recognised a gain of RM15.8 million arising from the excess of net assets over the cost of acquisition (negative goodwill) of Liberian Palm Developments Ltd.

### B3. Current Year Prospects

The current outlook for the palm oil market is influenced by 3 main factors namely, the weakened Ringgit Malaysia, potential strong bio-diesel offtake and impending record high soybean crop in South America. The first 2 factors may be favourable to the palm oil price but the third factor is a threat as improving supplies of seed oils will reduce the palm oil discount to competing oils.

In anticipation of a higher FFB production and in view of the prevailing palm products prices, the Group's plantations profit for the current financial year is expected to exceed that of the previous financial year.

The manufacturing sector expects satisfactory profits for the current financial year in view of anticipated recovery in demand, gradual volume additions from our new capacities coming on-stream and the continuous drive for operational efficiencies and productivity improvements.

The properties sector will continue to contribute, albeit a lower profit, to the Group's profit from its on-going project in Bandar Seri Coalfields, Sungai Buloh.

Overall, the Group expects a higher profit for the current financial year when compared to that of last 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 31 December		3 months ended 31 December	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
Malaysian taxation	56,738	73,932	56,738	73,932
Overseas taxation	23,477	14,165	23,477	14,165
	80,215	88,097	80,215	88,097
Deferred tax				
Origination and reversal of temporary differences	446	(11,364)	446	(11,364)
(Over)/Under provision in respect of previous years	(5,297)	3,871	(5,297)	3,871
	(4,851)	(7,493)	(4,851)	(7,493)
	75,364	80,604	75,364	80,604
(Over)/Under provision in respect of previous years				
Malaysian taxation	(402)	438	(402)	438
Overseas taxation	301	249	301	249
	(101)	687	(101)	687
Total tax expense	75,263	81,291	75,263	81,291

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 and adjustment for over-provision of deferred taxation in previous year.



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### B6. Status of Corporate Proposals Announced

There were no corporate proposals announced.

### B7. Group Borrowings

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

	31 December 2013		30 September 2013	
	RM'000	Amount in Foreign Currency '000	RM'000	Amount in Foreign Currency '000
(a) Repayable within 12 months:-				
(i) Term Loans				
- Unsecured	<u>6,268</u>		<u>323,686</u>	
(ii) Bank Overdraft				
- Unsecured	3,280	HKD7,753	3,088	HKD7,347
	<u>45,988</u>	Euro10,199	<u>-</u>	
	<u>49,268</u>		<u>3,088</u>	
(iii) Short Term Borrowings				
- Unsecured	234,612	USD71,390	80,020	USD24,500
	1,626	Rmb3,000	3,729	Rmb7,000
	25,717	CHF7,000	25,221	CHF7,000
	146,655	GBP27,000	142,487	GBP27,000
	85,651	Euro19,000	61,730	Euro14,000
	<u>148,528</u>		<u>137,164</u>	
	<u>642,789</u>		<u>450,351</u>	
Total repayable within 12 months	<u>698,325</u>		<u>777,125</u>	
(b) Repayable after 12 months:-				
(i) Term Loans				
- Unsecured	90,180	Euro20,000	88,216	Euro20,000
	164,552	USD50,000	163,743	USD50,000
	<u>300,000</u>		<u>6,268</u>	
	554,732		258,227	
(ii) Islamic Medium Term Notes				
- Unsecured	<u>1,300,000</u>		<u>1,300,000</u>	
Total repayable after 12 months	<u>1,854,732</u>		<u>1,558,227</u>	

### B8. Derivative Financial Instruments

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

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

As at 31 December 2013, the values and maturity analysis of the outstanding derivatives are as follows:-



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<u>Derivatives</u>	Contract/Notional	Fair value
	Value Net long/(short) RM'000	Net gains/(losses) RM'000
(i) Forward foreign exchange contracts		
- Less than 1 year	(762,256)	(18,401)
- 1 year to 3 years	-	-
- More than 3 years	-	-
(ii) Commodity futures contracts		
- Less than 1 year	(489,646)	(22,467)
- 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 December 2013, there have been no significant changes to the Group's exposure to credit risk, market risk and liquidity risk from the previous financial year. Since the previous financial year, there have been no changes to the Group's risk management objectives, policies and processes.

**B9. Fair Value Changes of Financial Liabilities**

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

**B10. Material Litigation**

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

**B11. Dividend**

(a) The Directors do not recommend the payment of dividend for the first quarter ended 31 December 2013 (31 December 2012: Nil).

(b) The total dividend for the current financial year to-date is Nil (31 December 2012: Nil).

**B12. Earnings Per Share**

*Basic earnings per share*

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

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 December 2013	2012	3 months ended 31 December 2013	2012
(a) Net profit for the period attributable to equity holders of the Company (RM'000)	<u>292,684</u>	<u>260,919</u>	<u>292,684</u>	<u>260,919</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>27.5</u>	<u>24.5</u>	<u>27.5</u>	<u>24.5</u>





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## Notes to Interim Financial Report (Continued)

### B13. Audit Report

The audit report for the financial year ended 30 September 2013 was not subject to any qualifications.

### B14. Profit Before Taxation

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

	Individual Quarter		Cumulative Quarter	
	3 months ended		3 months ended	
	31 December		31 December	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Interest income	(8,686)	(6,343)	(8,686)	(6,343)
Other income including dividend income	(34,038)	(26,400)	(34,038)	(26,400)
Interest expense	21,042	20,718	21,042	20,718
Depreciation and amortisation	76,232	69,314	76,232	69,314
Provision for and write-off of receivables	1,412	541	1,412	541
Provision for and write-off of inventories	(585)	11,360	(585)	11,360
Surplus on disposal of quoted or unquoted investments	(9,914)	(1,569)	(9,914)	(1,569)
Surplus on disposal of land	(541)	(1,063)	(541)	(1,063)
Surplus arising from government acquisition of land	(1,343)	-	(1,343)	-
Impairment of property, plant and equipment	-	-	-	-
Foreign exchange loss/(gain)	2,454	(10,702)	2,454	(10,702)
Loss/(Gain) on derivatives	46,478	(562)	46,478	(562)
Exceptional items	-	-	-	-

### B15. Breakdown of Realised and Unrealised Profits or Losses

	31 December	30 September
	2013	2013
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries		
- realised	6,050,816	5,897,307
- unrealised	(201,354)	(148,730)
	5,849,462	5,748,577
Total share of retained profits from associates		
- realised	58,536	59,591
- unrealised	(239)	(237)
	58,297	59,354
	5,907,759	5,807,931
Consolidation adjustments	(392,507)	(600,968)
Total group retained profits as per consolidated accounts	5,515,252	5,206,963

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

19 February 2014