



KUALA LUMPUR KEPONG BERHAD

(15043-V)

(Incorporated in Malaysia)

**Interim Financial Report
For the third quarter ended 30 June 2014**



KUALA LUMPUR KEPONG BERHAD

(15043-V)
(Incorporated in Malaysia)

The Directors are pleased to announce the unaudited financial results of the Group for the third quarter ended 30 June 2014.

Condensed Consolidated Statement of Profit or Loss For the third quarter ended 30 June 2014

(The figures have not been audited.)

	Individual Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	30 June		30 June	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Revenue	2,923,638	2,176,018	8,351,833	6,732,525
Operating expenses	(2,637,969)	(1,965,596)	(7,276,516)	(5,881,522)
Other operating income	12,972	34,722	64,574	72,080
Finance costs	(22,635)	(19,014)	(63,299)	(62,382)
Share of results of associates	923	2,760	2,487	6,359
Profit before taxation	276,929	228,890	1,079,079	867,060
Tax expense	(58,624)	(30,141)	(221,186)	(170,505)
Net profit for the period	<u>218,305</u>	<u>198,749</u>	<u>857,893</u>	<u>696,555</u>
Attributable to:-				
Equity holders of the Company	213,664	189,162	820,953	659,738
Non-controlling interests	4,641	9,587	36,940	36,817
	<u>218,305</u>	<u>198,749</u>	<u>857,893</u>	<u>696,555</u>
	Sen	Sen	Sen	Sen
Earnings per share - basic	<u>20.1</u>	<u>17.8</u>	<u>77.1</u>	<u>61.9</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

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Condensed Consolidated Statement of Other Comprehensive Income For the third quarter ended 30 June 2014

(The figures have not been audited.)

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June		9 months ended 30 June	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Net profit for the period	<u>218,305</u>	<u>198,749</u>	<u>857,893</u>	<u>696,555</u>
Other comprehensive (loss)/income that will be reclassified subsequently to profit or loss				
Foreign currency translation differences	(154,512)	12,219	(87,421)	25,832
Net change in fair value of available-for-sale investments	(168,629)	(62,840)	22,279	60,591
Reclassification adjustment for surplus on disposal of available-for-sale investments	<u>(399)</u>	<u>(385)</u>	<u>(10,858)</u>	<u>(1,886)</u>
Total other comprehensive (loss)/income for the period	<u>(323,540)</u>	<u>(51,006)</u>	<u>(76,000)</u>	<u>84,537</u>
Total comprehensive (loss)/income for the period	<u>(105,235)</u>	<u>147,743</u>	<u>781,893</u>	<u>781,092</u>
Attributable to:-				
Equity holders of the Company	(103,323)	137,409	748,565	743,252
Non-controlling interests	<u>(1,912)</u>	<u>10,334</u>	<u>33,328</u>	<u>37,840</u>
	<u>(105,235)</u>	<u>147,743</u>	<u>781,893</u>	<u>781,092</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 30 June 2014

(The figures have not been audited.)

	30 June 2014	30 September 2013
	RM'000	RM'000
Assets		
Property, plant and equipment	4,045,323	3,728,605
Prepaid lease payments	245,585	193,229
Biological assets	2,044,492	1,908,218
Land held for property development	217,109	216,932
Goodwill on consolidation	293,942	297,016
Intangible assets	17,218	19,573
Investment in associates	143,364	112,477
Available-for-sale investments	977,755	889,422
Other receivable	114,488	106,208
Deferred tax assets	100,256	103,305
Total non-current assets	8,199,532	7,574,985
Inventories	1,388,194	1,062,155
Biological assets	19,812	17,811
Trade and other receivables	1,747,096	1,217,246
Tax recoverable	19,559	52,195
Property development costs	57,098	40,812
Derivative financial assets	13,440	14,158
Asset held for sale	-	11,610
Cash and cash equivalents	1,376,274	1,756,934
Total current assets	4,621,473	4,172,921
Total assets	12,821,005	11,747,906
Equity		
Share capital	1,067,505	1,067,505
Reserves	6,711,920	6,479,722
	7,779,425	7,547,227
Less: Cost of treasury shares	(13,447)	(13,447)
Total equity attributable to equity holders of the Company	7,765,978	7,533,780
Non-controlling interests	438,114	419,460
Total equity	8,204,092	7,953,240
Liabilities		
Deferred tax liabilities	247,578	250,064
Deferred income	93,216	72,010
Provision for retirement benefits	255,642	259,222
Borrowings	1,850,050	1,558,227
Total non-current liabilities	2,446,486	2,139,523
Trade and other payables	990,258	822,126
Deferred income	4,259	6,965
Borrowings	947,939	777,125
Tax payable	52,900	29,153
Derivative financial liabilities	15,326	19,774
Dividend payable	159,745	-
Total current liabilities	2,170,427	1,655,143
Total liabilities	4,616,913	3,794,666
Total equity and liabilities	12,821,005	11,747,906
Net assets per share attributable to equity holders of the Company (RM)	7.29	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 third quarter ended 30 June 2014

(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 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	-	-	-	-	-	22,279	-	-	22,279	-	22,279
Reclassification adjustment for surplus on disposal of available-for-sale investments	-	-	-	-	-	(10,858)	-	-	(10,858)	-	(10,858)
Transfer from reserves to retained earnings	-	1,440	-	-	(9,148)	-	7,708	-	-	-	-
Currency translation differences	-	(204)	-	-	(83,605)	-	-	-	(83,809)	(3,612)	(87,421)
Total other comprehensive income/(loss) for the period	-	1,236	-	-	(92,753)	11,421	7,708	-	(72,388)	(3,612)	(76,000)
Profit for the period	-	-	-	-	-	-	820,953	-	820,953	36,940	857,893
Total comprehensive income/(loss) for the period	-	1,236	-	-	(92,753)	11,421	828,661	-	748,565	33,328	781,893
Acquisition through business combination	-	-	-	-	-	-	-	-	-	72,347	72,347
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	35,807	35,807
Effect of changes in shareholdings in subsidiaries	-	-	-	-	-	-	16,116	-	16,116	(24,154)	(8,038)
Disposal of shares in a subsidiary	-	-	-	-	-	-	-	-	-	(21,946)	(21,946)
Redemption of redeemable preference shares	-	-	-	-	-	-	-	-	-	(4,500)	(4,500)
Dividend paid	-	-	-	-	-	-	(372,738)	-	(372,738)	-	(372,738)
Dividend payable	-	-	-	-	-	-	(159,745)	-	(159,745)	-	(159,745)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(72,228)	(72,228)
Total transactions with owners of the Company	-	-	-	-	-	-	(516,367)	-	(516,367)	(14,674)	(531,041)
At 30 June 2014	1,067,505	1,014,415	81,121	57,083	(273,520)	313,564	5,519,257	(13,447)	7,765,978	438,114	8,204,092
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	-	-	-	-	-	60,591	-	-	60,591	-	60,591
Reclassification adjustment for surplus on disposal of available-for-sale investments	-	-	-	-	-	(1,886)	-	-	(1,886)	-	(1,886)
Transfer from retained earnings to reserves	-	2,427	-	4,690	(4,973)	-	(2,144)	-	-	-	-
Currency translation differences	-	30	-	1	24,778	-	-	-	24,809	1,023	25,832
Total other comprehensive income/(loss) for the period	-	2,457	-	4,691	19,805	58,705	(2,144)	-	83,514	1,023	84,537
Profit for the period	-	-	-	-	-	-	659,738	-	659,738	36,817	696,555
Total comprehensive income for the period	-	2,457	-	4,691	19,805	58,705	657,594	-	743,252	37,840	781,092
Acquisition through business combination	-	-	-	-	-	-	-	-	-	7,177	7,177
Redemption of redeemable preference shares	-	-	-	-	-	-	-	-	-	(1,200)	(1,200)
Dividend paid	-	-	-	-	-	-	(532,483)	-	(532,483)	-	(532,483)
Dividend payable	-	-	-	-	-	-	(159,745)	-	(159,745)	-	(159,745)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(15,273)	(15,273)
Total transactions with owners of the Company	-	-	-	-	-	-	(692,228)	-	(692,228)	(9,296)	(701,524)
At 30 June 2013	1,067,505	1,014,702	81,121	57,082	(58,363)	70,793	4,941,468	(13,447)	7,160,861	426,295	7,587,156

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.



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Condensed Consolidated Statement of Cash Flows For the third quarter ended 30 June 2014

(The figures have not been audited.)

	9 months ended 30 June	
	2014	2013
	RM'000	RM'000
Cash Flows from Operating Activities		
Profit before taxation	1,079,079	867,060
Adjustment for non-cash flow:-		
Non-cash items	259,781	191,888
Non-operating items	9,557	5,082
Operating profit before working capital changes	1,348,417	1,064,030
Working capital changes:-		
Net change in current assets	(836,976)	174,059
Net change in current liabilities	149,651	(53,548)
Cash generated from operations	661,092	1,184,541
Interest paid	(56,445)	(54,006)
Tax paid	(171,123)	(229,160)
Retirement benefits paid	(21,316)	(13,456)
Net cash generated from operating activities	<u>412,208</u>	<u>887,919</u>
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(539,534)	(646,499)
Purchase of leasehold land	(12,819)	(14,344)
Plantation development expenditure	(152,982)	(112,857)
Property development expenditure	(177)	(4,127)
Purchase of shares in subsidiaries, net of cash acquired	(66,563)	(10,618)
Subscription of shares in an associate	(35,300)	(3,543)
Purchase of shares from non-controlling interests	(8,004)	-
Purchase of available-for-sale investments	(83,105)	(2,516)
Purchase of intangible assets	(384)	(686)
Proceeds from disposal of property, plant and equipment	16,922	2,345
Compensation from government on land acquired	2,188	664
Proceeds from disposal of shares in a subsidiary, net of cash disposed	1,384	-
Proceeds from disposal of shares in an associate	-	26,773
Proceeds from disposal of available-for-sale investments	19,411	9,397
Dividends received from associates	3,748	1,147
Dividends received from investments	21,554	25,645
Interest received	19,579	18,446
Net cash used in investing activities	<u>(814,082)</u>	<u>(710,773)</u>
Cash Flows from Financing Activities		
Repayment of term loans	(23,720)	(28,809)
Drawdown/(Repayment) of short term borrowings	413,678	(99,026)
Dividend paid to shareholders of the Company	(372,738)	(532,483)
Dividends paid to non-controlling interests	(72,228)	(15,273)
Issuance of shares to non-controlling interests	35,807	-
Redemption of redeemable preference shares from non-controlling interests	(4,500)	(1,200)
Increase in other receivable	(6,560)	(13,843)
Net cash used in financing activities	<u>(30,261)</u>	<u>(690,634)</u>
Net decrease in cash and cash equivalents	(432,135)	(513,488)
Cash and cash equivalents at 1 October	1,753,846	2,326,061
	1,321,711	1,812,573
Currency translation differences on opening balance	(19,570)	12,360
Cash and cash equivalents at 30 June	<u>1,302,141</u>	<u>1,824,933</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.



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

	9 months ended 30 June	
	2014	2013
	RM'000	RM'000
Dividend proposed in Year 2013, paid in Year 2014:-		
Final single tier dividend 35 sen (2013: 50 sen) per share	<u>372,738</u>	<u>532,483</u>

Dividends are paid on the number of outstanding shares in issue and fully paid of 1,064,965,692 (2013: 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	Property Development	Investment Holding/ Others	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
9 months ended 30 June 2014						
Revenue						
External revenue	3,938,580	4,219,642	80,608	113,003	-	8,351,833
Inter-segment revenue	315,336	244	-	42,329	(357,909)	-
Total revenue	<u>4,253,916</u>	<u>4,219,886</u>	<u>80,608</u>	<u>155,332</u>	<u>(357,909)</u>	<u>8,351,833</u>
Results						
Operating results	774,507	293,290	31,645	36,798	-	1,136,240
Interest income	659	2,482	109	36,133	(13,637)	25,746
Finance costs	(2,067)	(11,683)	-	(63,186)	13,637	(63,299)
Share of results of associates	1,953	65	469	-	-	2,487
Segment results	<u>775,052</u>	<u>284,154</u>	<u>32,223</u>	<u>9,745</u>	<u>-</u>	<u>1,101,174</u>
Corporate expense						(22,095)
Profit before taxation						<u>1,079,079</u>
9 months ended 30 June 2013						
Revenue						
External revenue	3,036,174	3,452,234	159,682	84,435	-	6,732,525
Inter-segment revenue	129,785	482	-	19,691	(149,958)	-
Total revenue	<u>3,165,959</u>	<u>3,452,716</u>	<u>159,682</u>	<u>104,126</u>	<u>(149,958)</u>	<u>6,732,525</u>
Results						
Operating results	573,362	221,182	57,309	41,957	-	893,810
Interest income	471	2,241	91	20,756	(1,087)	22,472
Finance costs	(252)	(9,241)	-	(53,976)	1,087	(62,382)
Share of results of associates	4,352	207	1,800	-	-	6,359
Segment results	<u>577,933</u>	<u>214,389</u>	<u>59,200</u>	<u>8,737</u>	<u>-</u>	<u>860,259</u>
Corporate income						6,801
Profit before taxation						<u>867,060</u>



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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
As at 30 June 2014					
Operating assets	5,058,799	4,900,865	466,882	2,131,280	12,557,826
Associates	68,897	4,149	56,854	13,464	143,364
Segment assets	<u>5,127,696</u>	<u>4,905,014</u>	<u>523,736</u>	<u>2,144,744</u>	<u>12,701,190</u>
Tax assets					119,815
Total assets					<u>12,821,005</u>
As at 30 September 2013					
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>

(c) Segment liabilities

	Plantations	Manufacturing	Property Development	Investment Holding/ Others	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
As at 30 June 2014					
Segment liabilities	<u>840,335</u>	<u>1,409,356</u>	<u>40,824</u>	<u>1,866,175</u>	<u>4,156,690</u>
Unallocated liabilities					460,223
Total liabilities					<u>4,616,913</u>
As at 30 September 2013					
Segment liabilities	<u>412,018</u>	<u>1,163,627</u>	<u>28,542</u>	<u>1,911,262</u>	<u>3,515,449</u>
Unallocated liabilities					279,217
Total liabilities					<u>3,794,666</u>

A8. Event Subsequent to Reporting Date

The Company had on 11 August 2014 entered into an Agreement with GRI Group Ltd and three individuals for the purchase of the entire issued and paid-up share capital of TensaChem SA ("TensaChem") (herein referred to as "the Proposed Acquisition") for a cash consideration of Euro16.188 million (equivalent to RM70.4 million at an exchange rate of Euro1 = RM4.349) which shall be payable on Completion. The purchase consideration is on a debt free cash free basis ("the Price") and is subject to further adjustments on the following bases, shortly after Completion:-

- Net debt in TensaChem at Completion is Euro1.6 million.
- Net working capital in TensaChem at Completion is Euro3.3 million.
- Adjustments (if any) to net debt and net working capital at Completion shall not result in the Price exceeding Euro17.6 million.

The Proposed Acquisition is subject to anti-competition clearance from the Federal Cartel Office of Germany.

The Proposed Acquisition is expected to complete within two months from the date of Agreement. On Completion, TensaChem will be a subsidiary of the Company.



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Notes to Interim Financial Report

(Continued)

TensaChem is a company incorporated in Belgium with an issued share capital of Euro5,048,631.24 divided into 1,019,046 shares without nominal value. It is a surfactants supplier for the personal care and homecare sectors, with the manufacturing of alcohol ether sulphates, alcohol sulphates and sulphonic acids comprising approximately 96% of its business.

The Proposed Acquisition will result in positive synergies of the Group's Oleochemical operations in Europe and extend the value chain of the Oleochemical Division's business.

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 2014.

A9. Changes in the Composition of the Group

- (a) Susuki Sdn Bhd, a wholly-owned subsidiary of the Company, which had become dormant following the completion of a Group internal restructuring exercise, will be dissolved by way of members' voluntary liquidation on 4 September 2014.
- (b) The proposed disposal of the Company's 55.0% interest in Voray Holdings Ltd ("Voray") for a consideration of RM12.1 million was completed in June 2014 and Voray had ceased to be a subsidiary of the Company.

A10. Changes in Contingent Liabilities and Contingent Assets

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

A11. Capital Commitments

	30 June 2014	30 September 2013
	RM'000	RM'000
Capital expenditure		
Approved and contracted	454,937	501,998
Approved but not contracted	396,469	701,210
	<u>851,406</u>	<u>1,203,208</u>
Acquisition of shares in subsidiaries		
Approved and contracted	<u>1,141</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.

	9 months ended 30 June	
	2014	2013
	RM'000	RM'000
(i) Transactions with associates		
Sale of goods	3,669	2,191
Purchase of goods	4,967	3,246
Service charges paid	2,951	2,972
Research and development services paid	<u>8,481</u>	<u>7,268</u>

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Notes to Interim Financial Report
(Continued)

		9 months ended	
		30 June	
		2014	2013
		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		
	Siam Taiko Marketing Co Ltd	1,427	1,172
	Taiko Marketing (Singapore) Pte Ltd	3,794	1,518
	Taiko Marketing Sdn Bhd	<u>3,126</u>	<u>2,296</u>
	Storage tanks rental received		
	Taiko Marketing Sdn Bhd	<u>2,189</u>	<u>2,247</u>
	Purchases of goods		
	Borneo Taiko Clay Sdn Bhd	3,504	3,348
	Bukit Katho Estate Sdn Bhd	2,837	3,296
	Kampar Rubber & Tin Co Sdn Bhd	7,679	6,920
	Kekal & Deras Sdn Bhd	1,257	1,199
	Malay Rubber Plantations (M) Sdn Bhd	6,085	6,059
	PT Agro Makmur Abadi	57,349	38,253
	PT Safari Riau	21,085	14,717
	PT Satu Sembilan Delapan	49,587	29,107
	PT Taiko Persada Indoprima	13,275	8,718
	Taiko Clay Marketing Sdn Bhd	1,206	1,157
	Taiko Drum Industries Sdn Bhd	2,164	1,286
	Taiko Fertiliser Marketing Sdn Bhd	25,689	44,182
	Taiko Marketing Sdn Bhd	<u>18,205</u>	<u>15,726</u>
	Rental of office paid		
	Batu Kawan Holdings Sdn Bhd	<u>2,346</u>	<u>811</u>
	Supply of contract labours and engineering works		
	K7 Engineering Sdn Bhd	<u>1,313</u>	<u>1,429</u>
(iii)	Transactions between subsidiaries and their non-controlling interest		
	Sale of goods		
	Mitsubishi Corporation	73,253	137,335
	Mitsui & Co Ltd	98,009	61,700
	Tejana Trading & Management Services Sdn Bhd	<u>3,913</u>	<u>4,178</u>

B Explanatory Notes as required by the BMSB Revised Listing Requirements**B1. Analysis of Performance****3rd Quarter FY2014 vs 3rd Quarter FY2013**

For the 3rd quarter FY2014, the Group achieved a profit before tax of RM276.9 million which was 21.0% above last year's same quarter profit of RM228.9 million. Revenue had increased 34.4% to RM2.924 billion (3QFY2013: RM2.176 billion). Comments on the business sectors are as follows:-

- (i) Plantations profit improved two folds to RM229.8 million (3QFY2013: profit RM114.8 million) which was attributed to:-
- Favourable selling prices of palm products.
 - Higher FFB production.
 - Reduction in production cost.

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The average commodity selling prices realised were:-

	3QFY2014	3QFY2013	% Change
Crude Palm Oil (RM/mt ex-mill)	2,507	2,260	10.9
Palm Kernel (RM/mt ex-mill)	1,783	1,062	67.9
Rubber (RM/kg net of cess)	7.78	9.77	(20.4)

- (ii) Manufacturing sector's profit was slightly lower at RM66.5 million (3QFY2013: profit RM69.1 million). Although revenue had improved 24.6% to RM1.457 billion (3QFY2013: RM1.169 billion) and changes in fair value on outstanding derivative contracts had generated an unrealised gain of RM3.0 million (3QFY2013: unrealised loss RM16.9 million), the quarter's profit was affected by narrower profit margins. Higher raw material prices coupled together with increased processing cost had brought down the profit margins.

The oleochemical division recorded a marginal decline in profit to RM65.9 million (3QFY2013: profit RM67.9 million) and the other manufacturing units brought in a profit of RM569,000 (3QFY2013: profit RM1.2 million).

- (iii) Properties sector's profit fell 53.8% to RM10.6 million (3QFY2013: profit RM22.9 million) in line with the 40.3% drop in revenue to RM31.8 million (3QFY2013: RM53.2 million). This was due to the recognition of lower progressive development profits in the Bandar Seri Coalfields project.
- (iv) For the current quarter, the Group had accounted for an impairment of RM19.8 million on the prepaid lease payments in Papua New Guinea. In the results of the preceding year's same quarter, there was a gain of RM26.0 million realised from the disposal of shares in an associate.

Todate 3rd Quarter FY2014 vs Totate 3rd Quarter 2013

The Group's todate 3rd quarter pre-tax profit rose 24.5% to RM1.079 billion (Todate 3QFY2013: profit RM867.1 million) on the back of a 24.1% improvement in revenue to RM8.352 billion (Todate 3QFY2013: RM6.733 billion). The performance of the business sectors are summarised below:-

- (i) Plantations profit climbed 34.1% to RM775.1 million (Todate 3QFY2013: profit RM577.9 million) on account of better CPO selling price and sharply higher palm kernel selling price. In addition, FFB production had increased slightly, with a reduction in CPO production cost.

The average commodity selling prices realised were:-

	Todate 3QFY2014	Todate 3QFY2013	% Change
Crude Palm Oil (RM/mt ex-mill)	2,430	2,268	7.1
Palm Kernel (RM/mt ex-mill)	1,615	1,068	51.2
Rubber (RM/kg net of cess)	8.29	9.71	(14.6)

- (ii) Manufacturing sector posted a profit of RM284.2 million which was 32.5% above that of the corresponding period last year. The current quarter's result was aided by the unrealised gain of RM10.3 million (Todate 3QFY2013: unrealised loss RM6.1 million) arising from the changes in fair value on outstanding derivative contracts. Revenue improved 22.2% to RM4.220 billion (Todate 3QFY2013: RM3.452 billion) attributed to increase in sales volume as well as selling prices.

The oleochemical division's profit of RM276.7 million had exceeded the preceding year's profit by 29.6% and the other manufacturing units recorded a much higher profit of RM7.5 million (Todate 3QFY2013: profit RM952,000).

The higher profit of the oleochemical division was due to:-

- Improved fatty alcohol business.
- Increased sales volume particularly fatty acids products.
- Better results from European operations.



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- (iii) Properties sector's profit dipped 45.6% to RM32.2 million (Todate 3QFY2013: profit RM59.2 million) and revenue had decreased to RM80.6 million (Todate 3QFY2013: RM159.7 million). This was attributed to the drop in profit recognition from the development project in Bandar Seri Coalfields, Sungai Buloh.
- (iv) The Group's todate results had included the following:-
 - Gain of RM15.8 million arising from the excess of net assets over the acquisition cost (negative goodwill) of Liberian Palm Developments Ltd.
 - Loss of RM19.8 million due to the impairment of prepaid lease payments in Papua New Guinea.

B2. Variation of Results to Preceding Quarter

3rd Quarter FY2014 vs 2nd Quarter FY2014

The Group's pre-tax profit for the quarter under review slipped 34.8% to RM276.9 million (2QFY2014: profit RM424.4 million) whilst revenue was marginally lower at RM2.924 billion (2QFY2014: RM2.934 billion).

Plantations profit dropped 20.3% to RM229.8 million (2QFY2014: profit RM288.5 million) despite higher FFB production and lower cost of CPO production. The current quarter's results was brought down by:-

- Negative contributions from refineries and kernel crushing plants.
- Unrealised loss of RM10.4 million (2QFY2014: unrealised gain RM7.3 million) derived from the fair value changes on outstanding derivative contracts.

Manufacturing sector's profit fell sharply by 51.7% to RM66.5 million from the previous quarter's profit of RM137.7 million. Revenue declined only 2.5% to RM1.457 billion (2QFY2014: RM1.494 billion) with a slightly lower sales volume. The oleochemical division reported a sharp drop of 51.6% in the quarter's profit to RM65.9 million (2QFY2014: profit RM136.3 million) which was caused by the following:-

- Higher production cost had squeezed margins.
- Unrealised gain from the fair value changes on outstanding derivative contracts was lower at RM2.9 million (2QFY2014: unrealised gain RM38.7 million).

The other manufacturing units posted a lower profit of RM569,000 (2QFY2014: profit RM1.4 million).

Properties sector reported a 26.0% increase in the current quarter's profit to RM10.6 million (2QFY2014: profit RM8.4 million) with a higher revenue of RM31.8 million (2QFY2014: RM21.4 million).

The current quarter's results had recognised a loss of RM19.8 million arising from the impairment of prepaid lease payments in Papua New Guinea.

B3. Current Year Prospects

Output of oilseeds is anticipated to improve and as a result, supply of soft oils will be ample. With tougher measures being imposed on opening of letters of credit in China, the demand for palm oil therein will be affected. However, current palm oil prices trading around RM2,100/mt, should find support on account of biodiesel demand. Notwithstanding the above, plantations profit for the current financial year is expected to exceed that of the previous financial year in view of the results achieved todate and contracted forward sales.

For the oleochemical division, margins continue to be under pressure due to the volatile raw material prices and excess capacity. This division will still expect satisfactory profits for the whole financial year on account of its better first half performance.

Overall, the Group profit for the current financial year will be better than that of last financial year.



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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 30 June		9 months ended 30 June	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
Malaysian taxation	48,836	36,024	156,677	160,867
Overseas taxation	22,171	10,679	70,461	40,219
	<u>71,007</u>	<u>46,703</u>	<u>227,138</u>	<u>201,086</u>
Deferred tax				
Origination and reversal of temporary differences	(9,348)	(17,768)	486	(36,577)
(Over)/Under provision in respect of previous years	(32)	-	(6,515)	3,869
	<u>(9,380)</u>	<u>(17,768)</u>	<u>(6,029)</u>	<u>(32,708)</u>
	61,627	28,935	221,109	168,378
Under/(Over) provision in respect of previous years				
Malaysian taxation	1,072	1,189	1,854	1,653
Overseas taxation	(4,075)	17	(1,777)	474
	<u>(3,003)</u>	<u>1,206</u>	<u>77</u>	<u>2,127</u>
Total tax expense	<u>58,624</u>	<u>30,141</u>	<u>221,186</u>	<u>170,505</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 and utilisation of previously unrecognised tax losses and capital allowances by certain subsidiaries.

B6. Status of Corporate Proposals Announced

There were no corporate proposals announced.



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B7. Group Borrowings

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

	30 June 2014		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	-		3,088	HKD7,347
	<u>74,133</u>	Euro16,873	-	
	<u>74,133</u>		<u>3,088</u>	
(iii) Short Term Borrowings				
- Unsecured	320,523	USD99,778	80,020	USD24,500
	-		3,729	Rmb7,000
	25,358	CHF7,000	25,221	CHF7,000
	96,179	GBP17,500	142,487	GBP27,000
	83,497	Euro19,000	61,730	Euro14,000
	<u>341,981</u>		<u>137,164</u>	
	<u>867,538</u>		<u>450,351</u>	
Total repayable within 12 months	<u>947,939</u>		<u>777,125</u>	
(b) Repayable after 12 months:-				
(i) Term Loans				
- Unsecured	87,870	Euro20,000	88,216	Euro20,000
	162,180	USD50,000	163,743	USD50,000
	<u>300,000</u>		<u>6,268</u>	
	550,050		258,227	
(ii) Islamic Medium Term Notes				
- Unsecured	<u>1,300,000</u>		<u>1,300,000</u>	
Total repayable after 12 months	<u>1,850,050</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 30 June 2014, 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	(785,775)	6,736
- 1 year to 3 years	-	-
- More than 3 years	-	-
(ii) Commodity futures contracts		
- Less than 1 year	16,916	(8,622)
- 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 30 June 2014, 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) An interim single tier dividend of 15 sen (2013: 15 sen) per share has been declared by the Directors in respect of the financial year ending 30 September 2014 and was paid on 12 August 2014.
- (b) The total dividend for the current financial year to-date is single tier dividend of 15 sen (2013: 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 30 June		9 months ended 30 June	
	2014	2013	2014	2013
(a) Net profit for the period attributable to equity holders of the Company (RM'000)	<u>213,664</u>	<u>189,162</u>	<u>820,953</u>	<u>659,738</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>20.1</u>	<u>17.8</u>	<u>77.1</u>	<u>61.9</u>



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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		9 months ended	
	30 June		30 June	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Interest income	(8,268)	(5,289)	(25,746)	(22,472)
Other income including dividend income	(28,908)	(26,827)	(73,377)	(80,907)
Interest expense	22,635	19,014	63,299	62,382
Depreciation and amortisation	82,931	73,791	241,538	215,790
Provision for and write-off of receivables	(153)	2,619	2,863	3,532
Provision for and write-off of inventories	7,197	4,642	11,883	25,865
Surplus on disposal of quoted or unquoted investments	(189)	(1,368)	(11,148)	(2,937)
Surplus on disposal of land	(578)	(895)	(1,566)	(2,647)
Surplus arising from government acquisition of land	62	(26)	(1,530)	(624)
Surplus arising from disposal of shares in an associate	-	(26,001)	-	(26,001)
Surplus arising from disposal of shares in a subsidiary	(2,126)	-	(2,126)	-
Impairment of property, plant and equipment	-	6,310	-	6,310
Impairment of prepaid lease payment	19,760	-	19,760	-
Impairment of intangible assets	-	439	-	439
Impairment of goodwill	2,674	177	2,674	177
Foreign exchange loss/(gain)	10,142	(11,327)	19,361	(33,900)
Loss on derivatives	5,252	33,480	13,012	32,846
Exceptional items	-	-	-	-

B15. Breakdown of Realised and Unrealised Profits or Losses

	30 June 2014 RM'000	30 September 2013 RM'000
Total retained profits of the Company and its subsidiaries		
- realised	6,062,915	5,897,307
- unrealised	(203,201)	(148,730)
	5,859,714	5,748,577
Total share of retained profits from associates		
- realised	58,186	59,591
- unrealised	(93)	(237)
	58,093	59,354
	5,917,807	5,807,931
Consolidation adjustments	(398,550)	(600,968)
Total group retained profits as per consolidated accounts	5,519,257	5,206,963

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

20 August 2014