



KUALA LUMPUR KEPONG BERHAD

(15043-V)

(Incorporated in Malaysia)

**Interim Financial Report
For the second quarter ended 31 March 2015**



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 2015.

Condensed Consolidated Statement of Profit or Loss For the second quarter ended 31 March 2015

(The figures have not been audited.)

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 March		6 months ended 31 March	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Revenue	3,065,093	2,934,043	6,179,586	5,428,195
Operating expenses	(2,830,607)	(2,498,285)	(5,648,087)	(4,638,547)
Other operating income	90,568	7,419	109,905	51,602
Finance costs	(23,383)	(19,622)	(47,681)	(40,664)
Share of results of associates	(2,510)	872	(223)	1,564
Share of results of a joint venture	(2,651)	-	(2,651)	-
Profit before taxation	296,510	424,427	590,849	802,150
Tax expense	(69,364)	(87,299)	(136,347)	(162,562)
Net profit for the period	<u>227,146</u>	<u>337,128</u>	<u>454,502</u>	<u>639,588</u>
Attributable to:-				
Equity holders of the Company	222,539	314,605	436,740	607,289
Non-controlling interests	4,607	22,523	17,762	32,299
	<u>227,146</u>	<u>337,128</u>	<u>454,502</u>	<u>639,588</u>
	Sen	Sen	Sen	Sen
Earnings per share - basic	<u>20.9</u>	<u>29.5</u>	<u>41.0</u>	<u>57.0</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 2014.

**KUALA LUMPUR KEPONG BERHAD**

(15043-V)

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Other Comprehensive Income
For the second quarter ended 31 March 2015**

(The figures have not been audited.)

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 March		6 months ended 31 March	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Net profit for the period	<u>227,146</u>	<u>337,128</u>	<u>454,502</u>	<u>639,588</u>
Other comprehensive income/(loss) that will be reclassified subsequently to profit or loss				
Currency translation differences	69,505	120,715	275,835	67,091
Net change in fair value of available-for-sale investments	255,966	107,629	349,215	190,908
Reclassification adjustment for surplus on disposal of available-for-sale investments	(762)	(389)	(1,466)	(10,459)
Currency translation differences recycled on deemed disposal of a subsidiary	<u>4,319</u>	<u>-</u>	<u>4,319</u>	<u>-</u>
Total other comprehensive income for the period	<u>329,028</u>	<u>227,955</u>	<u>627,903</u>	<u>247,540</u>
Total comprehensive income for the period	<u>556,174</u>	<u>565,083</u>	<u>1,082,405</u>	<u>887,128</u>
Attributable to:-				
Equity holders of the Company	547,436	538,612	1,052,417	851,888
Non-controlling interests	<u>8,738</u>	<u>26,471</u>	<u>29,988</u>	<u>35,240</u>
	<u>556,174</u>	<u>565,083</u>	<u>1,082,405</u>	<u>887,128</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 2014.



KUALA LUMPUR KEPONG BERHAD

(15043-V)

(Incorporated in Malaysia)

Condensed Consolidated Statement of Financial Position

As at 31 March 2015

(The figures have not been audited.)

	31 March 2015 RM'000	30 September 2014 RM'000
Assets		
Property, plant and equipment	4,293,391	4,220,214
Prepaid lease payments	268,994	251,268
Biological assets	2,219,156	2,081,061
Land held for property development	219,439	217,926
Goodwill on consolidation	302,279	286,969
Intangible assets	14,335	15,238
Investment in associates	173,820	172,652
Investment in a joint venture	151,563	-
Available-for-sale investments	1,285,652	884,014
Other receivable	146,277	119,940
Deferred tax assets	117,986	128,025
Total non-current assets	9,192,892	8,377,307
Inventories	1,381,739	1,441,441
Biological assets	5,350	27,286
Trade and other receivables	1,739,203	1,591,855
Tax recoverable	31,770	23,034
Property development costs	60,808	54,316
Derivative financial assets	107,004	76,585
Cash and cash equivalents	1,310,643	1,295,777
Total current assets	4,636,517	4,510,294
Total assets	13,829,409	12,887,601
Equity		
Share capital	1,067,505	1,067,505
Reserves	7,322,409	6,697,649
	8,389,914	7,765,154
Less: Cost of treasury shares	(13,447)	(13,447)
Total equity attributable to equity holders of the Company	8,376,467	7,751,707
Non-controlling interests	433,542	431,492
Total equity	8,810,009	8,183,199
Liabilities		
Deferred tax liabilities	261,570	256,207
Deferred income	106,339	101,495
Provision for retirement benefits	280,038	281,663
Borrowings	1,792,429	1,816,243
Total non-current liabilities	2,440,376	2,455,608
Trade and other payables	1,116,642	999,456
Deferred income	5,555	4,957
Borrowings	1,317,368	1,094,173
Tax payable	53,245	62,982
Derivative financial liabilities	86,214	87,226
Total current liabilities	2,579,024	2,248,794
Total liabilities	5,019,400	4,704,402
Total equity and liabilities	13,829,409	12,887,601
Net assets per share attributable to equity holders of the Company (RM)	7.87	7.28

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 30 September 2014.



KUALA LUMPUR KEPONG BERHAD

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Condensed Consolidated Statement of Changes in Equity For the second quarter ended 31 March 2015

(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 2014	1,067,505	1,015,488	79,067	59,709	(333,548)	210,598	5,666,335	(13,447)	7,751,707	431,492	8,183,199
Net change in fair value of available-for-sale investments	-	-	-	-	-	349,215	-	-	349,215	-	349,215
Reclassification adjustment for surplus on disposal of available-for-sale investments	-	-	-	-	-	(1,466)	-	-	(1,466)	-	(1,466)
Transfer from retained earnings to reserves	-	573	-	-	-	-	(573)	-	-	-	-
Currency translation differences recycled on deemed disposal of a subsidiary	-	-	-	-	4,319	-	-	-	4,319	-	4,319
Currency translation differences	-	407	-	3	263,199	-	-	-	263,609	12,226	275,835
Total other comprehensive income/(loss) for the period	-	980	-	3	267,518	347,749	(573)	-	615,677	12,226	627,903
Net profit for the period	-	-	-	-	-	-	436,740	-	436,740	17,762	454,502
Total comprehensive income for the period	-	980	-	3	267,518	347,749	436,167	-	1,052,417	29,988	1,082,405
Effect of changes in shareholdings in a subsidiary	-	-	-	-	-	-	(1,671)	-	(1,671)	1,578	(93)
Dividend paid	-	-	-	-	-	-	(425,986)	-	(425,986)	-	(425,986)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(29,516)	(29,516)
Total transactions with owners of the Company	-	-	-	-	-	-	(427,657)	-	(427,657)	(27,938)	(455,595)
At 31 March 2015	1,067,505	1,016,468	79,067	59,712	(66,030)	558,347	5,674,845	(13,447)	8,376,467	433,542	8,810,009



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Condensed Consolidated Statement of Changes in Equity For the second quarter ended 31 March 2015

(Continued)

(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	-	-	-	-	-	190,908	-	-	190,908	-	190,908
Reclassification adjustment for surplus on disposal of available-for-sale investments	-	-	-	-	-	(10,459)	-	-	(10,459)	-	(10,459)
Transfer from retained earnings to reserves	-	989	-	-	-	-	(989)	-	-	-	-
Currency translation differences	-	98	-	-	64,052	-	-	-	64,150	2,941	67,091
Total other comprehensive income/(loss) for the period	-	1,087	-	-	64,052	180,449	(989)	-	244,599	2,941	247,540
Net profit for the period	-	-	-	-	-	-	607,289	-	607,289	32,299	639,588
Total comprehensive income for the period	-	1,087	-	-	64,052	180,449	606,300	-	851,888	35,240	887,128
Acquisition through business combination	-	-	-	-	-	-	-	-	-	72,347	72,347
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	35,300	35,300
Effect of changes in shareholdings in subsidiaries	-	-	-	-	-	-	16,121	-	16,121	(24,162)	(8,041)
Redemption of redeemable preference shares	-	-	-	-	-	-	-	-	-	(4,500)	(4,500)
Dividend paid	-	-	-	-	-	-	(372,738)	-	(372,738)	-	(372,738)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(61,727)	(61,727)
Total transactions with owners of the Company	-	-	-	-	-	-	(356,617)	-	(356,617)	17,258	(339,359)
At 31 March 2014	1,067,505	1,014,266	81,121	57,083	(116,715)	482,592	5,456,646	(13,447)	8,029,051	471,958	8,501,009

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 30 September 2014.



KUALA LUMPUR KEPONG BERHAD

(15043-V)
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Condensed Consolidated Statement of Cash Flows For the second quarter ended 31 March 2015

(The figures have not been audited.)

	6 months ended 31 March	
	2015	2014
	RM'000	RM'000
Cash Flows from Operating Activities		
Profit before taxation	590,849	802,150
Adjustment for non-cash flow:-		
Non-cash items	142,796	130,653
Non-operating items	20,738	13,372
Operating profit before working capital changes	754,383	946,175
Working capital changes:-		
Net change in current assets	(170,496)	(737,929)
Net change in current liabilities	256,881	144,531
Cash generated from operations	840,768	352,777
Interest paid	(48,121)	(39,518)
Tax paid	(153,148)	(106,229)
Retirement benefits paid	(9,940)	(16,609)
Net cash generated from operating activities	629,559	190,421
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(291,278)	(351,344)
Payments of prepaid lease	(13,711)	(7,355)
Plantation development expenditure	(93,359)	(92,516)
Property development expenditure	(1,995)	(71)
Purchase of shares in subsidiaries, net of cash acquired	-	(66,563)
Proceeds from deemed disposal of shares in a subsidiary, net of cash disposed	(35,089)	-
Subscription of shares in an associate	-	(35,300)
Purchase of shares from non-controlling interests	(94)	(8,140)
Purchase of available-for-sale investments	(15,186)	(82,610)
Purchase of intangible assets	(621)	(286)
Proceeds from disposal of property, plant and equipment	5,651	15,676
Compensation from government on land acquired	14,408	2,250
Proceeds from disposal of available-for-sale investments	7,642	19,059
Repayment of loan from a joint venture	38,642	-
Dividends received from associates	1,927	1,748
Dividends received from investments	12,033	18,102
Interest received	12,796	14,363
Net cash used in investing activities	(358,234)	(572,987)
Cash Flows from Financing Activities		
Repayment of term loans	(6,661)	(23,720)
Drawdown of short term borrowings	122,111	459,011
Dividend paid to shareholder of the Company	(425,986)	(372,738)
Dividends paid to non-controlling interests	(29,516)	(61,727)
Issuance of shares to non-controlling interests	-	35,300
Redemption of redeemable preference shares from non-controlling interests	-	(4,500)
Increase in other receivable	(11,067)	(4,085)
Net cash (used in)/generated from financing activities	(351,119)	27,541
Net decrease in cash and cash equivalents	(79,794)	(355,025)
Cash and cash equivalents at 1 October	1,264,854	1,753,846
	1,185,060	1,398,821
Currency translation differences on opening balance	61,206	15,209
Cash and cash equivalents at 31 March	1,246,266	1,414,030

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 30 September 2014.



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 2014.

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 2014 except for the adoption of the following revised and amendments to FRSs:-

Amendments to FRSs and interpretation effective for annual periods beginning on or after 1 January 2014

- Amendments to FRS 10 *Consolidated Financial Statements: Investment Entities*
- Amendments to FRS 12 *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to FRS 127 *Separate Financial Statements (2011): Investment Entities*
- Amendments to FRS 132 *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*
- Amendments to FRS 136 *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets*
- Amendments to FRS 139 *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting*
- IC Interpretation 21 *Levies*

Amendments to FRSs effective for annual periods beginning on or after 1 July 2014

- Amendments to FRS 1 *First-time Adoption of Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
- Amendments to FRS 2 *Share-based Payment (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 3 *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to FRS 8 *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 13 *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to FRS 116 *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 119 *Employee Benefits - Defined Benefit Plans: Employee Contributions*
- Amendments to FRS 124 *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 138 *Intangible Assets (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 140 *Investment Property (Annual Improvements 2011-2013 Cycle)*

The application of the above amendments to FRSs and interpretation 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.

**KUALA LUMPUR KEPONG BERHAD**(15043-V)
(Incorporated in Malaysia)**Notes to Interim Financial Report**
(Continued)**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.

A6. Dividends Paid

	6 months ended 31 March	
	2015	2014
	RM'000	RM'000
Dividend proposed in Year 2014, paid in Year 2015:-		
Final single tier dividend 40 sen (2014: 35 sen) per share	<u>425,986</u>	<u>372,738</u>

Dividends are paid on the number of outstanding shares in issue and fully paid of 1,064,965,692 (2014: 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
6 months ended 31 March 2015						
Revenue						
External revenue	3,095,061	2,925,194	72,578	86,753	-	6,179,586
Inter-segment revenue	369,957	-	-	41,126	(411,083)	-
Total revenue	<u>3,465,018</u>	<u>2,925,194</u>	<u>72,578</u>	<u>127,879</u>	<u>(411,083)</u>	<u>6,179,586</u>
Results						
Operating results	401,169	103,573	41,892	26,823	-	573,457
Interest income	300	1,866	78	30,930	(13,991)	19,183
Finance costs	(1,940)	(13,768)	-	(45,964)	13,991	(47,681)
Share of results of associates	3,055	90	809	(4,177)	-	(223)
Share of results of joint venture	(2,651)	-	-	-	-	(2,651)
Segment results	<u>399,933</u>	<u>91,761</u>	<u>42,779</u>	<u>7,612</u>	-	<u>542,085</u>
Corporate income						<u>48,764</u>
Profit before taxation						<u>590,849</u>



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Notes to Interim Financial Report

(Continued)

	Plantations	Manufacturing	Property Development	Investment Holding/ Others	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
6 months ended						
31 March 2014						
Revenue						
External revenue	2,533,318	2,762,820	48,854	83,203	-	5,428,195
Inter-segment revenue	188,576	244	-	19,547	(208,367)	-
Total revenue	<u>2,721,894</u>	<u>2,763,064</u>	<u>48,854</u>	<u>102,750</u>	<u>(208,367)</u>	<u>5,428,195</u>
Results						
Operating results	544,901	222,530	21,225	27,500	-	816,156
Interest income	455	1,541	72	24,431	(9,021)	17,478
Finance costs	(1,180)	(6,596)	-	(41,909)	9,021	(40,664)
Share of results of associates	1,040	199	325	-	-	1,564
Segment results	<u>545,216</u>	<u>217,674</u>	<u>21,622</u>	<u>10,022</u>	<u>-</u>	<u>794,534</u>
Corporate income						7,616
Profit before taxation						<u>802,150</u>

(b) Segment assets

	Plantations	Manufacturing	Property Development	Investment Holding/ Others	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
As at 31 March 2015					
Operating assets	5,279,064	5,356,113	459,430	2,259,663	13,354,270
Associates	68,882	4,742	57,692	42,504	173,820
Joint venture	151,563	-	-	-	151,563
Segment assets	<u>5,499,509</u>	<u>5,360,855</u>	<u>517,122</u>	<u>2,302,167</u>	<u>13,679,653</u>
Tax assets					149,756
Total assets					<u>13,829,409</u>
As at 30 September 2014					
Operating assets	5,190,956	4,993,494	468,004	1,911,436	12,563,890
Associates	69,471	4,264	56,883	42,034	172,652
Segment assets	<u>5,260,427</u>	<u>4,997,758</u>	<u>524,887</u>	<u>1,953,470</u>	<u>12,736,542</u>
Tax assets					151,059
Total assets					<u>12,887,601</u>

(c) Segment liabilities

	Plantations	Manufacturing	Property Development	Investment Holding/ Others	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
As at 31 March 2015					
Segment liabilities	1,166,712	1,827,302	30,645	1,679,926	4,704,585
Unallocated liabilities					314,815
Total liabilities					<u>5,019,400</u>
As at 30 September 2014					
Segment liabilities	1,015,499	1,625,945	56,377	1,687,392	4,385,213
Unallocated liabilities					319,189
Total liabilities					<u>4,704,402</u>



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Notes to Interim Financial Report

(Continued)

A8. Event Subsequent to Reporting Date

On 16 April 2015, the Company completed the proposed disposal of 20% equity interest in its wholly-owned subsidiary, KLK Premier Capital Ltd ("KLKPCL"), to Mitsui & Co Ltd. Following the disposal, KLKPCL is now a 80% owned subsidiary of the Company.

A9. Changes in the Composition of the Group

Upon the completion of the subscription of 50% new shares in PT Kreasijaya Adhikarya ("PT Kreasijaya") by PT Astra Agro Lestari Tbk in January 2015, PT Kreasijaya is now a joint venture of the Group.

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

	31 March 2015	30 September 2014
	RM'000	RM'000
Capital expenditure		
Approved and contracted	198,788	264,845
Approved but not contracted	476,737	911,257
	<u>675,525</u>	<u>1,176,102</u>
Acquisition of shares in a subsidiary		
Approved and contracted	<u>1,196</u>	<u>1,133</u>
Acquisition of land for property development		
Approved and contracted	<u>784,080</u>	<u>784,080</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	
	2015	2014
	RM'000	RM'000
(i) Transactions with associates		
Sale of goods	2,156	2,618
Purchase of goods	1,615	2,003
Service charges paid	1,081	1,705
Research and development services paid	<u>6,759</u>	<u>6,284</u>

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Notes to Interim Financial Report

(Continued)

		6 months ended	
		31 March	
		2015	2014
		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		
	Taiko Marketing (Singapore) Pte Ltd	985	2,143
	Taiko Marketing Sdn Bhd	2,191	2,042
	PT Satu Sembilan Delapan	1,991	-
	Siam Taiko Marketing Co Ltd	<u>1,240</u>	<u>838</u>
	Storage tanks rental received		
	Taiko Marketing Sdn Bhd	<u>1,377</u>	<u>1,461</u>
	Barge rental received		
	PT Satu Sembilan Delapan	<u>1,857</u>	<u>-</u>
	Purchases of goods		
	Borneo Taiko Clay Sdn Bhd	2,187	2,545
	Bukit Katho Estate Sdn Bhd	1,463	1,879
	Kampar Rubber & Tin Co Sdn Bhd	4,044	5,328
	Malay Rubber Plantations (M) Sdn Bhd	2,707	4,151
	PT Agro Makmur Abadi	35,272	35,848
	PT Safari Riau	14,628	14,625
	PT Satu Sembilan Delapan	40,703	35,416
	PT Taiko Persada Indoprima	3,897	7,751
	Taiko Drum Industries Sdn Bhd	1,246	1,521
	Taiko Fertiliser Marketing Sdn Bhd	1,805	20,412
	Taiko Marketing Sdn Bhd	<u>14,576</u>	<u>13,107</u>
	Rental of office paid		
	Batu Kawan Holdings Sdn Bhd	<u>1,813</u>	<u>1,540</u>
	Supply of contract labour and engineering works		
	K7 Engineering Sdn Bhd	<u>1,431</u>	<u>985</u>
(iii)	Transactions between subsidiaries and their non-controlling interest		
	Sale of goods		
	Mitsubishi Corporation	35,209	72,792
	Mitsui & Co Ltd	139,687	61,586
	Tejana Trading & Management Services Sdn Bhd	<u>1,037</u>	<u>3,294</u>

B Explanatory Notes as required by the BMSB Revised Listing Requirements**B1. Analysis of Performance****2nd Quarter FY2015 vs 2nd Quarter FY2014**

The Group for the current quarter reported a 30.1% reduction in pre-tax profit to RM296.5 million (2QFY2014: profit RM424.4 million) although revenue had improved 4.5% to RM3.065 billion (2QFY2014: RM2.934 billion). Comments on the business sectors are as follows:-

- (i) Plantations profit declined 45.3% to RM157.9 million (2QFY2014: profit RM288.5 million) which was affected by:-



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- Weaker commodity selling prices realised as follows:-

	<u>2QFY2015</u>	<u>2QFY2014</u>	<u>% Change</u>
Crude Palm Oil (RM/mt ex-mill)	2,212	2,499	(11.5)
Palm Kernel (RM/mt ex-mill)	1,607	1,742	(7.7)
Rubber (RM/kg net of cess)	6.89	8.21	(16.1)

- Lower productions of FFB and rubber.
- Increase in CPO production cost.

- (ii) Manufacturing sector's profit had fallen 54.8% to RM62.3 million (2QFY2014: profit RM137.7 million). Although revenue had increased slightly to RM1.507 billion (2QFY2014: RM1.494 billion), the profit for 2nd quarter was brought down by the following:-

- Fatty alcohol products prices were subdued by low petroleum prices which had made synthetic alcohol very competitive.
- Stronger CHF after the unpegging against Euro had generated a translation loss by an European subsidiary.
- Recognition of a lower unrealised gain of RM11.7 million (2QFY2014: unrealised gain RM39.1 million) from the changes in fair value on outstanding derivative contracts.

The oleochemical division contributed a 58.5% lower profit of RM56.5 million (2QFY2014: profit RM136.3 million) whilst the profit from other manufacturing units had increased to RM5.8 million (2QFY2014: profit RM1.4 million).

- (iii) Properties sector posted a much higher profit of RM28.9 million (2QFY2014: profit RM8.4 million) on the back of a higher revenue of RM42.7 million (2QFY2014: RM21.4 million). Profit from the development project in Bandar Seri Coalfields and surpluses generated from the sales of industrial and commercial land had contributed to this sector's profit.

- (iv) The current quarter's results had also recognised the following gains:-

- Realised forex gain derived from the repayment of USD advances by an overseas subsidiary to the Company.
- Surplus from deemed sale of a subsidiary.
- Surplus from acquisition of land by government.

Todate 2nd Quarter FY2015 vs Totate 2nd Quarter FY2014

The Group's profit before taxation for the period under review fell 26.3% to RM590.8 million (Todate 2QFY2014: profit RM802.2 million) whilst revenue increased 13.8% to RM6.180 billion (Todate 2QFY2014: RM5.428 billion). The performances of the business sectors are summarised below:-

- (i) Plantations' sector recorded a 26.6% decline in profit to RM399.9 million (Todate 2QFY2014: profit RM545.2 million) which was due to:-
- Lower selling prices of CPO, PK and rubber.
 - Decrease in FFB and rubber productions.
 - Higher production cost of CPO.

The average commodity selling prices realised were:-

	<u>Todate 2QFY2015</u>	<u>Todate 2QFY2014</u>	<u>% Change</u>
Crude Palm Oil (RM/mt ex-mill)	2,170	2,392	(9.3)
Palm Kernel (RM/mt ex-mill)	1,472	1,542	(4.5)
Rubber (RM/kg net of cess)	6.75	8.49	(20.5)

- (ii) Manufacturing sector's profit was significantly lower by 57.8% at RM91.8 million (Todate 2QFY2014: profit RM217.7 million) despite achieving a 5.9% improvement in revenue to RM2.925 billion (Todate 2QFY2014: RM2.763 billion). The performance was impacted by the following factors:-

- Fatty alcohol business affected by cheap petroleum prices which gave the cost edge to synthetic products.

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- Unpegging of CHF against Euro had resulted in a currency translation loss incurred by one of our European subsidiary.
- Unrealised loss of RM14.1 million (Todate 2QFY2014: unrealised gain RM7.2 million) from the changes in fair value on outstanding derivative contracts.

The oleochemical division's profit had dropped 59.5% to RM85.3 million (Todate 2QFY2014: profit RM210.8 million) and the other manufacturing units achieved a slightly lower profit of RM6.5 million (Todate 2QFY2014: profit RM6.9 million).

- (iii) Properties sector's profit improved almost 2-fold to RM42.8 million (Todate 2QFY2014: profit RM21.6 million). Revenue increased 48.6% to RM72.6 million (Todate 2QFY2014: RM48.9 million). Results include development profit from Bandar Seri Coalfields project in Sungai Buloh and surpluses from the sales of industrial and commercial land.
- (iv) The Group's results had also accounted for the following items:-
 - Realised forex gain from the repayment of USD advances by an overseas subsidiary to the Company.
 - Surplus from deemed disposal of a subsidiary.
 - Surplus from government acquisition of land.

B2. Variation of Results to Preceding Quarter**2nd Quarter FY2015 vs 1st Quarter FY2015**

The Group's pre-tax profit for the 2nd quarter was marginally lower at RM296.5 million (1QFY2015: profit RM294.3 million) with a slightly reduced revenue of RM3.065 billion (1QFY2015: RM3.114 billion).

Plantations profit at RM157.9 million was 34.8% below the preceding quarter's profit of RM242.1 million despite realising favourable average commodity selling prices as follows:-

	2QFY2015	1QFY2015	% Change
Crude Palm Oil (RM/mt ex-mill)	2,212	2,138	3.5
Palm Kernel (RM/mt ex-mill)	1,607	1,362	18.0
Rubber (RM/kg net of cess)	6.89	6.63	3.9

Results from this sector was impacted by:-

- Drop in FFB production.
- Increase in CPO production cost.
- Lower sales volume of commodities.
- Unrealised loss of RM1.1 million (1QFY2015: unrealised gain RM26.3 million) from the fair value changes on outstanding derivative contracts.

Manufacturing profits improved more than 2-fold to RM62.3 million (1QFY2015: profit RM29.5 million) which was attributed to:-

- Improved revenue by 6.3% to RM1.507 billion (1QFY2015: RM1.418 billion).
- Slight recovery of the fatty alcohol business with a lower amount of stocks write-down.
- Recognition of unrealised gain of RM11.7 million (1QFY2015: unrealised loss RM25.8 million) from the fair value changes on outstanding derivative contracts.

However, the favourable result was partly offset by a currency translation loss arising from the unpegging of the CHF against Euro during the quarter under review.

The oleochemical division's profit climbed 96.2% to RM56.5 million (1QFY2015: profit RM28.8 million) and the other manufacturing units registered a profit of RM5.8 million (1QFY2015: profit RM706,000).

Properties sector's profit had more than doubled to RM28.9 million (1QFY2015: profit RM13.9 million) which was achieved through a higher revenue of RM42.7 million (1QFY2015: RM29.9 million). Development profit from Bandar Seri Coalfields project and surpluses from the disposal of industrial and commercial land had contributed to the results of this sector.



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The results of the Group had also recognised the following gains:-

- Realised forex gain from the repayment of USD advances by an overseas subsidiary to the Company.
- Surplus from deemed disposal of a subsidiary.
- Surplus from government acquisition of land.

B3. Current Year Prospects

The global economy remains uncertain and with the current low palm oil prices trading in a narrow range between RM2,150/mt and RM2,250/mt, the current financial year's plantations profit is expected to be lower than that of the previous financial year.

The oleochemical division continues to face aggressive competition and challenges in its fatty alcohol and surfactant businesses which are affected by the low petroleum prices. However, with additional capacity arising from the new plants coming on-stream together with continuous drive for operational efficiencies and productivity improvement, this division anticipates a reasonable level of profit for the current financial year albeit lower than that of last financial year.

The Group's profit for the current financial year is anticipated to be lower than that of the previous 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	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
Malaysian taxation	37,470	51,103	87,483	107,841
Overseas taxation	21,677	24,813	45,326	48,290
	59,147	75,916	132,809	156,131
Deferred tax				
Origination and reversal of temporary differences	1,425	9,388	(5,739)	9,834
Under/(Over) provision in respect of previous years	7,749	(1,186)	8,025	(6,483)
	9,174	8,202	2,286	3,351
	68,321	84,118	135,095	159,482
Under provision in respect of previous years				
Malaysian taxation	-	1,184	256	782
Overseas taxation	1,043	1,997	996	2,298
	1,043	3,181	1,252	3,080
Total tax expense	69,364	87,299	136,347	162,562

The effective tax rate for the current quarter and financial year-to-date is lower than the statutory tax rate mainly due to non-taxable income.

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:-

	31 March 2015		30 September 2014	
	RM'000	Amount in Foreign Currency '000	RM'000	Amount in Foreign Currency '000
(a) Repayable within 12 months:-				
(i) Term Loans				
- Secured	819	Euro206	808	Euro195
- Unsecured	74,317	USD20,000	32,850	USD10,000
	-		6,268	
	74,317		39,118	
	<u>75,136</u>		<u>39,926</u>	
(ii) Bank Overdraft				
- Secured	469	Euro118	-	
- Unsecured	63,908	Euro16,072	30,923	Euro7,460
	<u>64,377</u>		<u>30,923</u>	
(iii) Short Term Borrowings				
- Unsecured	361,147	USD97,433	293,242	USD89,330
	19,050	CHF5,000	24,049	CHF7,000
	71,382	GBP13,000	79,802	GBP15,000
	203,010	Euro51,055	276,668	Euro66,749
	<u>523,266</u>		<u>349,563</u>	
	<u>1,177,855</u>		<u>1,023,324</u>	
Total repayable within 12 months	<u>1,317,368</u>		<u>1,094,173</u>	
(b) Repayable after 12 months:-				
(i) Term Loans				
- Secured	1,427	Euro359	1,944	Euro469
- Unsecured	79,526	Euro20,000	82,898	Euro20,000
	111,476	USD30,000	131,401	USD40,000
	<u>300,000</u>		<u>300,000</u>	
	<u>491,002</u>		<u>514,299</u>	
	492,429		516,243	
(ii) Islamic Medium Term Notes				
- Unsecured	<u>1,300,000</u>		<u>1,300,000</u>	
Total repayable after 12 months	<u>1,792,429</u>		<u>1,816,243</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.



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As at 31 March 2015, the values and maturity analysis of the outstanding derivatives are as follows:-

<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	(963,244)	(24,270)
- 1 year to 3 years	-	-
- More than 3 years	-	-
(ii) Commodity futures contracts		
- Less than 1 year	(245,616)	45,060
- 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 2015, 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 (2014: 15 sen) per share has been declared by the Directors in respect of the financial year ending 30 September 2015 and will be paid on 11 August 2015 to shareholders registered on the Company's Register of Members as at 20 July 2015.

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

- Shares deposited into the Depositor's securities account before 12.30 p.m. on 15 July 2015 in respect of shares which are exempted from mandatory deposit;
 - Shares transferred into the Depositor's securities account before 4.00 p.m. on 20 July 2015 in respect of transfers; and
 - Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.
- (b) The total dividend for the current financial year to-date is single tier dividend of 15 sen (2014: 15 sen) per share.



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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	
	2015	2014	2015	2014
(a) Net profit for the period attributable to equity holders of the Company (RM'000)	<u>222,539</u>	<u>314,605</u>	<u>436,740</u>	<u>607,289</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>20.9</u>	<u>29.5</u>	<u>41.0</u>	<u>57.0</u>

B13. Audit Report

The audit report for the financial year ended 30 September 2014 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		6 months ended	
	31 March		31 March	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Interest income	(11,192)	(8,792)	(19,183)	(17,478)
Other income including dividend income	(61,765)	(10,431)	(82,802)	(44,469)
Interest expense	23,383	19,622	47,681	40,664
Depreciation and amortisation	95,947	82,375	189,236	158,607
Provision for and write-off of receivables	(687)	1,604	(1,262)	3,016
Provision for and write-off of inventories	707	5,271	11,248	4,686
Surplus on disposal of quoted or unquoted investments	(1,484)	(1,045)	(2,179)	(10,959)
Surplus on disposal of land	(7,639)	(447)	(8,351)	(988)
Surplus arising from government acquisition of land	(10,702)	(249)	(13,061)	(1,592)
Surplus on deemed disposal of a subsidiary	(12,266)	-	(12,266)	-
Impairment of property, plant and equipment	-	-	-	-
Foreign exchange (gain)/loss	(10,415)	6,765	(30,678)	9,219
(Gain)/Loss on derivatives	(3,493)	(38,718)	25,994	7,760
Exceptional items	-	-	-	-



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B15. Breakdown of Realised and Unrealised Profits or Losses

	31 March 2015	30 September 2014
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries		
- realised	6,275,059	6,240,146
- unrealised	(66,572)	(182,637)
	<u>6,208,487</u>	<u>6,057,509</u>
Total share of retained profits from associates		
- realised	59,309	61,452
- unrealised	24	32
	<u>59,333</u>	<u>61,484</u>
Total share of (accumulated loss)/retained profits from a joint venture		
- realised	(9,238)	-
- unrealised	6,587	-
	<u>(2,651)</u>	<u>-</u>
	6,265,169	6,118,993
Consolidation adjustments	(590,324)	(452,658)
Total group retained profits as per consolidated accounts	<u>5,674,845</u>	<u>5,666,335</u>

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

20 May 2015