



KUALA LUMPUR KEPONG BERHAD

(15043-V)

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KUALA LUMPUR KEPONG BERHAD (“KLK” OR “THE COMPANY”) – ACQUISITION OF A SUBSIDIARY: COLLINGWOOD PLANTATIONS PTE LTD (“ACQUISITION”)

BACKGROUND

Pursuant to paragraph 9.03 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, we wish to update our earlier announcements dated 4 October and 21 December 2012 wherein we had confirmed the completion of the above Acquisition.

To recap, KLK and its holding company, Batu Kawan Berhad (“BKB”) had acquired a 51% and 18% equity interest respectively in Collingwood Plantations Pte Ltd (“CPPL”) from Mr. Hii Eii Sing (“the Vendor”) in December 2012. CPPL, has a wholly-owned PNG-incorporated subsidiary called Ang Agro Forest Management Ltd (“ANG”). ANG has registered rights over the following pieces of land in PNG (“the PNG Land”) totalling 44,342 ha, namely:

- a 99-year State Lease over 5,992 ha in the town/Fourmil of Tufi, Section/Milinch Murua in Oro Province, expiring on 6 April 2110 (“Portion 5 State Land”);
- a 49-year **sublease** over 21,520 ha of land held under a **Special Agricultural & Business Lease (“SABL”)** in the town/Fourmil of Tufi in Northern Province, expiring on 8 August 2061 (“Portion 113C”); and
- a 49-year **sublease** over 16,830 ha of land held under a SABL, in the town/Fourmil of Tufi in Northern Province, expiring on 8 August 2061 (“Portion 143C”).

The PNG Land is located in an area known as Collingwood Bay, in the Northern Oro province, across the Owen Stanley Mountain Range from Port Moresby. Large parts of the PNG Land are grassland.

The SABL Titles over Portions 113C and 143C were issued by the PNG Government to Sibom Management Limited (“Sibo”) and Wanigela Agro Industrial Limited (“Wanigela”) respectively. Sibom and Wanigela are the umbrella landowner group companies which represent the customary owners of the land. Prior to the Acquisition, Sibom and Wanigela had subleased their SABLs to ANG in August 2012.

NGO SCRUTINY AND COURT CASE

However, certain organisations such as Oro Community Environmental Action Network (“OCEAN”), Rainforest Action Network (“RAN”) and Greenpeace have subsequently raised claims that the PNG Government had failed to obtain the consent of the customary landowners of Portions 113C and 143C prior to the issuance of the SABLs, such consent being a mandatory requirement of the SABL process.

Led and supported by NGOs, a group of people claiming to be the clan leaders/owners of Portions 113C and 143C (“the Plaintiffs”) had in December 2013, obtained an interim injunction in the PNG National Court, against the PNG Government, Sibom and Wanigela (collectively “the Defendants”), restraining the entry or conduct of any activities on Portions 113C and 143C. The interim injunction was given pending the hearing of the Plaintiffs’ application for a judicial review of the PNG Government’s decision to issue the SABLs to Sibom and Wanigela.

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Pending such hearing, ANG, a subsidiary of KLK which holds the SABL subleases over Portions 113C and 143C, had applied to be joined as a defendant, as it was an interested party which would be affected by the Court's decision. ANG, together with Sibon and Wanigela had attempted to persuade the PNG Government, being the First Defendant, to defend the suit effectively.

However, the PNG Government has chosen not to defend the suit and therefore the parties to the suit have, on 21 May 2014, entered into a Consent Order resulting in the SABLs over Portions 113C and 143C (and consequently the subleases to ANG) being quashed.

KLK has, in its various public defences against the NGO claims, stated that it will abide by any Court decision (whether or not in our favour). Therefore, consistent with our stance on the matter, KLK will comply with the terms of the Consent Order.

KLK remains committed to transparency and supports the right of PNG landowners and the local community to self-determination. KLK recognises the fact that without the acceptance and co-operation of the customary landowners of Portions 113C and 143C, there will be no end to challenges over KLK's right to operate in Collingwood Bay.

CURRENT POSITION

Portion 5 State Land remains unaffected by the Court Case and Consent Order as it is not customary land, and was leased directly from the PNG Government. Portion 5 is adjacent to Portion 113C.

The Purchase Price for KLK and BKB's respective 51% and 18% interest in CPPL was USD7.8 million and USD2.8 million respectively (after adjustment for net current liabilities). In view of the queries raised on the SABLs, KLK and BKB did not pay the Vendor in full at the time of the Acquisition, having each paid USD3.6 million and USD1.3 million respectively towards the Purchase Price.

KLK and BKB will take steps to recover a proportionate amount of the Purchase Price from the Vendor, taking into consideration that Portion 5 State Land will not be affected by the quashing of the SABLs.