

BATU KAWAN BERHAD

(6292-U)
(Incorporated in Malaysia)

**Interim Financial Report
For the third quarter ended 30 June 2012**

Interim Financial Report for the third quarter ended 30 June 2012

(The figures have not been audited)

Condensed Consolidated Income Statement

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June		9 months ended 30 June	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Revenue	82,500	72,941	249,834	208,887
Operating expenses	(73,711)	(60,620)	(215,210)	(173,800)
Other operating income	5,941	1,240	13,024	4,977
Finance cost	(320)	(210)	(1,042)	(947)
Share of results of associates	108,519	201,473	367,234	517,200
Profit before tax	122,929	214,824	413,840	556,317
Income tax expense	(2,640)	(2,562)	(10,537)	(8,798)
NET PROFIT FOR THE PERIOD	120,289	212,262	403,303	547,519
Profit attributable to:				
Owners of the Company	119,090	210,537	399,335	543,506
Non-controlling interests	1,199	1,725	3,968	4,013
	120,289	212,262	403,303	547,519
Earnings per share for profit attributable to owners of the Company (sen)				
Basic	28.57	50.33	95.80	129.92
Diluted	Not applicable	Not applicable	Not applicable	Not applicable

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

Interim Financial Report for the third quarter ended 30 June 2012

(The figures have not been audited)

Condensed Consolidated Statement of Comprehensive Income

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June		9 months ended 30 June	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Net profit for the period	120,289	212,262	403,303	547,519
Other comprehensive income/(loss)				
Net fair value gain on available-for-sale investments	(171)	324	597	326
Foreign currency translation differences	735	1,159	(7,478)	3,806
Share of other comprehensive income of associates	(147,499)	75,180	(88,482)	133,359
Other comprehensive income/(loss) for the period, net of tax	(146,935)	76,663	(95,363)	137,491
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	(26,646)	288,925	307,940	685,010
Total comprehensive income/(loss) attributable to:				
Owners of the Company	(27,857)	287,193	304,017	680,977
Non-controlling interests	1,211	1,732	3,923	4,033
	(26,646)	288,925	307,940	685,010

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

Interim Financial Report for the third quarter ended 30 June 2012

(The figures have not been audited)

Condensed Consolidated Statement of Financial Position

	At 30 June 2012	At 30 September 2011
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	226,670	216,923
Investment properties	54,140	55,410
Land use rights	4,066	4,381
Biological assets	59,180	61,512
Intangible asset	12,167	12,356
Investment in associates	3,010,934	3,153,699
Other investments	20,460	18,668
Deferred tax assets	456	1,535
Other receivables	29,808	27,753
	<u>3,417,881</u>	<u>3,552,237</u>
Current assets		
Inventories	44,253	34,882
Trade and other receivables	171,444	75,811
Tax recoverable	589	3,021
Derivative assets	-	31
Short term trust funds	61,113	53,295
Term deposits	33,010	29,250
Cash and bank balances	47,339	68,195
	<u>357,748</u>	<u>264,485</u>
TOTAL ASSETS	<u>3,775,629</u>	<u>3,816,722</u>

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

Interim Financial Report for the third quarter ended 30 June 2012
(The figures have not been audited)

Condensed Consolidated Statement of Financial Position

	At 30 June 2012	At 30 September 2011
	RM'000	RM'000
EQUITY AND LIABILITIES		
Current liabilities		
Trade and other payables	30,961	40,143
Provision for retirement benefits	118	182
Dividends payable	62,527	-
Taxation	387	1
Loans and borrowings	8,000	8,000
Derivative liabilities	61	-
	<u>102,054</u>	<u>48,326</u>
Net current assets	<u>255,694</u>	<u>216,159</u>
Non-current liabilities		
Provision for retirement benefits	3,630	3,355
Deferred tax liabilities	9,579	3,525
Loans and borrowings	19,651	27,651
	<u>32,860</u>	<u>34,531</u>
Total liabilities	<u>134,914</u>	<u>82,857</u>
Net assets	<u>3,640,715</u>	<u>3,733,865</u>
Equity attributable to owners of the Company		
Share capital	435,951	435,951
Treasury shares	(183,824)	(182,218)
Reserves	3,323,992	3,415,981
	<u>3,576,119</u>	<u>3,669,714</u>
Non-controlling interests	64,596	64,151
Total equity	<u>3,640,715</u>	<u>3,733,865</u>
TOTAL EQUITY AND LIABILITIES	<u>3,775,629</u>	<u>3,816,722</u>
Net assets per share attributable to owners of the Company (RM)	8.58	8.80

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

Interim Financial Report for the third quarter ended 30 June 2012

(The figures have not been audited)

Condensed Consolidated Statement of Changes in Equity

	← Attributable to Owners of the Company →								Total	Non-controlling interests	Total equity
	← Non-distributable →				← Distributable →						
	Share capital	Treasury shares	Revaluation reserve	Capital reserve*	Exchange fluctuation reserve	Fair value reserve	General reserve	Retained earnings			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 October 2011	435,951	(182,218)	706	520,265	(123)	(695)	87,837	2,807,991	3,669,714	64,151	3,733,865
Total comprehensive income for the period	-	-	-	(9,036)	(7,433)	597	(79,446)	399,335	304,017	3,923	307,940
Transaction with owners:											
Share buy back	-	(1,606)	-	-	-	-	-	-	(1,606)	-	(1,606)
Acquisition of minority interests	-	-	-	-	-	-	-	-	-	(154)	(154)
Dividends paid	-	-	-	-	-	-	-	(333,479)	(333,479)	-	(333,479)
Dividends payable	-	-	-	-	-	-	-	(62,527)	(62,527)	-	(62,527)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(3,324)	(3,324)
Transfer of reserves	-	-	-	-	-	-	-	-	-	-	-
	-	(1,606)	-	-	-	-	-	(396,006)	(397,612)	(3,478)	(401,090)
At 30 June 2012	435,951	(183,824)	706	511,229	(7,556)	(98)	8,391	2,811,320	3,576,119	64,596	3,640,715

* Included in Capital Reserve is RM240,156,000 which is distributable.

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

Interim Financial Report for the third quarter ended 30 June 2012

(The figures have not been audited)

Condensed Consolidated Statement of Changes in Equity

	← Attributable to Owners of the Company →								← Total →	Non-controlling interests	Total equity
	← Non-distributable →				← Distributable →						
	Share capital	Treasury shares	Revaluation reserve	Capital reserve*	Exchange fluctuation reserve	Fair value reserve	General reserve	Retained earnings			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 October 2010											
As previously reported	435,951	(146,619)	708	520,105	(4,625)	-	25,100	2,299,954	3,130,574	58,407	3,188,981
Effects of adopting FRS139	-	-	-	-	-	(6,029)	10,979	6,438	11,388	-	11,388
As restated	435,951	(146,619)	708	520,105	(4,625)	(6,029)	36,079	2,306,392	3,141,962	58,407	3,200,369
Total comprehensive income for the period	-	-	-	100	3,786	326	133,259	543,506	680,977	4,033	685,010
Transaction with owners:											
Share buy back	-	(24,562)	-	-	-	-	-	-	(24,562)	-	(24,562)
Dividends paid	-	-	-	-	-	-	-	(209,201)	(209,201)	-	(209,201)
Dividends payable	-	-	-	-	-	-	-	(62,649)	(62,649)	(410)	(63,059)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(1,722)	(1,722)
Transfer of reserves	-	-	(2)	-	-	-	-	2	-	-	-
	-	(24,562)	(2)	-	-	-	-	(271,848)	(296,412)	(2,132)	(298,544)
At 30 June 2011	435,951	(171,181)	706	520,205	(839)	(5,703)	169,338	2,578,050	3,526,527	60,308	3,586,835

* Included in Capital Reserve is RM249,133,000 which is distributable.

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

Interim Financial Report for the third quarter ended 30 June 2012
(The figures have not been audited)

Condensed Consolidated Statement of Cash Flows

	9 months ended 30 June	
	2012	2011
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	413,840	556,317
Adjustments for:		
Non-cash items	25,164	17,996
Non-operating items	(369,933)	(522,737)
Operating cash flows before changes in working capital	69,071	51,576
Changes in working capital		
Net change in receivables	(22,161)	(12,014)
Net change in other current assets	(9,629)	(8,563)
Net change in payables	(9,509)	(60)
Cash flows from operations	27,772	30,939
Interest received	887	809
Interest paid	(1,042)	(961)
Tax paid	58	(3,437)
Retirement benefits paid	(326)	(128)
Net cash flows from operating activities	27,349	27,222
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	29	326
Compensation from government acquisition of land	-	300
Share buy back	(1,606)	(24,562)
Purchase of property, plant and equipment	(31,413)	(65,886)
Purchase of shares from non-controlling interests	(144)	-
Purchase of other investments	(1,195)	-
Subsequent expenditure on investment property	(70)	11
Land use rights	(10)	-
Additions to biological assets	(2,259)	(3,668)
Dividends received	348,253	227,071
Net cash flows from investing activities	311,585	133,592

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

Interim Financial Report for the third quarter ended 30 June 2012
(The figures have not been audited)

Condensed Consolidated Statement of Cash Flows

	9 months ended 30 June	
	2012	2011
	RM'000	RM'000
Cash flows from financing activities		
Dividends paid to shareholders of the Company	(333,479)	(209,201)
Dividends paid to non-controlling interests	(3,324)	(1,722)
Repayment of term loans	(8,000)	(8,000)
Increase in other receivables	(2,967)	(4,440)
Proceeds from term loan	-	12,082
Net cash flows used in financing activities	(347,770)	(211,281)
Net decrease in cash and cash equivalents	(8,836)	(50,467)
Effects of exchange rate changes	(442)	(52)
Cash and cash equivalents at 1 October	150,740	205,768
Cash and cash equivalents at 30 June	141,462	155,249

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

Interim Financial Report for the third quarter ended 30 June 2012

(The figures have not been audited)

Notes to Interim Financial Report

A. Explanatory Notes as required by Financial Reporting Standard (“FRS”) 134

A1. Statement of compliance

The interim financial report is unaudited and has been prepared in compliance with FRS 134 - Interim Financial Reporting and paragraph 9.22 of the Bursa Malaysia Securities Berhad’s (“Bursa Securities”) Main Market Listing Requirements.

A2. Accounting policies

The Interim Financial Report should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 September 2011. The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements for the year ended 30 September 2011 except for the adoption of the following new and amended FRSs and IC Interpretations that are mandatory for the Group for the financial year beginning 1 October 2011:

- Effective for financial periods beginning on or after 31 December 2010:
TR 3 Guidance on Disclosure of Transition to IFRSs
- Effective for financial periods beginning on or after 1 January 2011:
Amendments to FRS 1 Limited Exemption from Comparative FRS 7 Disclosure for First-time Adopters
Amendments to FRS 1 Additional Exemptions for First-time Adopters
Amendments to FRS 2 Group Cash-Settled Share-based Payment Transactions
Amendments to FRS 7 Improving Disclosures about Financial Instruments
IC Interpretation 4 Determining whether an Arrangement contains a Lease
IC Interpretation 18 Transfer of Assets from Customers
TR i-4 Shariah Compliant Sale Contracts
Improvements to FRS issued in 2010
- Effective for financial periods beginning on or after 1 July 2011:
Amendments to IC Interpretation 14 Prepayments of a Minimum Funding Requirement
IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instrument

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

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

A3. Seasonal and cyclical operations

The Group’s operations are affected to the extent that the operations of its plantation associate, Kuala Lumpur Kepong Berhad (“KLK”), are influenced by seasonal crop production, fluctuations in commodity prices and impact of seasonal sales for its retailing operations.

A4. 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.

A5. Material changes in estimates

There were no material changes in the estimates of amounts reported in prior interim period of the current and prior financial year.

Interim Financial Report for the third quarter ended 30 June 2012

(The figures have not been audited)

A6. Issuance and repayment of debt and equity securities

There were no issuances and repayments of debt securities, share buy backs, share cancellations or resale of treasury shares for the financial year to-date except for share buy back of 100,900 in the Company from the open market. The average price paid for the shares repurchased was RM15.85 per share and the total consideration paid, including transaction costs, was RM1,605,661. The shares bought back were financed by internally generated funds and held as treasury shares.

A7. Dividends paid

	9 months ended 30 June	
	2012 RM'000	2011 RM'000
Dividends proposed in financial year ("FY") 2011, paid in FY 2012:		
Final 80 sen per share single tier	333,479	-
Dividends proposed in FY 2010, paid in FY 2011:		
Final 50 sen per share single tier	-	209,201
	<u>333,479</u>	<u>209,201</u>

A8. 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

	Investment Holding	Chemicals	Investment Property	Plantations	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
9 months ended 30 June 2012						
Revenue						
External revenue	1,432	215,607	4,670	28,125	-	249,834
Inter-segment revenue	16,430	-	-	-	(16,430)	-
Total revenue	<u>17,862</u>	<u>215,607</u>	<u>4,670</u>	<u>28,125</u>	<u>(16,430)</u>	<u>249,834</u>
Results						
Operating results	15,856	31,644	2,500	14,078	(16,430)	47,648
Finance cost	-	(372)	(670)	(6,792)	6,792	(1,042)
Share of results of associates	367,388	(154)	-	-	-	367,234
Segment results	<u>383,244</u>	<u>31,118</u>	<u>1,830</u>	<u>7,286</u>	<u>(9,638)</u>	<u>413,840</u>
Profit before tax						<u>413,840</u>

Interim Financial Report for the third quarter ended 30 June 2012

(The figures have not been audited)

	Investment Holding	Chemicals	Investment Property	Plantations	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
9 months ended 30 June 2011						
Revenue						
External revenue	3,844	181,136	3,162	20,745	-	208,887
Inter-segment revenue	15,934	-	-	-	(15,934)	-
Total revenue	19,778	181,136	3,162	20,745	(15,934)	208,887
Results						
Operating results	17,920	28,031	998	9,049	(15,934)	40,064
Finance cost	-	-	(947)	(6,231)	6,231	(947)
Share of results of associates	517,244	(44)	-	-	-	517,200
Segment results	535,164	27,987	51	2,818	(9,703)	556,317
Profit before tax						556,317

b) Segment assets

	Investment Holding	Chemicals	Investment Property	Plantations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
At 30 June 2012					
Operating assets	194,081	378,270	54,999	136,299	763,649
Associates	3,009,489	1,446	-	-	3,010,935
Segment assets	3,203,570	379,716	54,999	136,299	3,774,584
Tax assets					1,045
Total assets					3,775,629
At 30 June 2011					
Operating assets	119,669	345,437	56,654	110,275	632,035
Associates	3,093,442	1,693	-	-	3,095,135
Segment assets	3,213,111	347,130	56,654	110,275	3,727,170
Tax assets					3,179
Total assets					3,730,349

A9. Material events subsequent to end of period

In the interval between the end of the reporting period and this report date, no material events have arisen which have not been reflected in the financial statements for the said period.

A10. Changes in composition of the Group

During the current quarter and financial year to-date, there were no changes to the composition of the Group, except for the Group's shareholding in Malay-Sino Chemical Industries Sdn Bhd increased to 85.58% from 85.52%.

There were no material effects on the results of the Group arising from the above changes for the current quarter and financial year to-date.

Interim Financial Report for the third quarter ended 30 June 2012

(The figures have not been audited)

A11. Changes in contingent liabilities and contingent assets

There were no material contingent liabilities or contingent assets since the date of the last annual financial statements for the year ended 30 September 2011.

A12. Capital commitments

At the end of the reporting period, the Group's capital commitments were as follows:

	At 30 June 2012 RM'000	At 30 September 2011 RM'000
Authorised and contracted for:		
Property, plant and equipment	41,714	19,038
Authorised but not contracted for:		
Property, plant and equipment	76,305	76,494
Total capital commitments	118,019	95,532

A13. Significant Related Party Transactions

The following significant related party transactions of the Group have been entered into in the ordinary course of business at prices mutually agreed upon between the parties on terms not more favourably to the related party than those generally available to the public and are not detrimental to the non-controlling interests of the Company:

	Cumulative Quarter 9 months ended 30 June	
	2012 RM'000	2011 RM'000
a) Transactions with associates and their related companies:		
Sales of finished goods to:		
BASF See Sen Sdn Bhd	1,695	2,117
Rental income of premises from:		
KL-Kepong Industrial Holdings Sdn Bhd	785	783
Kuala Lumpur Kepong Berhad	779	779
Sales of fresh fruit bunches to:		
PT Hutan Hijau Mas	26,593	19,418
b) Transactions with other related parties being companies in which persons connected with certain Directors have significant interests:		
Purchase of raw materials and finished goods from:		
Taiko Marketing Sdn Bhd	3,446	3,641
Taiko Marketing (S) Pte Ltd	18,594	11,283
Freight income earned from:		
Taiko Marketing Sdn Bhd	935	1,218
Sales of indirect materials and finished goods to:		
Taiko Marketing Sdn Bhd	127,485	96,515
Taiko Marketing (S) Pte Ltd	394	2,720
Chlor-Al Chemical Pte Ltd	17,173	14,371
Premier Bleaching Earth Sdn Bhd	4,096	3,466
Taiko Acid Works Sdn Bhd	2,380	-
Sales commissions charged by:		
Taiko Marketing Sdn Bhd	986	761

Interim Financial Report for the third quarter ended 30 June 2012

(The figures have not been audited)

B. Explanatory Notes as required by the Bursa Securities' Listing Requirements

B1. Detailed analysis of performance

3rd Quarter FY 2012 vs 3rd Quarter FY 2011

The Group revenue for the current quarter under review was RM82.5 million, 13% higher than RM72.9 million in the corresponding quarter last year. All segments reported higher revenues except for Investment Holding. However, Group profit before tax dropped 43% to RM122.9 million (2011: RM214.8 million) mainly affected by lower profit contribution from our plantation associate, KLK.

After equity accounting of KLK's results, profit before tax from **Investment Holding** was RM111.6 million, 46% lower (2011: RM205.0 million), mainly due to KLK's lower profit contribution affected by lower commodity selling prices and lower FFB production.

Chemicals sector reported a 14% increase in revenue to RM74.3 million from RM64.9 million contributed by higher sales volumes and higher products' selling prices. Profit before tax was higher at RM11.8 million (2011: RM11.0 million) which benefited from a RM5.0 million (2011: Nil) non-fulfillment of chemical off-takes compensation claim against a customer.

Investment Property sector's revenue was RM1.6 million, 33% higher compared to the RM1.2 million reported last corresponding quarter, due to higher occupancy rate which resulted in a profit before tax of RM635,000 (2011: RM93,000).

Our Indonesian **Plantations'** subsidiary recorded revenue of RM6.1 million, similar to last corresponding period despite higher FFB crop harvested (2012: 10,440 mt vs 2011: 9,638 mt) from an increased mature area of 3,087 ha (2011: 2,516 ha) as FFB price was 7% lower. Hence, a higher loss of RM1.1 million (2011: RM382,000 loss) was reported due to a 7% increase in FFB cost.

Todate 3rd Quarter FY 2012 vs Todate 3rd Quarter FY 2011

For the current period, Group profit before tax was RM413.8 million, 26% lower than the RM556.3 million reported last year, despite a 20% increase in revenue. All segments reported higher profits except for Investment Holding.

Revenue from **Investment Holding** was lower at RM17.9 million (2011: RM19.8 million) due to reduced surplus cash invested in short term trust funds and lower dividend income. Profit before tax, after equity accounting of KLK's results, was RM383.2 million (2011: RM535.2 million), decreased 28% due to KLK's lower profit from lower commodity selling prices and lower FFB production.

Chemicals sector's revenue was RM215.6 million, 19% higher than the RM181.1 million reported last corresponding period, from higher sales volumes and higher products' selling prices which resulted in a higher profit before tax at RM31.1 million (2011: RM28.0 million). The current period's profit also benefited from a RM10.2 million (2011: Nil) compensation claim against a customer for deferred deliveries and non-fulfillment of chemical off-takes.

Profit before tax of **Investment Property** sector rose to RM1.8 million (2011: RM51,000) resulting from higher revenue at RM4.7 million (2011: RM3.2 million), contributed by increase in occupancy rate.

Revenue of our Indonesian **Plantations'** subsidiary improved 36% to RM28.1 million (2011: RM20.7 million) due to higher FFB crop harvested (2012: 46,118 mt vs 2011: 31,787 mt) from an increased mature area of 3,087 ha (2011: 2,516 ha). Accordingly, profit before tax increased 161% to RM7.3 million from RM2.8 million last corresponding period.

B2. Comparison of current quarter's results to the preceding quarter

Pre-tax profit for the current quarter was RM122.9 million, 4% higher than the RM118.0 million reported in the preceding quarter. This was mainly due to our plantation associate's (KLK) marginally higher after-tax profit.

Interim Financial Report for the third quarter ended 30 June 2012

(The figures have not been audited)

B3. Current year's prospects

Notwithstanding the lower profit from our plantation associate, Kuala Lumpur Kepong Berhad, the Group's profit for the financial year ending 30 September 2012 is expected to be reasonably satisfactory.

Profit from Chemicals sector is expected to be sustained due to expected growth in sales volumes despite higher production costs.

B4. Variance of actual profit from forecast profit

The Group did not issue any forecast profit or profit guarantee for the quarter ended 30 June 2012.

B5. Income tax expense

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June		9 months ended 30 June	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Current tax				
Malaysian income tax	780	2,534	3,481	7,501
Foreign income tax	224	218	679	623
	1,004	2,752	4,160	8,124
Deferred tax				
Relating to origination and reversal of temporary differences	2,352	(171)	7,093	739
	2,352	(171)	7,093	739
Over provision in respect of previous years				
Malaysian income tax	(716)	(19)	(716)	(65)
	(716)	(19)	(716)	(65)
	2,640	2,562	10,537	8,798

The effective tax rate for the current quarter and financial year to-date is slightly lower than the statutory tax rate mainly due to the Company's tax exempt income and availability of tax incentives for certain subsidiaries.

B6. Status of corporate proposals

No announced corporate proposals are outstanding.

Interim Financial Report for the third quarter ended 30 June 2012

(The figures have not been audited)

B7. Group borrowings

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

	At 30 June 2012	At 30 September 2011
	RM'000	RM'000
Repayable within 12 months:		
Secured term loans	8,000	8,000
Repayable after 12 months:		
Secured term loans	7,569	15,569
Unsecured term loan	12,082	12,082
	<u>19,651</u>	<u>27,651</u>
Total Group borrowings	<u>27,651</u>	<u>35,651</u>

As at the end of the reporting period, the Group does not have any borrowings or debt securities denominated in foreign currency.

B8. Derivative financial instruments

The Group has entered into forward foreign exchange contracts 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.

As at 30 June 2012, the values and maturity analysis of the outstanding forward foreign exchange contracts of the Group are as follows:

	Contract / Notional Value	Fair value Net losses
	RM'000	RM'000
Outstanding forward foreign exchange contracts:		
Less than 1 year	3,566	(61)

With the adoption of FRS139, derivative financial instruments are recognised at fair value on contract dates and 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 2012, there have been no significant changes to the Group's exposure to credit risk, market risk and liquidity risk from the previous financial year. Since the previous financial year, there have been no changes to the Group's risk management objectives, policies and processes.

B9. Fair value changes of financial liabilities

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

Interim Financial Report for the third quarter ended 30 June 2012

(The figures have not been audited)

B10. Breakdown of realised and unrealised profits or losses

	At 30 June 2012	At 30 September 2011
	RM'000	RM'000
Total retained profits of Batu Kawan Berhad and its subsidiaries:		
- Realised	699,817	716,623
- Unrealised	(8,007)	(1,695)
	<u>691,810</u>	<u>714,928</u>
Total share of retained profits from associates:		
- Realised	2,183,370	2,134,832
- Unrealised	(19,477)	8,805
	<u>2,163,893</u>	<u>2,143,637</u>
Less: Consolidation adjustments	(44,383)	(50,574)
Total group retained profits as per consolidated accounts	<u>2,811,320</u>	<u>2,807,991</u>

B11. Material Litigation

The BKB Group is not engaged in any material litigation either as plaintiff or defendant and the Directors of BKB do not know of any proceedings, pending or threatened against the BKB Group or of any fact likely to give rise to any proceedings which might materially affect the position or business of the BKB Group.

B12. Dividend

a) The Directors do not recommend the payment of any dividend for the quarter ended 30 June 2012.

An interim single tier dividend of 15 sen per share (2011: interim single tier dividend of 15 sen per share) was declared by the Directors on 24 May 2012 and was paid on 10 August 2012.

b) The total dividend for the current financial year to-date is single tier dividend of 15 sen per share (2011: single tier dividend of 15 sen per share).

B13. Earnings Per Share

Basic earnings per share

The earnings per share is calculated by dividing the net profit for the period attributable to owners 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	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Net profit for the period attributable to owners of the Company (RM'000)	119,090	210,537	399,335	543,506
Weighted average number of shares ('000)	416,861	418,333	416,861	418,333
Earnings per share (sen)	28.57	50.33	95.80	129.92

Interim Financial Report for the third quarter ended 30 June 2012

(The figures have not been audited)

B14. Audit report of preceding annual financial statements

The auditors' report on the financial statements for the year ended 30 September 2011 was not subject to any qualifications.

B15. Notes to the Condensed Consolidated Income Statement

Total comprehensive income for the period is arrived at after charging/(crediting) the following items:

	Individual Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	30 June		30 June	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Interest income	(821)	(798)	(2,565)	(2,079)
Dividend income	(523)	(814)	(1,122)	(3,918)
Other income	(5,941)	(1,240)	(13,024)	(4,977)
Interest expense	320	210	1,042	947
Depreciation and amortisation	7,468	5,744	23,591	16,637
Provision for and write-off of receivables	-	-	-	-
Provision for and write-off of inventories	-	-	-	-
(Gain)/loss on disposal of quoted or unquoted investment	-	-	-	-
(Gain)/loss on disposal of properties	-	(300)	-	(407)
Impairment of assets	-	-	-	-
Foreign exchange (gain)/loss	(1,373)	(45)	(722)	3
(Gain)/loss on derivatives	77	41	95	95
Exceptional items	-	-	-	-

By Order of the Board

CHONG SEE TECK
MD SHAIZATUL AZAM
Company Secretaries

29 August 2012