

BATU KAWAN BERHAD

(6292-U)
(Incorporated in Malaysia)

**Interim Financial Report
For the second quarter ended 31 March 2013**

Interim Financial Report for the second quarter ended 31 March 2013

(The figures have not been audited)

Condensed Consolidated Income Statement

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 March		6 months ended 31 March	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Revenue	83,800	83,053	174,097	167,334
Operating expenses	(73,311)	(68,684)	(147,165)	(141,499)
Other operating income	6,845	3,871	14,817	7,083
Finance cost	(520)	(351)	(954)	(722)
Share of results of associates	97,668	100,063	219,167	258,715
Profit before tax	114,482	117,952	259,962	290,911
Income tax expense	(3,643)	(4,357)	(8,159)	(7,897)
NET PROFIT FOR THE PERIOD	110,839	113,595	251,803	283,014
Profit attributable to:				
Owners of the Company	108,918	112,060	247,811	280,245
Non-controlling interests	1,921	1,535	3,992	2,769
	110,839	113,595	251,803	283,014
Earnings per share for profit attributable to owners of the Company (sen)				
Basic	26.2	26.9	59.6	67.2
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 2012.

Interim Financial Report for the second quarter ended 31 March 2013

(The figures have not been audited)

Condensed Consolidated Statement of Comprehensive Income

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 March		6 months ended 31 March	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Net profit for the period	110,839	113,595	251,803	283,014
Other comprehensive income/(loss) that will be reclassified subsequently to profit or loss				
Net fair value gain/(loss) on available-for-sale investments	(575)	1,252	693	768
Foreign currency translation differences	391	(5,139)	(439)	(8,213)
Share of other comprehensive income of associates	22,962	90,690	62,987	59,017
Total other comprehensive income for the period, net of tax	22,778	86,803	63,241	51,572
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	133,617	200,398	315,044	334,586
Total comprehensive income attributable to:				
Owners of the Company	131,693	198,902	311,055	331,874
Non-controlling interests	1,924	1,496	3,989	2,712
	133,617	200,398	315,044	334,586

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Report for the year ended 30 September 2012.

Interim Financial Report for the second quarter ended 31 March 2013

(The figures have not been audited)

Condensed Consolidated Statement of Financial Position

	At 31 March 2013	At 30 September 2012
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	257,010	254,460
Investment properties	53,442	53,906
Land use rights	4,253	3,853
Biological assets	65,273	58,083
Intangible asset	11,996	12,005
Investment in associates	3,215,095	3,172,104
Other investments	25,239	20,648
Deferred tax assets	857	982
Other receivables	32,884	30,577
	<u>3,666,049</u>	<u>3,606,618</u>
Current assets		
Inventories	42,292	34,244
Trade and other receivables	88,872	94,655
Tax recoverable	211	461
Derivative assets	-	6
Short term trust funds	16,657	4,239
Term deposits	75,909	44,527
Cash and bank balances	88,958	104,884
	<u>312,899</u>	<u>283,016</u>
TOTAL ASSETS	<u>3,978,948</u>	<u>3,889,634</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Report for the year ended 30 September 2012.

Interim Financial Report for the second quarter ended 31 March 2013

(The figures have not been audited)

Condensed Consolidated Statement of Financial Position

	At 31 March 2013	At 30 September 2012
	RM'000	RM'000
EQUITY AND LIABILITIES		
Current liabilities		
Trade and other payables	34,179	36,699
Provision for retirement benefits	35	165
Taxation	3,650	3,934
Loans and borrowings	14,368	10,800
Derivative liabilities	1	2
	<u>52,233</u>	<u>51,600</u>
Net current assets	<u>260,666</u>	<u>231,416</u>
Non-current liabilities		
Provision for retirement benefits	3,818	3,574
Deferred tax liabilities	15,192	11,085
Loans and borrowings	33,200	29,130
	<u>52,210</u>	<u>43,789</u>
Total liabilities	<u>104,443</u>	<u>95,389</u>
Net assets	<u>3,874,505</u>	<u>3,794,245</u>
Equity attributable to owners of the Company		
Share capital	435,951	435,951
Treasury shares	(222,443)	(196,442)
Reserves	3,591,442	3,487,900
	<u>3,804,950</u>	<u>3,727,409</u>
Non-controlling interests	69,555	66,836
Total equity	<u>3,874,505</u>	<u>3,794,245</u>
TOTAL EQUITY AND LIABILITIES	<u>3,978,948</u>	<u>3,889,634</u>
Net assets per share attributable to owners of the Company (RM)	9.17	8.96

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Report for the year ended 30 September 2012.

Interim Financial Report for the second quarter ended 31 March 2013

(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 2012	435,951	(196,442)	706	517,490	(14,654)	90	(33,404)	3,017,672	3,727,409	66,836	3,794,245
Total comprehensive income for the period	-	-	-	816	(436)	693	62,171	247,811	311,055	3,989	315,044
Transaction with owners:											
Share buy back	-	(26,001)	-	-	-	-	-	-	(26,001)	-	(26,001)
Dividends paid	-	-	-	-	-	-	-	(207,513)	(207,513)	-	(207,513)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(1,270)	(1,270)
Transfer of reserves	-	-	-	-	-	-	-	-	-	-	-
	-	(26,001)	-	-	-	-	-	(207,513)	(233,514)	(1,270)	(234,784)
At 31 March 2013	435,951	(222,443)	706	518,306	(15,090)	783	28,767	3,057,970	3,804,950	69,555	3,874,505

* Included in Capital Reserve is RM247,234,000 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 2012.

Interim Financial Report for the second quarter ended 31 March 2013

(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	-	-	-	(200)	(8,156)	768	59,217	280,245	331,874	2,712	334,586
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 paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(3,324)	(3,324)
Transfer of reserves	-	-	-	-	-	-	-	-	-	-	-
	-	(1,606)	-	-	-	-	-	(333,479)	(335,085)	(3,478)	(338,563)
At 31 March 2012	435,951	(183,824)	706	520,065	(8,279)	73	147,054	2,754,757	3,666,503	63,385	3,729,888

* Included in Capital Reserve is RM248,993,000 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 2012.

Interim Financial Report for the second quarter ended 31 March 2013
(The figures have not been audited)

Condensed Consolidated Statement of Cash Flows

	6 months ended 31 March	
	2013	2012
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	259,962	290,911
Adjustments for:		
Non-cash items	15,743	16,504
Non-operating items	(225,545)	(260,305)
Operating cash flows before changes in working capital	50,160	47,110
Changes in working capital		
Net change in receivables	1,528	(15,211)
Net change in other current assets	(8,055)	(9,155)
Net change in payables	1,176	(11,971)
Cash flows from operations	44,809	10,773
Interest received	1,043	647
Interest paid	(954)	(722)
Tax paid	(3,428)	(269)
Retirement benefits paid	(29)	(200)
Net cash flows from operating activities	41,441	10,229
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	95	29
Share buy back	(26,001)	(1,606)
Purchase of property, plant and equipment	(16,892)	(20,669)
Purchase of other investments	(3,898)	-
Investment in an associate	(8,716)	-
Capital distribution from an investment in voluntary liquidation	3,994	-
Purchase of shares from non-controlling interests	-	(144)
Subsequent expenditure on investment property	-	(70)
Land use rights	(494)	(10)
Additions to biological assets	(8,230)	(960)
Dividends received	248,925	347,730
Net cash flows from investing activities	188,783	324,300

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Report for the year ended 30 September 2012.

Interim Financial Report for the second quarter ended 31 March 2013
(The figures have not been audited)

Condensed Consolidated Statement of Cash Flows

	6 months ended 31 March	
	2013	2012
	RM'000	RM'000
Cash flows from financing activities		
Dividends paid to shareholders of the Company	(207,513)	(333,479)
Dividends paid to non-controlling interests	(1,270)	(3,324)
Repayment of term loans	(4,000)	(4,000)
Proceeds from term loan	11,638	-
Increase in other receivables	(1,132)	(2,240)
Net cash flows used in financing activities	(202,277)	(343,043)
Net increase/(decrease) in cash and cash equivalents	27,947	(8,514)
Effects of exchange rate changes	(73)	(475)
Cash and cash equivalents at 1 October	153,650	150,740
Cash and cash equivalents at 31 March	181,524	141,751

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Report for the year ended 30 September 2012.

Interim Financial Report for the second quarter ended 31 March 2013

(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 2012. 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 2012 except for the adoption of the following revised and amendments to FRSs:

FRS and amendments effective for annual periods beginning on or after 1 January 2012

- FRS 124 *Related Party Disclosures (revised)*
- Amendments to FRS 1 *First-time Adoption of Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
- Amendments to FRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
- Amendments to FRS 112 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

Amendments to FRS effective for annual periods beginning on or after 1 July 2012

- Amendments to FRS 101 *Presentation of Financial Statements – Presentation of Items or Other Comprehensive Income*

The application of other revised and amendments to FRSs 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 and fluctuations in commodity prices.

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.

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 1,439,700 in the Company from the open market. The average price paid for the shares repurchased was RM18.00 per share and the total consideration paid, including transaction costs, was RM26,000,534. The shares bought back were financed by internally generated funds and held as treasury shares.

Interim Financial Report for the second quarter ended 31 March 2013

(The figures have not been audited)

A7. Dividends paid

	6 months ended 31 March	
	2013 RM'000	2012 RM'000
Dividends proposed in financial year ("FY") 2012, paid in FY 2013:		
Final 50 sen per share single tier	207,513	-
Dividends proposed in FY 2011, paid in FY 2012:		
Final 80 sen per share single tier	-	333,479
	<u>207,513</u>	<u>333,479</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
6 months ended 31 March 2013						
Revenue						
External revenue	1,171	146,697	3,250	22,979	-	174,097
Inter-segment revenue	10,189	-	-	-	(10,189)	-
Total revenue	<u>11,360</u>	<u>146,697</u>	<u>3,250</u>	<u>22,979</u>	<u>(10,189)</u>	<u>174,097</u>
Results						
Operating results	13,003	28,801	1,784	8,350	(10,189)	41,749
Finance cost	-	(669)	(285)	(4,900)	4,900	(954)
Share of results of associates	219,186	(19)	-	-	-	219,167
Segment results	<u>232,189</u>	<u>28,113</u>	<u>1,499</u>	<u>3,450</u>	<u>(5,289)</u>	<u>259,962</u>
Profit before tax						<u>259,962</u>
6 months ended 31 March 2012						
Revenue						
External revenue	856	141,356	3,096	22,026	-	167,334
Inter-segment revenue	14,185	-	-	-	(14,185)	-
Total revenue	<u>15,041</u>	<u>141,356</u>	<u>3,096</u>	<u>22,026</u>	<u>(14,185)</u>	<u>167,334</u>
Results						
Operating results	12,779	19,711	1,669	12,944	(14,185)	32,918
Finance cost	-	(248)	(474)	(4,547)	4,547	(722)
Share of results of associates	258,852	(137)	-	-	-	258,715
Segment results	<u>271,631</u>	<u>19,326</u>	<u>1,195</u>	<u>8,397</u>	<u>(9,638)</u>	<u>290,911</u>
Profit before tax						<u>290,911</u>

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(The figures have not been audited)

b) Segment assets

	Investment Holding	Chemicals	Investment Property	Plantations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
At 31 March 2013					
Operating assets	121,620	439,184	54,558	147,423	762,785
Associates	3,213,593	1,502	-	-	3,215,095
Segment assets	<u>3,335,213</u>	<u>440,686</u>	<u>54,558</u>	<u>147,423</u>	<u>3,977,880</u>
Tax assets					1,068
Total assets					<u>3,978,948</u>
At 31 March 2012					
Operating assets	123,537	364,663	55,458	131,729	675,387
Associates	3,122,837	1,463	-	-	3,124,300
Segment assets	<u>3,246,374</u>	<u>366,126</u>	<u>55,458</u>	<u>131,729</u>	<u>3,799,687</u>
Tax assets					1,852
Total assets					<u>3,801,539</u>

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 following:

- a) on 4 Oct 2012, the Company incorporated a wholly-owned British Virgin Islands subsidiary, BKB Overseas Investments Ltd, which has an issued and paid-up capital of USD2. The principal activity is investment holding; and
- b) acquisition of an 18% equity stake in Collingwood Plantations Pte Ltd ("Collingwood"), a company incorporated in Singapore, which becomes an associate of the Group after taking into account the Company plantation associate, Kuala Lumpur Kepong Bhd's 51% direct interest in Collingwood.

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

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 2012.

Interim Financial Report for the second quarter ended 31 March 2013

(The figures have not been audited)

A12. Capital commitments

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

	At 31 March 2013 RM'000	At 30 September 2012 RM'000
Authorised and contracted for:		
Property, plant and equipment	14,840	21,542
Authorised but not contracted for:		
Property, plant and equipment	81,220	66,224
Total capital commitments	<u>96,060</u>	<u>87,766</u>

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 6 months ended 31 March	
	2013 RM'000	2012 RM'000
a) Transactions with associates and their related companies:		
Sales of finished goods to:		
BASF See Sen Sdn Bhd	1,421	973
Rental income of premises from:		
KL-Kepong Industrial Holdings Sdn Bhd	674	524
Kuala Lumpur Kepong Berhad	542	519
Sales of fresh fruit bunches to:		
PT Hutan Hijau Mas	21,840	20,960
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	2,563	2,101
Taiko Marketing (S) Pte Ltd	10,736	10,749
Freight income earned from:		
Taiko Marketing Sdn Bhd	397	566
Taiko Acid Works Sdn Bhd	-	598
Sales of indirect materials and finished goods to:		
Taiko Marketing Sdn Bhd	93,215	84,014
Taiko Marketing (S) Pte Ltd	-	394
Chlor-Al Chemical Pte Ltd	10,749	11,188
Premier Bleaching Earth Sdn Bhd	3,006	2,744
Taiko Acid Works Sdn Bhd	108	2,380
Sales commissions charged by:		
Taiko Marketing Sdn Bhd	838	635

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(The figures have not been audited)

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

**B1. Detailed analysis of performance
2nd Quarter FY 2013 vs 2nd Quarter FY 2012**

The Group revenue for the current quarter under review of RM83.80 million was comparable to the RM83.05 million reported in the corresponding quarter last year. All segments reported higher revenues except for Investment Holding and Plantations. However, Group profit before tax dropped 3% to RM114.48 million (2012: RM117.95 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 RM103.83 million, 7% lower (2012: RM111.24 million), mainly due to KLK's lower profit contribution from lower commodity prices.

Chemicals sector reported a 3% increase in revenue to RM70.44 million from RM68.48 million contributed by higher sales volumes. Profit before tax was higher at RM13.92 million (2012: RM9.91 million), which included RM6.19 million (2012: 2.57 million) compensation from a customer for short-fall in contracted products off-take.

Investment Property sector revenue was RM1.65 million, 5% higher compared to RM1.57 million reported last corresponding quarter, due to higher occupancy rate which resulted in a higher profit before tax of RM772,000 (2012: RM594,000).

Our Indonesian **Plantations'** subsidiary recorded revenue of RM11.51 million, 8% lower than last corresponding period of RM12.55 million and profit before tax was 79% lower (2013: RM1.25 million vs 2012: RM5.85 million). This was mainly due to lower FFB price, though FFB crop harvested was higher (2013: 27,974 mt vs 2012: 19,561 mt).

Todate 2nd Quarter FY 2013 vs Todate 2nd Quarter FY 2012

For the first half financial year 2013, Group revenue was RM174.10 million, 4% higher than RM167.33 million in the corresponding period last year. All segments reported higher revenues except for Investment Holding. However, Group profit before tax dropped 11% to RM259.96 million (2012: RM290.91 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 RM232.19 million, 15% lower (2012: RM271.63 million), mainly due to KLK's lower profit contribution, reflecting lower commodity prices.

Chemicals sector reported a 4% increase in revenue to RM146.70 million from RM141.36 million contributed by higher sales volumes. Profit before tax was higher at RM28.11 million (2012: RM19.33 million), which included RM8.78 million (2012: 5.19 million) compensation from a customer for short-fall in contracted products off-take.

Investment Property sector revenue was RM3.25 million, 5% higher compared to RM3.10 million reported last corresponding period, due to higher occupancy rate which resulted in a higher profit before tax of RM1.50 million (2012: RM1.20 million).

Our Indonesian **Plantations'** subsidiary recorded revenue of RM22.98 million, 4% higher than last corresponding period of RM22.03 million, with higher FFB crop harvested (2013: 56,876 mt vs 2012: 35,678 mt) from increased mature area of 3,423 ha (2012: 3,087 ha). However, profit before tax was 59% lower (2013: RM3.45 million vs 2012: RM8.40 million) due to lower FFB price.

**B2. Comparison of current quarter's results to the preceding quarter
2nd Quarter FY 2013 vs 1st Quarter FY 2013**

Pre-tax profit for the current quarter was RM114.48 million, 21% lower than the RM145.48 million reported in the preceding quarter, mainly due to our plantation associate's (KLK) lower after-tax profit.

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(The figures have not been audited)

B3. Current year's prospects

As profit of our plantation associate, Kuala Lumpur Kepong Berhad will be affected by the global economic slowdown and prevailing weaker commodity prices, the Group's profit for the financial year ending 30 September 2013 is expected to be lower than that of the previous financial year.

B4. Variance of actual profit from forecast profit

The Group did not issue any forecast profit or profit guarantee for the quarter ended 31 March 2013.

B5. Income tax expense

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 March		6 months ended 31 March	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Current tax				
Malaysian income tax	2,692	1,484	4,495	2,701
Foreign income tax	250	222	496	455
	2,942	1,706	4,991	3,156
Deferred tax				
Relating to origination and reversal of temporarily differences	701	2,651	3,168	4,741
	701	2,651	3,168	4,741
	3,643	4,357	8,159	7,897

The effective tax rate for the current quarter and financial year to-date is 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

- a) On 10 August 2012, Whitmore Holdings Sdn Bhd ("WH"), a wholly-owned subsidiary has entered into a conditional agreement to acquire from the Vendor, Damin, a 39% equity stake in PT Tekukur Indah ("PTTI"), a company established in the Republic of Indonesia, for a cash consideration of Rp1.395 billion and subject to adjustment for any difference in actual area of land which is free from "masyarakat" control. The agreement is subject to conditions precedent being fulfilled within eighteen months from the date of the agreement.

On 27 March 2013, WH exercised the call option granted by Bobby Noer Rahman ("BNR") and entered into a conditional agreement with BNR to acquire a 51% equity stake in PTTI for a cash consideration of Rp765 million. The agreement is subject to conditions precedent being fulfilled within twelve months from the date of the agreement.

Both the above agreements are yet to be completed.

- b) On 3 May 2013, the Company obtained the approval of the Securities Commission Malaysia for the establishment and issuance of an Islamic Medium Term Notes Programme of up to RM500.0 million in nominal value ("Sukuk Programme").

The Sukuk to be issued from the Sukuk Programme shall be based on the Shariah principle of Musharakah. The tenure of the Sukuk Programme is ten (10) years from the date of the first issue of Sukuk under the Sukuk Programme. Proceeds from the Sukuk Programme will be utilised by the Company to finance its Shariah-compliant investments, general corporate purposes (including operational and capital expenditure requirements) and working capital needs. RAM Ratings Services Berhad has assigned a long-term rating of AA₁ to the Sukuk Programme with a stable outlook.

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(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 31 March 2013	At 30 September 2012
	RM'000	RM'000
Repayable within 12 months:		
Secured term loans	11,568	8,000
Unsecured term loan	2,800	2,800
	<u>14,368</u>	<u>10,800</u>
Repayable after 12 months:		
Secured term loans	-	7,568
Unsecured term loan	33,200	21,562
	<u>33,200</u>	<u>29,130</u>
Total Group borrowings	<u>47,568</u>	<u>39,930</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 31 March 2013, the values and maturity analysis of the outstanding forward foreign exchange contracts of the Group are as follows:

	Contract / Notional Value	Fair value Net loss
	RM'000	RM'000
Outstanding forward foreign exchange contracts:		
Less than 1 year	881	(5)

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 31 March 2013, there have been no significant changes to the Group's exposure to credit risk, market risk and liquidity risk from the previous financial year. Since the previous financial year, there have been no changes to the Group's risk management objectives, policies and processes.

B9. Fair value changes of financial liabilities

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

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(The figures have not been audited)

B10. Breakdown of realised and unrealised profits or losses

	At 31 March 2013	At 30 September 2012
	RM'000	RM'000
Total retained profits of Batu Kawan Berhad and its subsidiaries:		
- Realised	857,211	781,811
- Unrealised	(14,088)	(10,017)
	<u>843,123</u>	<u>771,794</u>
Total share of retained profits from associates:		
- Realised	2,284,022	2,319,358
- Unrealised	(26,651)	(33,222)
	<u>2,257,371</u>	<u>2,286,136</u>
Less: Consolidation adjustments	(42,524)	(40,258)
Total group retained profits as per consolidated accounts	<u><u>3,057,970</u></u>	<u><u>3,017,672</u></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) An interim single tier dividend of 15 sen per share has been declared by the Directors in respect of the financial year ending 30 September 2013 (2012: single tier dividend of 15 sen per share) and will be paid on 16 August 2013 to shareholders registered in the Company's Register as at 23 July 2013.

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

- (i) Securities deposited into the Depositor's Securities Account before 12.30 p.m. on 19 July 2013, in respect of securities which are exempted from mandatory deposit;
 - (ii) Securities transferred into the Depositor's Securities Account before 4.00 p.m. on 23 July 2013, in respect of transfers; and
 - (iii) Securities bought on the Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the Rules of the Bursa Securities.
- b) The total dividend for the current financial year to-date is single tier dividend of 15 sen per share (2012: single tier dividend of 15 sen per share).

Interim Financial Report for the second quarter ended 31 March 2013

(The figures have not been audited)

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		6 months ended	
	31 March		31 March	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Net profit for the period attributable to owners of the Company (RM'000)	108,918	112,060	247,811	280,245
Weighted average number of shares ('000)	415,559	416,868	415,559	416,868
Earnings per share (sen)	26.2	26.9	59.6	67.2

B14. Audit report of preceding annual financial statements

The auditors' report on the financial statements for the year ended 30 September 2012 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		6 months ended	
	31 March		31 March	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Interest income	(1,224)	(937)	(2,298)	(1,744)
Dividend income	(105)	(273)	(980)	(599)
Other income	(6,845)	(3,871)	(14,817)	(7,083)
Interest expense	520	351	954	722
Depreciation and amortisation	7,876	8,018	15,546	16,123
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	-	-	-	-
Impairment of assets	-	-	-	-
Foreign exchange (gain)/loss	220	210	(211)	651
(Gain)/loss on derivatives	(8)	(8)	5	18
Exceptional items	-	-	-	-

By Order of the Board

CHONG SEE TECK
MD SHAIZATUL AZAM
YAP MIOW KIEN
Company Secretaries