

# **BATU KAWAN BERHAD**

(6292-U)  
(Incorporated in Malaysia)

**Interim Financial Report  
For the second quarter ended 31 March 2014**

**Interim Financial Report for the second quarter ended 31 March 2014**

(The figures have not been audited)

Directors are pleased to announce the unaudited financial results of the Group for the second quarter ended 31 March 2014. Following adoption of the new FRS 10 *Consolidated Financial Statements*, the financial results of Kuala Lumpur Kepong Berhad, previously equity accounted as an Associate, has now been consolidated as a subsidiary into the Group's unaudited financial results.

**Condensed Consolidated Statement of Profit or Loss**

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 March		6 months ended 31 March	
	2014	2013	2014	2013
	RM'000	RM'000 (Restated)	RM'000	RM'000 (Restated)
Revenue	3,023,312	2,307,697	5,610,149	4,707,351
Operating expenses	(2,565,575)	(2,008,729)	(4,773,005)	(4,039,797)
Other operating income	17,109	26,162	73,261	52,133
Finance costs	(24,948)	(23,169)	(51,465)	(44,321)
Share of results of associates	918	(618)	1,704	3,580
<b>Profit before tax</b>	<b>450,816</b>	<b>301,343</b>	<b>860,644</b>	<b>678,946</b>
Income tax expense	(94,234)	(62,716)	(177,526)	(148,523)
<b>NET PROFIT FOR THE PERIOD</b>	<b>356,582</b>	<b>238,627</b>	<b>683,118</b>	<b>530,423</b>
Profit attributable to:				
Owners of the Company	163,217	108,918	320,189	247,811
Non-controlling interests	193,365	129,709	362,929	282,612
	356,582	238,627	683,118	530,423
Earnings per share for profit attributable to owners of the Company (sen)				
Basic	39.5	26.2	77.5	59.6
Diluted	Not applicable	Not applicable	Not applicable	Not applicable

The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the Annual Report for the year ended 30 September 2013.

**Interim Financial Report for the second quarter ended 31 March 2014**

(The figures have not been audited)

**Condensed Consolidated Statement of Other Comprehensive Income**

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 March		6 months ended 31 March	
	2014	2013	2014	2013
	RM'000	RM'000 (Restated)	RM'000	RM'000 (Restated)
<b>Net profit for the period</b>	<b>356,582</b>	<b>238,627</b>	<b>683,118</b>	<b>530,423</b>
Other comprehensive income/(loss) that will be reclassified subsequently to profit or loss				
Net fair value (loss)/gain on available-for-sale investments	107,369	45,535	191,078	124,125
Reclassification adjustments for surplus on disposal of available-for-sale investments	(388)	-	(10,459)	(1,501)
Foreign currency translation differences	131,247	8,490	71,065	13,174
<b>Total other comprehensive income for the period, net of tax</b>	<b>238,228</b>	<b>54,025</b>	<b>251,684</b>	<b>135,798</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>594,810</b>	<b>292,652</b>	<b>934,802</b>	<b>666,221</b>
Total comprehensive income attributable to:				
Owners of the Company	277,715	133,674	438,189	311,056
Non-controlling interests	317,095	158,978	496,613	355,165
	<b>594,810</b>	<b>292,652</b>	<b>934,802</b>	<b>666,221</b>

The Condensed Consolidated Statement of Other Comprehensive Income should be read in conjunction with the Annual Report for the year ended 30 September 2013.

**Interim Financial Report for the second quarter ended 31 March 2014**

(The figures have not been audited)

**Condensed Consolidated Statement of Financial Position**

	<b>At 31 March 2014</b>	<b>At 30 September 2013</b>
	<b>RM'000</b>	<b>RM'000 (Restated)</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant & equipment	4,265,309	3,999,069
Investment property	52,513	52,977
Land use rights	274,722	196,585
Biological assets	2,115,638	1,972,066
Land held for property development	217,003	216,932
Intangible assets	348,343	346,084
Investment in associates	150,952	118,624
Other investments	1,176,883	910,787
Deferred tax assets	102,328	103,479
Other receivables	148,984	137,332
	<b>8,852,675</b>	<b>8,053,935</b>
<b>Current assets</b>		
Inventories	1,309,411	1,096,121
Biological assets	2,997	17,811
Trade and other receivables	1,870,210	1,323,384
Property development costs	58,039	40,812
Tax recoverable	24,916	53,117
Derivative assets	11,815	14,158
Asset held for sale	-	11,610
Cash and cash equivalents	2,098,896	2,463,740
	<b>5,376,284</b>	<b>5,020,753</b>
<b>TOTAL ASSETS</b>	<b>14,228,959</b>	<b>13,074,688</b>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Report for the year ended 30 September 2013.

**Interim Financial Report for the second quarter ended 31 March 2014**

(The figures have not been audited)

**Condensed Consolidated Statement of Financial Position**

	<b>At 31 March 2014</b>	<b>At 30 September 2013</b>
	<b>RM'000</b>	<b>RM'000 (Restated)</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	1,004,979	871,340
Deferred income	3,930	6,965
Taxation	64,460	30,645
Loans and borrowings	982,222	796,694
Derivative liabilities	6,384	19,790
	<u>2,061,975</u>	<u>1,725,434</u>
<b>Net current assets</b>	<b>3,314,309</b>	<b>3,295,319</b>
<b>Non-current liabilities</b>		
Provision for retirement benefits	266,358	263,809
Deferred tax liabilities	278,369	272,067
Deferred income	81,773	72,010
Loans and borrowings	2,369,176	2,079,227
	<u>2,995,676</u>	<u>2,687,113</u>
<b>Total liabilities</b>	<b>5,057,651</b>	<b>4,412,547</b>
<b>Net assets</b>	<b>9,171,308</b>	<b>8,662,141</b>
<b>Equity attributable to owners of the Company</b>		
Share capital	435,951	435,951
Treasury shares	(315,332)	(223,387)
Reserves	4,635,849	4,354,929
	<u>4,756,468</u>	<u>4,567,493</u>
Non-controlling interests	4,414,840	4,094,648
<b>Total equity</b>	<b>9,171,308</b>	<b>8,662,141</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>14,228,959</b>	<b>13,074,688</b>
Net assets per share attributable to owners of the Company (RM)	11.60	11.01

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Report for the year ended 30 September 2013.

**Interim Financial Report for the second quarter ended 31 March 2014**

(The figures have not been audited)

**Condensed Consolidated Statement of Changes in Equity**

	← Attributable to Owners of the Company →										← Non-controlling interests →	Total equity
	← Non-distributable →			← Distributable →				Total	Non-controlling interests	Total equity		
	Share capital	Treasury shares	Revaluation reserve	Capital reserve*	Capital redemption reserve	Exchange fluctuation reserve	Fair value reserve					
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 October 2013</b>												
As previously stated	435,951	(223,387)	706	517,925	-	(33,071)	331	58,559	3,231,662	3,988,676	74,564	4,063,240
Effects of adopting FRS 10	-	-	5,060	300,976	26,460	(84,187)	366,021	(51,524)	16,011	578,817	4,020,084	4,598,901
As restated	435,951	(223,387)	5,766	818,901	26,460	(117,258)	366,352	7,035	3,247,673	4,567,493	4,094,648	8,662,141
Total comprehensive income for the period	-	-	-	506	-	33,757	84,197	-	319,729	438,189	496,613	934,802
Transaction with owners:												
Effect of changes in shareholdings	-	-	-	-	-	-	-	-	7,507	7,507	(15,548)	(8,041)
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	-	35,300	35,300
Acquisition through business combination	-	-	-	-	-	-	-	-	-	-	72,347	72,347
Redemption of redeemable preference shares	-	-	-	-	-	-	-	-	-	-	(4,500)	(4,500)
Share buy back	-	(91,945)	-	-	-	-	-	-	-	(91,945)	-	(91,945)
Dividend paid	-	-	-	-	-	-	-	-	(164,776)	(164,776)	-	(164,776)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(264,020)	(264,020)
	-	(91,945)	-	-	-	-	-	-	(157,269)	(249,214)	(176,421)	(425,635)
<b>At 31 March 2014</b>	435,951	(315,332)	5,766	819,407	26,460	(83,501)	450,549	7,035	3,410,133	4,756,468	4,414,840	9,171,308

\* Included in Capital Reserve is RM487,664,000 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 2013.

**Interim Financial Report for the second quarter ended 31 March 2014**

(The figures have not been audited)

**Condensed Consolidated Statement of Changes in Equity**

	Attributable to Owners of the Company										Non-controlling interests	Total equity
	←			→				← Distributable →				
	Share capital	Treasury shares	Revaluation reserve	Capital reserve*	Capital redemption reserve	Exchange fluctuation reserve	Fair value reserve	General reserve	Retained earnings	Total		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>At 1 October 2012</b>												
As previously stated	435,951	(196,442)	706	517,490	-	(14,655)	91	(33,404)	3,017,672	3,727,409	66,836	3,794,245
Effects of adopting FRS 10	-	-	5,060	300,976	24,274	(36,412)	230,955	40,439	13,525	578,817	3,774,634	4,353,451
As restated	435,951	(196,442)	5,766	818,466	24,274	(51,067)	231,046	7,035	3,031,197	4,306,226	3,841,470	8,147,696
Total comprehensive income for the period	-	-	-	816	1,486	5,774	57,470	-	245,510	311,056	355,165	666,221
Transaction with owners:												
Acquisition through business combination	-	-	-	-	-	-	-	-	-	-	4,466	4,466
Redemption of redeemable preference shares	-	-	-	-	-	-	-	-	-	-	(1,200)	(1,200)
Share buy back	-	(26,001)	-	-	-	-	-	-	-	(26,001)	-	(26,001)
Dividend paid	-	-	-	-	-	-	-	-	(207,513)	(207,513)	-	(207,513)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(301,089)	(301,089)
	-	(26,001)	-	-	-	-	-	-	(207,513)	(233,514)	(297,823)	(531,337)
<b>At 31 March 2013</b>	435,951	(222,443)	5,766	819,282	25,760	(45,293)	288,516	7,035	3,069,194	4,383,768	3,898,812	8,282,580

\* Included in Capital Reserve is RM487,539,000 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 2013.

**Interim Financial Report for the second quarter ended 31 March 2014**

(The figures have not been audited)

## Condensed Consolidated Statement of Cash Flows

	6 months ended 31 March	
	2014	2013
	RM'000	RM'000 (Restated)
<b>Cash flows from operating activities</b>		
Profit before tax	860,644	678,946
Adjustments for:		
Non-cash items	146,573	136,766
Non-operating items	11,866	7,139
Operating cash flows before changes in working capital	1,019,083	822,851
Changes in working capital		
Net change in current assets	(738,743)	68,423
Net change in current liabilities	138,383	(126,750)
Cash flows from operations	418,723	764,524
Interest received	1,336	1,042
Interest paid	(50,374)	(38,835)
Tax paid	(110,652)	(137,055)
Tax refund	75	3
Retirement benefits paid	(16,677)	(8,590)
<b>Net cash flows from operating activities</b>	<b>242,431</b>	<b>581,089</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment	15,780	1,577
Proceeds from sale of unquoted investments	19,059	4,584
Proceeds from redemption of short term funds	186	-
Share buy back	(91,945)	(26,001)
Purchase of property, plant and equipment	(371,870)	(502,334)
Property development expenditure	(71)	(2,363)
Purchase of intangible assets	(286)	-
Purchase of other investments	(86,950)	(5,818)
Investment in an associate	(35,300)	(12,259)
Research development expenditure	-	(83)
Purchase of shares from non-controlling interest	(8,140)	(10,618)
Capital distribution from an investment in voluntary liquidation	-	3,994
Land use rights	(7,355)	(9,352)
Additions to biological assets	(100,392)	(82,736)
Acquisition of subsidiaries	(66,563)	-
Compensation from government on land acquired	2,250	638
Dividends received	29,572	20,932
Interest received	14,384	14,749
<b>Net cash flows used in investing activities</b>	<b>(687,641)</b>	<b>(605,090)</b>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Report for the year ended 30 September 2013.



**Interim Financial Report for the second quarter ended 31 March 2014**

(The figures have not been audited)

**Condensed Consolidated Statement of Cash Flows**

	6 months ended 31 March	
	2014	2013
	RM'000	RM'000 (Restated)
<b>Cash flows from financing activities</b>		
Repayment of term loans	(37,288)	(27,640)
Drawdown/(Repayment) of short term borrowings	459,011	(99,626)
Proceeds from term loan	-	11,638
Dividend paid	(164,776)	(207,513)
Dividends paid to non-controlling interests	(264,019)	(301,089)
Issuance of shares to non-controlling interests	35,300	-
Increase in other receivables	(4,287)	(12,029)
Redemption of redeemable preference shares from non-controlling interests	(4,500)	(1,200)
<b>Net cash flows from/(used in) financing activities</b>	<b>19,441</b>	<b>(637,459)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(425,769)</b>	<b>(661,460)</b>
Effects of exchange rate changes	15,136	(4,540)
Cash and cash equivalents at 1 October	2,460,652	2,479,712
<b>Cash and cash equivalents at 31 March</b>	<b>2,050,019</b>	<b>1,813,712</b>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Report for the year ended 30 September 2013.

**Interim Financial Report for the second quarter ended 31 March 2014**

(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 2013. The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements for the year ended 30 September 2013 except for the adoption of the following revised and amendments to FRSs:

***FRS and amendments effective for annual periods beginning on or after 1 January 2013***

- FRS 10 *Consolidated Financial Statements*
- FRS 11 *Joint Arrangements*
- FRS 12 *Disclosure of Interests in Other Entities*
- FRS 13 *Fair Value Measurement*
- FRS 119 *Employee Benefits (2011)*
- FRS 127 *Separate Financial Statements (2011)*
- FRS 128 *Investments in Associates and Joint Ventures (2011)*
- IC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to FRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
- Amendments to FRS 1 *First-time Adoption of Financial Reporting Standards – Government Loans*
- Amendments to FRS 1 *First-time Adoption of Financial Reporting Standards (Improvements to FRSs (2012))*
- Amendments to FRS 101 *Presentation of Financial Statements (Improvements to FRSs (2012))*
- Amendments to FRS 116 *Property, Plant and Equipment (Improvements to FRSs (2012))*
- Amendments to FRS 132 *Financial Instruments: Presentation (Improvements to FRSs (2012))*
- Amendments to FRS 134 *Interim Financial Reporting (Improvements to FRSs (2012))*
- Amendments to FRS 10 *Consolidated Financial Statements: Transition Guidance*
- Amendments to FRS 11 *Joint Arrangements: Transition Guidance*
- Amendments to FRS 12 *Disclosure of Interests in Other Entities: Transition Guidance*
- Amendments to IC Interpretation 2 *Members’ Shares in Co-operative Entities and Similar Instruments (Improvements FRSs (2012))*

The application of other revised and amendments to FRSs has no significant effect to the financial statements of the Group except as discussed below:

**Adoption of FRS 10 Consolidated Financial Statements (“FRS 10”)**

FRS 10 replaces part of FRS 127 *Separate Financial Statements (2011)* (“FRS 127”) that deals with consolidated financial statements and IC Interpretation 112 *Consolidation – Special Purpose Entities*.

Under FRS 10, an investor controls an investee when (a) the investor has power over an investee, (b) the investor has exposure, or rights, to variable returns from its involvement with the investee, and (c) the investor has ability to use its power over the investee to affect the amount of the investor’s returns. Under FRS 127, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

FRS 10 includes detailed guidance to explain when an investor has control over the investee. FRS 10 requires the investor to take into account all relevant facts and circumstances.

**Interim Financial Report for the second quarter ended 31 March 2014**

(The figures have not been audited)

The application of FRS 10 affects the accounting for the Group's investment in Kuala Lumpur Kepong Berhad ("KLK") which was previously treated as an associate of the Group and accounted for using the equity method of accounting. Following the adoption of FRS 10, the Company carried out a reassessment and determined that the Company has a de facto control over KLK following the guidance as laid out in FRS 10.

As at 1 October 2013, the Group is the largest shareholder of KLK with a 46.57% equity interest. Except for Citigroup Nominees (Tempatan) Sdn Bhd who is the registered owner of 15.45% shares in KLK, all other shareholders individually own less than 5% of the equity shares of KLK. Historically, the other shareholders did not form a group to exercise their votes collectively. Based on the guidance of FRS 10, the directors have assessed that the Group has had control over KLK since the acquisition in 1973. Following the transitional provisions of FRS 10, if measuring of the investee's assets, liabilities and non-controlling interest is impracticable, the deemed acquisition date shall be the beginning of the earliest period for which application of FRS 3 *Business Combinations* is practicable.

Consequently, KLK has been accounted for as a subsidiary of the Company using a deemed acquisition date on 30 September 1981 because revaluation was performed on KLK's major assets which was then accounted for in KLK's 1981 financial statements.

The change in accounting of the Group's investments in KLK has been applied in accordance with the relevant transitional provisions as set out in FRS 10. The effects of adoption of FRS 10 are applied retrospectively from the deemed acquisition date as follows:

- a) Impact of the application of FRS 10 on the Consolidated Statement of Financial Position as at 1 October 2012, being the beginning of the earliest comparative period, are summarised as follows:

	<b>1 October 2012 as previously reported</b>	<b>FRS 10 adjustments</b>	<b>1 October 2012 as restated</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Non-current assets	3,606,618	3,401,256	7,007,874
Current assets	283,016	4,828,008	5,111,024
<b>Total assets</b>	<b>3,889,634</b>	<b>8,229,264</b>	<b>12,118,898</b>
Current liabilities	51,600	1,569,165	1,620,765
<b>Net current assets</b>	<b>231,416</b>	<b>3,258,843</b>	<b>3,490,259</b>
Non-current liabilities	43,789	2,306,648	2,350,437
<b>Total liabilities</b>	<b>95,389</b>	<b>3,875,813</b>	<b>3,971,202</b>
<b>Net assets</b>	<b>3,794,245</b>	<b>4,353,451</b>	<b>8,147,696</b>
Share capital	435,951	-	435,951
Treasury shares	(196,442)	-	(196,442)
Reserves	3,487,900	578,817	4,066,717
Non-controlling interests	66,836	3,774,634	3,841,470
<b>Total equity</b>	<b>3,794,245</b>	<b>4,353,451</b>	<b>8,147,696</b>

**Interim Financial Report for the second quarter ended 31 March 2014**

(The figures have not been audited)

- b) Impact of application of FRS 10 on the Group's profit for the corresponding period ended 31 March 2013 are as follows:

	<b>Impact on FRS 10 adjustments</b>
	<b>RM'000</b>
Increase in revenue	4,533,254
Increase in operating expenses	(3,892,630)
Increase in other operating income	37,315
Increase in finance cost	(43,368)
Decrease in share of results of associates	(215,587)
<b>Increase in profit before tax</b>	<b>418,984</b>
Increase in income tax expense	(140,364)
<b>Increase in net profit for the period</b>	<b>278,620</b>
Increase in profit attributable to:	
Owners of the Company	-
Non-controlling interests	278,620
	<b>278,620</b>

- c) Impact of application of FRS 10 on cash flows of the Group for the corresponding period ended 31 March 2013 are as follows:

	<b>Impact on FRS 10 adjustments</b>
	<b>RM'000</b>
Increase in net cash flows from operating activities	539,648
Increase in net cash flows used in investing activities	(545,921)
Increase in net cash flows used in financing activities	(683,133)
<b>Decrease in net cash inflows</b>	<b>(689,406)</b>

**A3. Seasonal and cyclical operations**

The Group's operations are affected to the extent that the plantation operations are influenced by seasonal crop production, weather conditions 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.

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(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 buybacks, share cancellations or resale of treasury shares for the financial year to-date except for share buybacks of 4,710,500 shares in the Company from the open market. The average price paid for the shares repurchased was RM19.46 per share and the total consideration paid, including transaction costs, was RM91,945,299. The shares bought back were financed by internally generated funds and held as treasury shares.

**A7. Dividends paid**

	<b>6 months ended 31 March</b>	
	<b>2014 RM'000</b>	<b>2013 RM'000</b>
Dividends proposed in financial year ("FY") 2013, paid in FY 2014:		
Final 40 sen per share single tier	164,776	-
Dividends proposed in FY 2012, paid in FY 2013:		
Final 50 sen per share single tier	-	207,513
	<u>164,776</u>	<u>207,513</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

	<b>Plantations RM'000</b>	<b>Manufacturing RM'000</b>	<b>Property Development RM'000</b>	<b>Investment Holding/Others RM'000</b>	<b>Elimination RM'000</b>	<b>Consolidated RM'000</b>
<b>6 months ended 31 March 2014</b>						
Revenue						
External revenue	2,533,318	2,930,660	48,855	97,316	-	5,610,149
Inter-segment revenue	223,993	244	-	17,806	(242,043)	-
Total revenue	<u>2,757,311</u>	<u>2,930,904</u>	<u>48,855</u>	<u>115,122</u>	<u>(242,043)</u>	<u>5,610,149</u>
Results						
Operating results	561,815	267,716	21,297	78,977	(19,400)	910,405
Finance cost	(8,072)	(7,300)	-	(52,147)	16,054	(51,465)
Share of results of associates	1,040	378	325	(39)	-	1,704
Segment results	<u>554,783</u>	<u>260,794</u>	<u>21,622</u>	<u>26,791</u>	<u>(3,346)</u>	<u>860,644</u>
Profit before tax						<u>860,644</u>
<b>6 months ended 31 March 2013 (Restated)</b>						
Revenue						
External revenue	2,110,071	2,428,619	106,483	62,178	-	4,707,351
Inter-segment revenue	109,880	283	-	16,361	(126,524)	-
Total revenue	<u>2,219,951</u>	<u>2,428,902</u>	<u>106,483</u>	<u>78,539</u>	<u>(126,524)</u>	<u>4,707,351</u>

**Interim Financial Report for the second quarter ended 31 March 2014**

(The figures have not been audited)

	<b>Plantations</b>	<b>Manufacturing</b>	<b>Property Development</b>	<b>Investment Holding/Others</b>	<b>Elimination</b>	<b>Consolidated</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>6 months ended</b>						
<b>31 March 2013</b>						
<b>(Restated)</b>						
Results						
Operating results	470,025	181,870	34,326	44,556	(11,090)	719,687
Finance cost	(5,065)	(8,497)	-	(36,560)	5,801	(44,321)
Share of results of associates	1,601	39	1,940	-	-	3,580
Segment results	466,561	173,412	36,266	7,996	(5,289)	678,946
Profit before tax						678,946

b) Segment assets

	<b>Plantations</b>	<b>Manufacturing</b>	<b>Property Development</b>	<b>Investment Holding/Others</b>	<b>Consolidated</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>At 31 March 2014</b>					
Operating assets	5,216,236	5,366,604	481,692	2,886,231	13,950,763
Associates	69,844	6,869	56,711	17,528	150,952
Segment assets	5,286,080	5,373,473	538,403	2,903,759	14,101,715
Tax assets					127,244
Total assets					14,228,959
<b>At 31 September 2013</b>					
<b>(Restated)</b>					
Operating assets	4,679,563	5,092,950	399,715	2,627,240	12,799,468
Associates	73,559	6,437	21,085	17,543	118,624
Segment assets	4,753,122	5,099,387	420,800	2,644,783	12,918,092
Tax assets					156,596
Total assets					13,074,688

c) Segment liabilities

	<b>Plantations</b>	<b>Manufacturing</b>	<b>Property Development</b>	<b>Investment Holding/Others</b>	<b>Consolidated</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>At 31 March 2014</b>					
Segment liabilities	808,592	1,466,338	51,457	2,388,435	4,714,822
Unallocated liabilities					342,829
Total liabilities					5,057,651

**Interim Financial Report for the second quarter ended 31 March 2014**

(The figures have not been audited)

	Plantations	Manufacturing	Property Development	Investment Holding/Others	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 31 September 2013 (Restated)</b>					
Segment liabilities	419,001	1,232,296	28,542	2,429,996	4,109,835
Unallocated liabilities					302,712
Total liabilities					4,412,547

**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**

- a) Upon adoption of FRS 10 *Consolidated Financial Statements* (as disclosed in Note A2), Kuala Lumpur Kepong Berhad ("KLK") is now accounted for as a subsidiary. Prior to this adoption, KLK has been accounted for as an associate. Accordingly, all subsidiaries and associates of KLK are subsidiaries and associates of the Group. In this respect, Collingwood Plantations Pte Ltd ("CPPL"), previously an associate of the Company, is now accounted for as a subsidiary since CPPL is a subsidiary of KLK.
- b) On 21 February 2014, the Company incorporated a wholly-owned Malaysian subsidiary, Synergy Motion Sdn Bhd, which has an issued and paid-up capital of RM2. The principal activity is investment holding.
- c) KLK via its wholly-owned subsidiary, KLKI Holdings Ltd ("KLKI") had on 28 February 2014 entered into an unconditional share Sale and Purchase Agreement to dispose KLKI's entire equity interest in Somerset Cuisine Ltd ("Somerset") for a cash consideration of £900,000 (or RM4.95 million).

Following the completion of the above proposed disposal, Somerset shall cease to be a subsidiary of KLK.

The above proposed disposal will not have any effect on the share capital and shareholdings of the Company's substantial shareholders nor have any material effect on the net assets, earnings and gearing of the Group for the financial year ending 30 September 2014.

At the date of this report, the proposed disposal has yet to be completed.

**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 2013.

**Interim Financial Report for the second quarter ended 31 March 2014**

(The figures have not been audited)

**A12. Capital commitments**

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

	<b>At 31 March 2014 RM'000</b>	<b>At 30 September 2013 RM'000 (Restated)</b>
Capital expenditure:		
Authorised and contracted for	373,926	506,486
Authorised but not contracted for	681,578	783,909
	<b>1,055,504</b>	<b>1,290,395</b>
Acquisition of shares in subsidiaries:		
Authorised and contracted for	1,213	3,211

**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 favourable to the related party than those generally available to the public and are not detrimental to the non-controlling interests of the Company:

	<b>Cumulative Quarter 6 months ended 31 March</b>	
	<b>2014 RM'000</b>	<b>2013 RM'000 (Restated)</b>
a) Transactions with associates:		
Processing fee earned	539	300
Sales of finished goods	4,378	2,878
Sales of electricity	554	348
Purchase of goods	2,003	2,619
Service charges paid	1,705	1,062
Research and development services paid	6,284	5,134



**Interim Financial Report for the second quarter ended 31 March 2014**

(The figures have not been audited)

		<b>Cumulative Quarter</b>	
		<b>6 months ended</b>	
		<b>31 March</b>	
		<b>2014</b>	<b>2013</b>
		<b>RM'000</b>	<b>RM'000</b>
			<b>(Restated)</b>
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	16,129	13,265
	Taiko Marketing (S) Pte Ltd	8,481	10,736
	Taiko Acid Works Sdn Bhd	542	281
	Borneo Taiko Clay Sdn Bhd	2,545	2,168
	Bukit Katho Estate Sdn Bhd	1,879	2,390
	Kampar Rubber & Tin Co Sdn Bhd	5,328	4,829
	Malay Rubber Plantations (M) Sdn Bhd	4,151	4,431
	PT Agro Makmur Abadi	35,848	27,296
	PT Safari Riau	14,625	9,295
	PT Taiko Persada Indoprima	7,751	4,004
	Taiko Drum Industries Sdn Bhd	1,521	730
	Taiko Fertiliser Marketing Sdn Bhd	20,412	28,014
	Freight income earned from:		
	Chlor-Al Chemical Pte Ltd	900	76
	Sales of indirect materials and finished goods to:		
	Taiko Marketing Sdn Bhd	110,956	94,641
	Taiko Marketing (S) Pte Ltd	3,401	968
	Chlor-Al Chemical Pte Ltd	12,162	10,749
	Premier Bleaching Earth Sdn Bhd	3,119	3,006
	Storage tanks rental received:		
	Taiko Marketing Sdn Bhd	1,461	1,496
	Sales commissions charged by:		
	Taiko Marketing Sdn Bhd	1,088	838
c)	Transactions between subsidiaries and their non-controlling interests:		
	Sales of indirect materials and finished goods to:		
	Mitsubishi Corporation	72,792	11,485
	Mitsui & Co Ltd	61,586	40,556
	Tejana Trading & Management Services Sdn Bhd	3,294	3,180

**Interim Financial Report for the second quarter ended 31 March 2014**

(The figures have not been audited)

**B. Explanatory Notes as required by the Bursa Securities' Listing Requirements****B1. Detailed analysis of performance****2<sup>nd</sup> Quarter FY 2014 vs 2<sup>nd</sup> Quarter FY 2013 (Restated)**

Following the adoption of FRS 10 *Consolidated Financial Statements* whereby KLK is accounted for as the Company's subsidiary, the Group's revenue for the current quarter under review was RM3,023.31 million, 31% higher than restated RM2,307.70 million in the corresponding quarter last year. All segments, except Property Development, reported higher revenues. Group profit before tax was substantially higher at RM450.82 million (2013: RM301.34 million). Comments on the business sectors are as follows:

**Plantations** sector reported a profit of RM293.19 million, 52% higher than last year's corresponding quarter's profit of RM192.82 million from higher palm product prices, despite lower sales volumes.

**Manufacturing** sector's profit improved 65% to RM157.10 million (2013: RM95.08 million) for the quarter under review. Revenue rose 27% to RM1,577.37 million (2013: RM1,238.57 million) due to improved sales volumes of fatty acid products. The oleochemical division recorded a profit of RM136.30 million (2013: RM83.00 million) and the chemicals division posted a profit of RM19.40 million (2013: RM13.92 million), which included RM9.02 million (2013: RM6.19 million) compensation from a customer in the chemical division for short-fall in contracted products off-take.

**Property Development** sector registered a profit to RM8.41 million, decreased 46% from last year corresponding quarter's RM15.51 million attributed to the decrease in progressive recognition of profits from the development project in Bandar Seri Coalfields, Sungai Buloh. Revenue had dropped 58% to RM21.42 million (2013: RM51.07 million).

**Todate 2<sup>nd</sup> Quarter FY 2014 vs Totate 2<sup>nd</sup> Quarter FY 2013 (Restated)**

For the first half financial year 2014, Group revenue was RM5,610.15 million, 19% higher than RM4,707.35 million in the corresponding period last year as all segments, except for Property Development, reported higher revenues. Group profit before tax rose 27% to RM860.64 million (2013: RM678.95 million). Comments on the business sectors are as follows:

**Plantations** sector reported a profit of RM554.78 million, 19% higher than last year's corresponding period's profit of RM466.56 million attributable to higher selling prices of CPO and PK, despite lower crop production of both FFB and rubber.

**Manufacturing** sector's profit was significantly higher at RM260.79 million (2013: RM173.41 million). Revenue rose 21% to RM2,930.90 million (2013: RM2,428.90 million) due to improved sales volumes, particularly fatty acids and specialties products, and higher selling prices. The oleochemical division recorded a profit of RM210.80 million (2013: RM145.60 million) and the chemicals division posted a profit of RM43.12 million (2013: RM28.11 million), which included RM20.01 million (2013: RM8.78 million) compensation from a customer in the chemical division for short-fall in contracted products off-take.

**Property Development** sector reported a 54% lower revenue of RM48.86 million (2013: RM106.48 million) which generated a profit of RM21.62 million, 40% lower than last year corresponding period's RM36.27 million. This was due to decline in profits recognition from the development project in Bandar Seri Coalfields, Sungai Buloh.

**Investment Holding/Others** accounted for a RM15.85 million gain on negative goodwill arising from the acquisition of Liberian Palm Developments Ltd.

**B2. Comparison of current quarter's results to the preceding quarter****2<sup>nd</sup> Quarter FY 2014 vs 1<sup>st</sup> Quarter FY 2014**

This quarter, Group pre-tax profit increased 10% to RM450.82 million compared to the RM409.83 million reported in the preceding quarter, mainly due to higher Plantations and Manufacturing profits which benefitted from higher selling prices. However, Property Development's profit was lower.

**Interim Financial Report for the second quarter ended 31 March 2014**

(The figures have not been audited)

**B3. Current year's prospects**

Based on current prices, the Group's Plantations profit for the current financial year is expected to be higher than that of last year. Kuala Lumpur Kepong Berhad's Manufacturing sector expects satisfactory profits due to anticipated improvements in operational efficiencies and productivity, notwithstanding a more competitive environment.

Overall, the Group expects the profit for the current financial year to exceed that of last 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 2014.

**B5. Income tax expense**

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 March		6 months ended 31 March	
	2014	2013	2014	2013
	RM'000	RM'000 (Restated)	RM'000	RM'000 (Restated)
Current tax				
Malaysian income tax	56,869	53,604	120,747	129,338
Foreign income tax	25,172	15,625	48,986	30,036
	<u>82,041</u>	<u>69,229</u>	<u>169,733</u>	<u>159,374</u>
Deferred tax				
Relating to origination and reversal of temporary differences	10,198	(6,744)	11,196	(15,641)
(Over)/Under provision in respect of previous years	(1,186)	(2)	(6,483)	3,869
	<u>9,012</u>	<u>(6,746)</u>	<u>4,713</u>	<u>(11,772)</u>
(Over)/Under provision in respect of previous years				
Malaysian income tax	1,184	26	782	464
Foreign income tax	1,997	207	2,298	457
	<u>3,181</u>	<u>233</u>	<u>3,080</u>	<u>921</u>
	<u>94,234</u>	<u>62,716</u>	<u>177,526</u>	<u>148,523</u>

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 and utilisation of previously unrecognised tax losses and capital allowances by certain subsidiaries.

**B6. Status of corporate proposals**

The conditional agreements entered into by Whitmore Holdings Sdn Bhd ("WH"), a wholly-owned subsidiary of the Company, respectively with Damin (dated 10 August 2012) and Bobby Noer Rahman (dated 27 March 2013) to acquire a 39% and 51% equity interest in PT Tekukur Indah ("PTTI"), a company established in the Republic of Indonesia, respectively for a cash consideration of Rp1,395 billion and Rp765 million are still pending completion.

**Interim Financial Report for the second quarter ended 31 March 2014**

(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 2014		At 30 September 2013	
	RM'000	Amount in Foreign Currency '000	RM'000 (Restated)	Amount in Foreign Currency '000 (Restated)
a) Repayable within 12 months:				
(i) Term Loans				
- Secured	-		7,568	
- Unsecured	18,268		335,687	
	<u>18,268</u>		<u>343,255</u>	
(ii) Bank Overdraft				
- Unsecured	7	CHF2	-	
	3,353	HKD7,963	3,088	HKD7,347
	45,517	Euro10,119	-	
	<u>48,877</u>		<u>3,088</u>	
(iii) Short Term Borrowings				
- Unsecured	338,972	USD104,056	80,020	USD24,500
	-		3,729	Rmb7,000
	25,848	CHF7,000	25,221	CHF7,000
	103,413	GBP19,000	142,487	GBP27,000
	107,966	Euro24,000	61,730	Euro14,000
	338,878		137,164	
	<u>915,077</u>		<u>450,351</u>	
Total repayable within 12 months	<u>982,222</u>		<u>796,694</u>	
b) Repayable after 12 months:				
(i) Term Loans				
- Unsecured	89,958	Euro20,000	88,216	Euro20,000
	164,218	USD50,000	163,743	USD50,000
	315,000		27,268	
	<u>569,176</u>		<u>279,227</u>	
(ii) Islamic Medium Term Notes				
- Unsecured	<u>1,800,000</u>		<u>1,800,000</u>	
Total repayable after 12 months	<u>2,369,176</u>		<u>2,079,227</u>	
Total Group borrowings	<u>3,351,398</u>		<u>2,875,921</u>	

**Interim Financial Report for the second quarter ended 31 March 2014**

(The figures have not been audited)

**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 2014, the values and maturity analysis of the outstanding forward foreign exchange contracts of the Group are as follows:

	<b>Contract / Notional value Net long/(short)</b>	<b>Fair value Net gains/(losses)</b>
	<b>RM'000</b>	<b>RM'000</b>
a) Forward foreign exchange contracts:		
- Less than 1 year	(724,840)	7,037
- 1 year to 3 years	-	-
- More than 3 years	-	-
b) Commodity futures contracts:		
- Less than 1 year	(194,869)	(1,624)
- 1 year to 3 years	-	-
- More than 3 years	-	-

With the adoption of FRS 139 *Financial Instruments: Recognition and Measurement*, 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 2014, there have been no significant changes to the Group's exposure to credit risk, market risk and liquidity risk from the previous financial year. Since the previous financial year, there have been no changes to the Group's risk management objectives, policies and processes.

**B9. Fair value changes of financial liabilities**

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

**B10. Material litigation**

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.

**B11. 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 2014 (2013: single tier dividend of 15 sen per share) and will be paid on 14 August 2014 to shareholders registered in the Company's Register as at 23 July 2014.

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 21 July 2014, 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 2014, 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.

**Interim Financial Report for the second quarter ended 31 March 2014**

(The figures have not been audited)

- b) Total dividend for the current financial year to-date is single tier dividend of 15 sen per share (2013: single tier dividend of 15 sen per share).

**B12. Earnings Per Share**
*Basic earnings per share*

The earnings per share is calculated by dividing the net profit for the period attributable to 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 31 March		6 months ended 31 March	
	2014	2013	2014	2013
Net profit for the period attributable to owners of the Company (RM'000)	163,217	108,918	320,189	247,811
Weighted average number of shares ('000)	412,890	415,559	412,890	415,559
Earnings per share (sen)	39.5	26.2	77.5	59.6

**B13. Audit report of preceding annual financial statements**

The auditors' report on the financial statements for the year ended 30 September 2013 was not subject to any qualifications.

**B14. Condensed Consolidated Statement of Profit or Loss**

Profit before tax for the period is arrived at after charging/(crediting) the following items:

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 March		6 months ended 31 March	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
		(Restated)		(Restated)
Interest income	(10,021)	(12,064)	(19,946)	(19,481)
Dividend income	(8,383)	(8,452)	(19,653)	(17,702)
Other income	(17,109)	(26,162)	(73,261)	(52,133)
Interest expense	24,948	23,169	51,465	44,321
Depreciation and amortisation	90,309	80,562	174,519	157,544
Provision for and write-off of receivables	1,604	372	3,016	913
(Reversal of)/Provision for and write-off of inventories	5,271	9,863	4,686	21,223
Gain on disposal of quoted or unquoted investments	(1,045)	-	(10,959)	(1,569)
Gain on disposal of land	(447)	(689)	(988)	(1,752)
Surplus arising from government acquisition of land	(249)	(598)	(1,592)	(598)
Impairment of assets	-	-	-	-
Foreign exchange loss/(gain)	4,443	(948)	7,271	(12,081)
(Gain)/loss on derivatives	(38,760)	(79)	7,725	(635)
Exceptional items	-	-	-	-

**Interim Financial Report for the second quarter ended 31 March 2014**

(The figures have not been audited)

**B15. Breakdown of realised and unrealised profits or losses**

	<b>At 31 March 2014</b>	<b>At 30 September 2013</b>
	<b>RM'000</b>	<b>RM'000 (Restated)</b>
Total retained profits of the Company and its subsidiaries:		
- Realised	6,459,009	6,189,911
- Unrealised	(137,173)	(170,560)
	<hr/> 6,321,836	<hr/> 6,019,351
Total share of retained profits from associates:		
- Realised	59,351	59,573
- Unrealised	(238)	(237)
	<hr/> 59,113	<hr/> 59,336
Consolidation adjustments	(2,970,816)	(2,831,014)
Total group retained profits as per consolidated accounts	<hr/> <b>3,410,133</b>	<hr/> <b>3,247,673</b>

By Order of the Board

CHONG SEE TECK  
YAP MIOW KIEN  
Company Secretaries

21 May 2014