

BATU KAWAN BERHAD

(6292-U)
(Incorporated in Malaysia)

**Interim Financial Report
For the first quarter ended 31 December 2014**

Interim Financial Report for the first quarter ended 31 December 2014

(The figures have not been audited)

Directors are pleased to announce the unaudited financial results of the Group for the first quarter ended 31 December 2014.

Condensed Consolidated Statement of Profit or Loss

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 December		3 months ended 31 December	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Revenue	3,214,547	2,586,837	3,214,547	2,586,837
Operating expenses	(2,902,296)	(2,207,430)	(2,902,296)	(2,207,430)
Other operating income	33,058	56,152	33,058	56,152
Finance costs	(29,440)	(26,517)	(29,440)	(26,517)
Share of results of associates	2,405	786	2,405	786
Profit before taxation	318,274	409,828	318,274	409,828
Income tax expense	(71,472)	(83,292)	(71,472)	(83,292)
NET PROFIT FOR THE PERIOD	246,802	326,536	246,802	326,536
Profit attributable to:				
Owners of the Company	116,954	156,972	116,954	156,972
Non-controlling interests	129,848	169,564	129,848	169,564
	246,802	326,536	246,802	326,536
Earnings per share for profit attributable to owners of the Company (sen)				
Basic	28.6	38.0	28.6	38.0
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 2014.

Interim Financial Report for the first quarter ended 31 December 2014

(The figures have not been audited)

Condensed Consolidated Statement of Other Comprehensive Income

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 December		3 months ended 31 December	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Net profit for the period	246,802	326,536	246,802	326,536
Other comprehensive income/(loss) that will be reclassified subsequently to profit or loss				
Net fair value gain on available-for-sale investments	91,896	83,709	91,896	83,709
Reclassification adjustments for surplus on disposal of available-for-sale investments	(704)	(10,071)	(704)	(10,071)
Changes in tax rates	-	-	-	-
Foreign currency translation differences	215,359	(60,182)	215,359	(60,182)
Total other comprehensive income for the period	306,551	13,456	306,551	13,456
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	553,353	339,992	553,353	339,992
Total comprehensive income attributable to:				
Owners of the Company	260,037	160,474	260,037	160,474
Non-controlling interests	293,316	179,518	293,316	179,518
	553,353	339,992	553,353	339,992

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

Interim Financial Report for the first quarter ended 31 December 2014
(The figures have not been audited)

Condensed Consolidated Statement of Financial Position

	At 31 December 2014	At 30 September 2014
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	4,617,299	4,503,070
Investment property	51,817	52,049
Prepaid lease payments	266,395	254,364
Biological assets	2,252,546	2,154,096
Land held for property development	219,308	217,926
Goodwill on consolidation	320,066	315,328
Intangible assets	15,214	15,238
Investment in associates	182,230	178,595
Available-for-sale investments	1,048,531	916,372
Deferred tax assets	140,783	128,293
Other receivables	165,965	150,977
	<u>9,280,154</u>	<u>8,886,308</u>
Current assets		
Inventories	1,454,236	1,488,493
Biological assets	2,546	27,286
Trade and other receivables	1,942,702	1,705,883
Property development costs	57,663	54,316
Tax recoverable	21,467	24,754
Derivative financial assets	90,886	76,585
Cash and cash equivalents	1,986,789	1,900,475
	<u>5,556,289</u>	<u>5,277,792</u>
TOTAL ASSETS	<u>14,836,443</u>	<u>14,164,100</u>

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

Interim Financial Report for the first quarter ended 31 December 2014
(The figures have not been audited)

Condensed Consolidated Statement of Financial Position

	At 31 December 2014	At 30 September 2014
	RM'000	RM'000
EQUITY AND LIABILITIES		
Current liabilities		
Trade and other payables	1,022,016	1,056,450
Deferred income	5,617	4,957
Tax payable	72,071	64,400
Borrowings	1,235,122	1,094,173
Derivative financial liabilities	91,385	87,226
	<u>2,426,211</u>	<u>2,307,206</u>
Net current assets	<u>3,130,078</u>	<u>2,970,586</u>
Non-current liabilities		
Provision for retirement benefits	296,080	287,038
Deferred tax liabilities	285,366	280,869
Deferred income	107,663	101,495
Borrowings	2,327,228	2,316,243
	<u>3,016,337</u>	<u>2,985,645</u>
Total liabilities	<u>5,442,548</u>	<u>5,292,851</u>
Net assets	<u>9,393,895</u>	<u>8,871,249</u>
Equity attributable to owners of the Company		
Share capital	435,951	435,951
Treasury shares	(356,963)	(330,723)
Reserves	4,791,810	4,531,773
	<u>4,870,798</u>	<u>4,637,001</u>
Non-controlling interests	4,523,097	4,234,248
Total equity	<u>9,393,895</u>	<u>8,871,249</u>
TOTAL EQUITY AND LIABILITIES	<u>14,836,443</u>	<u>14,164,100</u>
Net assets per share attributable to owners of the Company (RM)	11.92	11.33

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

Interim Financial Report for the first quarter ended 31 December 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 ↔						
	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
At 1 October 2014	435,951	(330,723)	4,809	819,976	27,682	(195,851)	325,004	7,035	3,543,118	4,637,001	4,234,247	8,871,248
Total comprehensive income for the period	-	-	-	281	1	101,196	41,741	-	116,818	260,037	293,316	553,353
Transaction with owners:												
Share buy back	-	(26,240)	-	-	-	-	-	-	-	(26,240)	-	(26,240)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(4,466)	(4,466)
	-	(26,240)	-	-	-	-	-	-	-	(26,240)	(4,466)	(30,706)
At 31 December 2014	435,951	(356,963)	4,809	820,257	27,683	(94,655)	366,745	7,035	3,659,936	4,870,798	4,523,097	9,393,895

* Included in Capital Reserve is RM488,514,000 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 2014.

Interim Financial Report for the first quarter ended 31 December 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 →						
	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
At 1 October 2013	435,951	(223,387)	5,766	818,901	26,459	(117,259)	366,350	7,035	3,247,676	4,567,492	4,094,649	8,662,141
Total comprehensive income for the period	-	-	-	165	-	(30,930)	34,519	-	156,720	160,474	179,518	339,992
Transaction with owners:												
Effect of changes in shareholdings	-	-	-	-	-	-	-	-	7,518	7,518	(15,534)	(8,016)
Acquisition through business combination	-	-	-	-	-	-	-	-	-	-	72,347	72,347
Redemption of redeemable preference shares	-	-	-	-	-	-	-	-	-	-	(4,500)	(4,500)
Share buy back	-	(22,427)	-	-	-	-	-	-	-	(22,427)	-	(22,427)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(2,026)	(2,026)
	-	(22,427)	-	-	-	-	-	-	7,518	(14,909)	50,287	35,378
At 31 December 2013	435,951	(245,814)	5,766	819,066	26,459	(148,189)	400,869	7,035	3,411,914	4,713,057	4,324,454	9,037,511

* Included in Capital Reserve is RM487,323,000 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 2014.

Interim Financial Report for the first quarter ended 31 December 2014

(The figures have not been audited)

Condensed Consolidated Statement of Cash Flows

	3 months ended 31 December	
	2014	2013
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	318,274	409,828
Adjustments for:		
Non-cash items	106,962	58,445
Non-operating items	(23,124)	5,322
Operating cash flows before changes in working capital	402,112	473,595
Changes in working capital		
Net change in current assets	(122,821)	(278,942)
Net change in current liabilities	(24,714)	(55,534)
Cash flows from operations	254,577	139,119
Interest received	233	692
Interest paid	(27,706)	(23,172)
Tax paid	(67,367)	(64,238)
Retirement benefits paid	(4,754)	(8,844)
Net cash flows from operating activities	154,983	43,557
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	245	1,718
Proceeds from sale of unquoted investments	2,249	16,010
Share buy back	(26,240)	(22,427)
Purchase of property, plant and equipment	(130,161)	(150,840)
Property development expenditure	(1,382)	(60)
Purchase of intangible assets	(524)	(357)
Purchase of other investments	(19,984)	(73,595)
Purchase of shares from non-controlling interests	-	(8,150)
Payments of prepaid lease	(8,459)	(2,767)
Additions to biological assets	(47,862)	(40,470)
Acquisition of subsidiaries	-	(66,563)
Compensation from government on land acquired	2,412	1,530
Dividends received	15,399	21,101
Interest received	5,724	6,943
Net cash flows used in investing activities	(208,583)	(317,927)

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

Interim Financial Report for the first quarter ended 31 December 2014

(The figures have not been audited)

Condensed Consolidated Statement of Cash Flows

	3 months ended 31 December	
	2014	2013
	RM'000	RM'000
Cash flows from financing activities		
Repayment of term loans	(6,476)	(34,288)
Drawdown of short term borrowings	70,674	186,009
Dividends paid to non-controlling interests	(4,466)	(2,026)
Increase in other receivables	(4,037)	(4,282)
Redemption of redeemable preference shares from non-controlling interests	-	(4,500)
Net cash flows generated from financing activities	55,695	140,913
Net increase/(decrease) in cash and cash equivalents	2,095	(133,457)
Effects of exchange rate changes	37,859	(5,458)
Cash and cash equivalents at 1 October	1,869,401	2,460,652
Cash and cash equivalents at 31 December	1,909,355	2,321,737
Cash and cash equivalents at 31 December is represented by:		
Cash and cash equivalents	1,986,789	2,371,005
Borrowings - Bank overdraft	(77,434)	(49,268)
	1,909,355	2,321,737

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

Interim Financial Report for the first quarter ended 31 December 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 2014. The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements for the year ended 30 September 2014 except for the adoption of the following revised and amendments to FRSs:

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

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

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

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

The application of the above amendments to FRSs and interpretation has no significant effect to the financial statements of the Group.

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.

Interim Financial Report for the first quarter ended 31 December 2014

(The figures have not been audited)

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 buybacks, share cancellations or resale of treasury shares for the financial year to-date except for share buybacks of 1,460,800 shares in the Company from the open market. The average price paid for the shares repurchased was RM17.90 per share and the total consideration paid, including transaction costs, was RM26,240,291. The shares bought back were financed by internally generated funds and borrowings and held as treasury shares.

A7. Dividends paid

No dividend has been paid during the current quarter ended 31 December 2014 (31 December 2013: Nil).

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

	Plantations	Manufacturing	Property Development	Investment Holding/Others	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
3 months ended 31 December 2014						
Revenue						
External revenue	1,601,320	1,509,331	29,920	73,976	-	3,214,547
Inter-segment revenue	200,355	-	-	16,103	(216,458)	-
Total revenue	1,801,675	1,509,331	29,920	90,079	(216,458)	3,214,547
Results						
Operating results	245,415	53,001	13,578	40,236	(6,921)	345,309
Finance cost	(1,047)	(6,854)	-	(28,460)	6,921	(29,440)
Share of results of associates	1,868	240	288	9	-	2,405
Segment results	246,236	46,387	13,866	11,785	-	318,274
Profit before taxation						318,274
3 months ended 31 December 2013						
Revenue						
External revenue	1,135,235	1,353,293	27,432	70,877	-	2,586,837
Inter-segment revenue	78,490	244	-	27,889	(106,623)	-
Total revenue	1,213,725	1,353,537	27,432	98,766	(106,623)	2,586,837
Results						
Operating results	264,592	108,331	12,925	57,674	(7,963)	435,559
Finance cost	(3,364)	(4,758)	-	(26,358)	7,963	(26,517)
Share of results of associates	368	125	285	8	-	786
Segment results	261,596	103,698	13,210	31,324	-	409,828
Profit before taxation						409,828

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(The figures have not been audited)

b) Segment assets

	Plantations	Manufacturing	Property Development	Investment Holding/Others	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
At 31 December 2014					
Operating assets	5,730,470	5,584,087	474,975	2,702,431	14,491,963
Associates	68,977	6,723	57,171	49,359	182,230
Segment assets	<u>5,799,447</u>	<u>5,590,810</u>	<u>532,146</u>	<u>2,751,790</u>	<u>14,674,193</u>
Tax assets					162,250
Total assets					<u>14,836,443</u>
At 30 September 2014					
Operating assets	5,372,768	5,496,168	468,004	2,495,518	13,832,458
Associates	69,471	6,280	56,883	45,961	178,595
Segment assets	<u>5,442,239</u>	<u>5,502,448</u>	<u>524,887</u>	<u>2,541,479</u>	<u>14,011,053</u>
Tax assets					153,047
Total assets					<u>14,164,100</u>

c) Segment liabilities

	Plantations	Manufacturing	Property Development	Investment Holding/Others	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
At 31 December 2014					
Segment liabilities	<u>1,209,498</u>	<u>1,634,558</u>	<u>54,692</u>	<u>2,186,363</u>	<u>5,085,111</u>
Unallocated liabilities					357,437
Total liabilities					<u>5,442,548</u>
At 30 September 2014					
Segment liabilities	<u>1,025,538</u>	<u>1,666,407</u>	<u>56,377</u>	<u>2,199,260</u>	<u>4,947,582</u>
Unallocated liabilities					345,269
Total liabilities					<u>5,292,851</u>

A9. Material events subsequent to end of period

- a) On 8 January 2015, Kuala Lumpur Kepong Berhad ("KLK") together with its wholly-owned subsidiary, KLK Premier Capital Ltd ("KLKPCL") entered into a Share Purchase Agreement ("SPA") with Mitsui & Co Ltd ("Mitsui"), a company incorporated in Japan for KLK to dispose 20% equity interest in KLKPCL to Mitsui ("Proposed Disposal") for a consideration of USD44 million (or approximately RM154 million).

KLKPCL owns 100% equity interest in Taiko Palm-Oleo (Zhangjiagang) Co Ltd ("TPOZ") which principal activities are the manufacturing and trading of fatty acids, glycerine, soap noodles and triacetin. The Proposed Disposal will allow KLK to leverage on Mitsui's business and market relationship in the People's Republic of China and technological expertise in oleochemical downstream manufacturing activities.

The Proposed Disposal is conditional on the fulfillment of various conditions and is expected to be completed in the first quarter of calendar year 2015, or any other date as mutually agreed upon by the parties.

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 2015.

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(The figures have not been audited)

- b) Golden Sphere Sdn Bhd, a wholly-owned subsidiary of KLK, which had become dormant following the completion of KLK Group's internal restructuring exercise, will be dissolved by way of members' voluntary winding up on 16 April 2015.
- c) The proposed subscription of 50% new shares in PT Kreasijaya Adhikarya ("PT Kreasijaya") by PT Astra Agro Lestari Tbk was completed in January 2015 and PT Kreasijaya ceased to be a subsidiary of KLK but shall remain as an associate of KLK Group.

A10. Changes in composition of the Group

There were no changes in the composition of the Group arising from business combinations, acquisition or disposal of subsidiaries and long term investments, restructurings and discontinued operations during the current quarter under review.

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 2014.

A12. Capital commitments

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

	At 31 December 2014 RM'000	At 30 September 2014 RM'000
Capital expenditure		
Approved and contracted	269,705	266,052
Approved but not contracted	620,610	936,917
	890,315	1,202,969
Acquisition of shares in a subsidiary		
Approved and contracted	1,192	1,133
Acquisition of land for property development		
Approved and contracted	784,080	784,080

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:

	Cumulative Quarter 3 months ended 31 December	
	2014 RM'000	2013 RM'000
a) Transactions with associates:		
Sales of finished goods	1,955	1,899
Purchase of goods	127	1,770
Research and development services paid	2,568	2,398

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(The figures have not been audited)

		Cumulative Quarter	
		3 months ended	
		31 December	
		2014	2013
		RM'000	RM'000
b)	Transactions with other related parties being companies in which persons connected with certain Directors have significant interests:		
	Sales of goods:		
	Taiko Marketing Sdn Bhd	58,005	54,908
	Taiko Marketing (S) Pte Ltd	1,373	2,363
	Chlor-Al Chemical Pte Ltd	4,412	5,548
	Premier Bleaching Earth Sdn Bhd	-	1,622
	Purchases of goods:		
	Taiko Marketing Sdn Bhd	8,841	8,539
	Taiko Marketing (S) Pte Ltd	4,460	8,444
	Borneo Taiko Clay Sdn Bhd	1,001	1,292
	Bukit Katho Estate Sdn Bhd	729	1,008
	Kampar Rubber & Tin Co Sdn Bhd	1,964	2,966
	Malay Rubber Plantations (M) Sdn Bhd	1,237	2,175
	PT Agro Makmur Abadi	16,692	14,327
	PT Safari Riau	7,547	7,108
	PT Taiko Persada Indoprima	3,089	4,062
	Taiko Fertiliser Marketing Sdn Bhd	164	12,219
	Sales commissions charged by:		
	Taiko Marketing Sdn Bhd	2,012	526
c)	Transactions between subsidiaries and their non-controlling interests:		
	Sales of indirect materials and finished goods to:		
	Mitsubishi Corporation	22,838	57,248
	Mitsui & Co Ltd	71,242	23,611
	Tejana Trading & Management Services Sdn Bhd	654	1,435

Interim Financial Report for the first quarter ended 31 December 2014

(The figures have not been audited)

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

B1. Detailed analysis of performance

1st Quarter FY 2015 vs 1st Quarter FY 2014

The Group's revenue for the current quarter under review was RM3,214.55 million, 24% higher than RM2,586.84 million in the corresponding quarter last year. All segments except Investment Holdings reported higher revenues. However, Group profit before tax was 22% lower at RM318.27 million (2014: RM409.83 million). Comments on the business sectors are as follows:

Plantations sector reported a profit of RM246.24 million, 6% lower than last year's corresponding quarter's profit of RM261.60 million resulting from lower selling prices of CPO and rubber, increased CPO production cost and lower crop production.

Unrealised gain of RM26.3 million (2014: RM5.6 million unrealised loss) arising from changes in fair value on outstanding derivative contracts was recognised in the quarter.

Manufacturing sector's profit decreased 55% to RM46.39 million (2014: RM103.70 million) due to lower selling prices. Though revenue rose 12% to RM1,509.33 million (2014: RM1,353.54 million), its results were affected by negative margins from the fatty alcohol and surfactant businesses. The oleochemical division recorded a profit of RM28.80 million (2014: RM74.50 million) while the chemicals division posted a lower profit of RM16.87 million (2014: RM23.72 million).

Property Development sector registered a 5% higher profit, at RM13.87 million (2014: RM13.21 million) and revenue increased 9% to RM29.92 million (2014: RM27.43 million) from the development project in Bandar Seri Coalfields, Sungai Buloh.

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

1st Quarter FY 2014 vs 4th Quarter FY 2014

This quarter, Group pre-tax profit increased 24% to RM318.27 million compared to the RM257.13 million reported in the preceding quarter, mainly due to higher Manufacturing profit resulting from improved margins. However, Plantations and Property Development sectors' profits were lower, affected by lower commodity selling prices and lower revenue, respectively.

B3. Current year's prospects

The Group's Plantations profit for the current financial year is expected to be lower than last financial year's in view of the current crude palm oil price. The oleochemical division expects satisfactory profit for the current financial year in anticipation of additional capacities from new plants coming on-stream and the initiatives for operational efficiencies and productivity improvement.

Overall, the Group expects a satisfactory profit for the current financial year albeit 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 December 2014.

Interim Financial Report for the first quarter ended 31 December 2014

(The figures have not been audited)

B5. Income tax expense

	Individual Quarter		Cumulative Quarter	
	3 months ended		3 months ended	
	31 December		31 December	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Current tax				
Malaysian income tax	54,064	63,878	54,064	63,878
Foreign income tax	24,066	23,814	24,066	23,814
	78,130	87,692	78,130	87,692
Deferred tax				
Relating to origination and reversal of temporary differences	(7,146)	998	(7,146)	998
(Over)/Under provision in respect of previous years	276	(5,297)	276	(5,297)
	(6,870)	(4,299)	(6,870)	(4,299)
(Over)/Under provision in respect of previous years				
Malaysian income tax	259	(402)	259	(402)
Foreign income tax	(47)	301	(47)	301
	212	(101)	212	(101)
	71,472	83,292	71,472	83,292

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

B6. Status of corporate proposals

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 respectively acquire a 39% and 51% equity interest in PT Tekukur Indah ("PTTI"), a company established in the Republic of Indonesia, for a cash consideration of Rp1,395 billion and Rp765 million are still pending completion.

Interim Financial Report for the first quarter ended 31 December 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 December 2014		At 30 September 2014	
	RM'000	Amount in Foreign Currency '000	RM'000	Amount in Foreign Currency '000
a) Repayable within 12 months:				
(i) Term Loans				
- Secured	846	Euro200	808	Euro195
	846		808	
- Unsecured	-		6,268	
	35,205	USD10,000	32,850	USD10,000
	35,205		39,118	
	36,051		39,926	
(ii) Bank Overdraft				
- Unsecured	77,434	Euro18,295	30,923	Euro7,460
	77,434		30,923	
(iii) Short Term Borrowings				
- Unsecured	359,016	USD102,613	293,242	USD89,330
	17,594	CHF5,000	24,049	CHF7,000
	70,835	GBP13,000	79,802	GBP15,000
	195,550	Euro46,201	276,668	Euro66,749
	478,642		349,563	
	1,121,637		1,023,324	
Total repayable within 12 months	1,235,122		1,094,173	
b) Repayable after 12 months:				
(i) Term Loans				
- Secured	1,755	Euro415	1,944	Euro469
- Unsecured	84,652	Euro20,000	82,898	Euro20,000
	140,821	USD40,000	131,401	USD40,000
	300,000		300,000	
	525,473		514,299	
	527,228		516,243	
(ii) Islamic Medium Term Notes				
- Unsecured	1,800,000		1,800,000	
Total repayable after 12 months	2,327,228		2,316,243	
Total Group borrowings	3,562,350		3,410,416	

Interim Financial Report for the first quarter ended 31 December 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.

The commodity future contracts are entered into with the objective of managing and hedging the Group's exposure to the adverse price movements in the vegetable oil commodities.

As at 31 December 2014, the values and maturity analysis of the outstanding forward foreign exchange contracts of the Group are as follows:

	Contract / Notional value Net long/(short)	Fair value Net gains/(losses)
	RM'000	RM'000
a) Forward foreign exchange contracts:		
- Less than 1 year	(997,771)	(37,947)
- 1 year to 3 years	-	-
- More than 3 years	-	-
b) Commodity futures contracts:		
- Less than 1 year	(169,520)	37,448
- 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 December 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) The Directors do not recommend the payment of dividend for the first quarter ended 31 December 2014 (31 December 2013: Nil).

b) Total dividend for the current financial year to-date is Nil (31 December 2013: Nil).

Interim Financial Report for the first quarter ended 31 December 2014

(The figures have not been audited)

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 December		3 months ended 31 December	
	2014	2013	2014	2013
Net profit for the period attributable to owners of the Company (RM'000)	116,954	156,972	116,954	156,972
Weighted average number of shares ('000)	408,569	413,661	408,569	413,661
Earnings per share (sen)	28.6	38.0	28.6	38.0

B13. Audit report of preceding annual financial statements

The auditors' report on the financial statements for the year ended 30 September 2014 was not subject to any qualifications.

B14. Condensed Consolidated Statement of Profit or Loss

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

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 December		3 months ended 31 December	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Interest income	(9,092)	(9,925)	(9,092)	(9,925)
Dividend income	(9,522)	(11,270)	(9,522)	(11,270)
Other income	(33,058)	(56,152)	(33,058)	(56,152)
Interest expense	29,440	26,517	29,440	26,517
Depreciation and amortisation	101,735	84,210	101,735	84,210
(Reversal of)/Provision for and write-off of receivables	(575)	1,412	(575)	1,412
Provision for/(Reversal of) and write-off of inventories	10,186	(585)	10,186	(585)
Gain on disposal of quoted or unquoted investments	(695)	(9,914)	(695)	(9,914)
Gain on disposal of land	(712)	(541)	(712)	(541)
Surplus arising from government acquisition of land	(2,359)	(1,343)	(2,359)	(1,343)
Foreign exchange (gain)/loss	(24,631)	2,828	(24,631)	2,828
Loss on derivatives	29,479	46,485	29,479	46,485

Interim Financial Report for the first quarter ended 31 December 2014

(The figures have not been audited)

B15. Breakdown of realised and unrealised profits or losses

	At 31 December 2014	At 30 September 2014
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	6,867,470	6,766,700
- Unrealised	(56,345)	(207,481)
	<hr/> 6,811,125	<hr/> 6,559,219
Total share of retained profits from associates:		
- Realised	56,995	61,481
- Unrealised	23	32
	<hr/> 57,018	<hr/> 61,513
Consolidation adjustments	(3,208,207)	(3,077,614)
Total group retained profits as per consolidated accounts	<hr/> 3,659,936	<hr/> 3,543,118

By Order of the Board

CHONG SEE TECK
YAP MIOW KIEN
Company Secretaries

16 February 2015