

BATU KAWAN BERHAD

(6292-U)
(Incorporated in Malaysia)

**Interim Financial Report
For the third quarter ended 30 June 2015**

Interim Financial Report for the third quarter ended 30 June 2015

(The figures have not been audited)

Directors are pleased to announce the unaudited financial results of the Group for the third quarter ended 30 June 2015.

Condensed Consolidated Statement of Profit or Loss

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June		9 months ended 30 June	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Revenue	3,639,128	3,019,475	10,013,305	8,629,624
Operating expenses	(3,304,958)	(2,715,099)	(9,109,231)	(7,488,104)
Other operating income	25,641	21,806	155,298	95,067
Finance costs	(30,154)	(27,790)	(87,932)	(79,255)
Share of results of associates	10,062	1,115	10,012	2,819
Share of results of a joint venture	(4,783)	-	(7,434)	-
Profit before taxation	334,936	299,507	974,018	1,160,151
Income tax expense	(61,669)	(64,883)	(207,679)	(242,409)
NET PROFIT FOR THE PERIOD	273,267	234,624	766,339	917,742
Profit attributable to:				
Owners of the Company	131,662	110,528	369,508	430,717
Non-controlling interests	141,605	124,096	396,831	487,025
	273,267	234,624	766,339	917,742
Earnings per share for profit attributable to owners of the Company (sen)				
Basic	32.3	26.8	90.6	104.6
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 2014.

Interim Financial Report for the third quarter ended 30 June 2015

(The figures have not been audited)

Condensed Consolidated Statement of Other Comprehensive Income

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June		9 months ended 30 June	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Net profit for the period	273,267	234,624	766,339	917,742
Other comprehensive income/(loss) that will be reclassified subsequently to profit or loss				
Net change in fair value of available-for-sale investments	98,743	(166,976)	448,233	24,103
Reclassification adjustment for surplus on disposal of available-for-sale investments	-	(400)	(1,466)	(10,859)
Currency translation differences on deemed disposal of a subsidiary	-	-	4,319	-
Currency translation differences	100,417	(164,815)	386,042	(93,750)
Total other comprehensive income/(loss) for the period	199,160	(332,191)	837,128	(80,506)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	472,427	(97,567)	1,603,467	837,236
Total comprehensive income attributable to:				
Owners of the Company	224,237	(45,656)	758,900	392,534
Non-controlling interests	248,190	(51,911)	844,567	444,702
	<u>472,427</u>	<u>(97,567)</u>	<u>1,603,467</u>	<u>837,236</u>

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 third quarter ended 30 June 2015

(The figures have not been audited)

Condensed Consolidated Statement of Financial Position

	At 30 June 2015	At 30 September 2014
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	4,771,219	4,503,070
Investment property	51,352	52,049
Prepaid lease payments	276,119	254,364
Biological assets	2,343,077	2,154,096
Land held for property development	221,447	217,926
Goodwill on consolidation	339,050	315,328
Intangible assets	14,200	15,238
Investment in associates	185,000	178,595
Investment in joint ventures	156,810	-
Available-for-sale investments	1,441,849	916,372
Deferred tax assets	123,198	128,293
Other receivables	186,461	150,977
	10,109,782	8,886,308
Current assets		
Inventories	1,516,213	1,488,493
Biological assets	23,490	27,286
Trade and other receivables	2,473,283	1,705,883
Property development costs	58,200	54,316
Tax recoverable	31,671	24,754
Derivative financial assets	93,299	76,585
Cash and cash equivalents	1,933,191	1,900,475
	6,129,347	5,277,792
TOTAL ASSETS	16,239,129	14,164,100

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 third quarter ended 30 June 2015

(The figures have not been audited)

Condensed Consolidated Statement of Financial Position

	At 30 June 2015	At 30 September 2014
	RM'000	RM'000
EQUITY AND LIABILITIES		
Current liabilities		
Trade and other payables	1,333,580	1,056,450
Deferred income	5,692	4,957
Tax payable	18,720	64,400
Borrowings	1,711,033	1,094,173
Derivative financial liabilities	105,226	87,226
Dividend payable	146,382	-
	<u>3,320,633</u>	<u>2,307,206</u>
Net current assets	<u>2,808,714</u>	<u>2,970,586</u>
Non-current liabilities		
Provision for retirement benefits	300,713	287,038
Deferred tax liabilities	288,515	280,869
Deferred income	113,570	101,495
Borrowings	2,214,906	2,316,243
	<u>2,917,704</u>	<u>2,985,645</u>
Total liabilities	<u>6,238,337</u>	<u>5,292,851</u>
Net assets	<u>10,000,792</u>	<u>8,871,249</u>
Equity attributable to owners of the Company		
Share capital	435,951	435,951
Treasury shares	(366,262)	(330,723)
Reserves	5,097,795	4,531,773
	<u>5,167,484</u>	<u>4,637,001</u>
Non-controlling interests	4,833,308	4,234,248
Total equity	<u>10,000,792</u>	<u>8,871,249</u>
TOTAL EQUITY AND LIABILITIES	<u>16,239,129</u>	<u>14,164,100</u>

Net assets per share attributable to owners of the Company (RM)

12.69

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 third quarter ended 30 June 2015

(The figures have not been audited)

Condensed Consolidated Statement of Changes in Equity

	← Attributable to Owners of the Company →												
	← Non-distributable →							↔ Distributable ↔				Non-controlling interests	Total equity
	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			
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	-	-	-	632	2	180,577	208,611	-	369,078	758,900	844,567	1,603,467	
Transactions with owners:													
Effect of changes in shareholdings	-	-	-	-	-	-	-	-	51,597	51,597	98,192	149,789	
Share buy back	-	(35,539)	-	-	-	-	-	-	-	(35,539)	-	(35,539)	
Dividend paid	-	-	-	-	-	-	-	-	(183,453)	(183,453)	-	(183,453)	
Dividend payable	-	-	-	-	-	-	-	-	(61,022)	(61,022)	(85,360)	(146,382)	
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(258,338)	(258,338)	
	-	(35,539)	-	-	-	-	-	-	(192,878)	(228,417)	(245,506)	(473,923)	
At 30 June 2015	435,951	(366,262)	4,809	820,608	27,684	(15,274)	533,615	7,035	3,719,318	5,167,484	4,833,308	10,000,792	

* Included in Capital Reserve is RM488,865,000 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 third quarter ended 30 June 2015

(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	-	-	-	576	-	(49,490)	7,142	-	434,306	392,534	444,702	837,236
Transactions with owners:												
Effect of changes in shareholdings	-	-	-	-	-	-	-	-	7,504	7,504	(15,542)	(8,038)
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	-	35,807	35,807
Acquisition through business combination	-	-	-	-	-	-	-	-	-	-	72,347	72,347
Disposal of shares in a subsidiary	-	-	-	-	-	-	-	-	-	-	(21,946)	(21,946)
Redemption of redeemable preference shares	-	-	-	-	-	-	-	-	-	-	(4,500)	(4,500)
Share buy back	-	(105,117)	-	-	-	-	-	-	-	(105,117)	-	(105,117)
Dividend paid	-	-	-	-	-	-	-	-	(164,776)	(164,776)	-	(164,776)
Dividend payable	-	-	-	-	-	-	-	-	(61,397)	(61,397)	(85,360)	(146,757)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(274,520)	(274,520)
	-	(105,117)	-	-	-	-	-	-	(218,669)	(323,786)	(293,714)	(617,500)
At 30 June 2014	435,951	(328,504)	5,766	819,477	26,459	(166,749)	373,492	7,035	3,463,313	4,636,240	4,245,637	8,881,877

* Included in Capital Reserve is RM487,733,000 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 third quarter ended 30 June 2015

(The figures have not been audited)

Condensed Consolidated Statement of Cash Flows

	9 months ended 30 June	
	2015	2014
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	974,018	1,160,151
Adjustments for:		
Non-cash items	328,559	285,035
Non-operating items	(106,908)	8,339
Operating cash flows before changes in working capital	1,195,669	1,453,525
Changes in working capital		
Net change in current assets	(767,516)	(841,496)
Net change in current liabilities	420,648	144,360
Cash flows from operations	848,801	756,389
Interest received	499	1,973
Interest paid	(76,048)	(77,695)
Tax paid	(260,230)	(181,405)
Retirement benefits paid	(15,652)	(21,384)
Net cash flows from operating activities	497,370	477,878
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	7,040	17,049
Proceeds from sale of unquoted investments	7,663	19,411
Proceeds from redemption of short term funds	-	352
Proceeds from deemed disposal of shares in a subsidiary, net of cash disposed	(35,089)	-
Proceeds from disposal of shares in a subsidiary	151,632	-
Share buy back	(35,539)	(105,117)
Purchase of property, plant and equipment	(527,580)	(572,548)
Property development expenditure	(4,004)	(177)
Purchase of intangible assets	(670)	(384)
Purchase of other investments	(32,474)	(88,166)
Investment in an associate	-	(35,300)
Payments of prepaid lease	(18,706)	(12,819)
Additions to biological assets	(148,952)	(164,951)
Acquisition of subsidiaries	-	(66,563)
Compensation from government on land acquired	22,920	2,188
Purchase of shares from non-controlling interests	(1,753)	(8,004)
Dividends received	29,802	38,495
Interest received	27,244	19,579
Repayment from a joint venture	40,882	-
Purchase of a joint venture	(7,078)	-
Sale of subsidiary, net of cash disposed	-	1,384
Net cash flows used in investing activities	(524,662)	(955,571)

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 third quarter ended 30 June 2015

(The figures have not been audited)

Condensed Consolidated Statement of Cash Flows

	9 months ended 30 June	
	2015	2014
	RM'000	RM'000
Cash flows from financing activities		
Repayment of term loans	(6,893)	(64,288)
Drawdown of short term borrowings	409,931	413,678
Dividend paid	(183,453)	(164,776)
Dividends paid to non-controlling interests	(258,338)	(274,520)
Issuance of shares to non-controlling interests	-	35,807
Increase in other receivables	(13,788)	(6,691)
Redemption of redeemable preference shares from non-controlling interests	-	(4,500)
Net cash flows used in financing activities	(52,541)	(65,290)
Net decrease in cash and cash equivalents	(79,833)	(542,983)
Effects of exchange rate changes	88,169	(20,324)
Cash and cash equivalents at 1 October	1,869,401	2,460,652
Cash and cash equivalents at 30 June	1,877,737	1,897,345
Cash and cash equivalents at 30 June is represented by:		
Cash and cash equivalents	1,933,191	1,971,478
Borrowings - Bank overdraft	(55,454)	(74,133)
	1,877,737	1,897,345

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 third quarter ended 30 June 2015

(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 third quarter ended 30 June 2015

(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 1,969,000 shares in the Company from the open market. The average price paid for the shares repurchased was RM17.99 per share and the total consideration paid, including transaction costs, was RM35,539,066. The shares bought back were financed by internally generated funds and borrowings and held as treasury shares.

A7. Dividends paid

	9 months ended 30 June	
	2015 RM'000	2014 RM'000
Dividends proposed in financial year ("FY") 2014, paid in FY 2015:		
Final 45 sen per share single tier	183,453	-
Dividends proposed in FY 2013, paid in FY 2014:		
Final 40 sen per share single tier	-	164,776
	<u>183,453</u>	<u>164,776</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

	Plantations RM'000	Manufacturing RM'000	Property Development RM'000	Investment Holding/Others RM'000	Elimination RM'000	Consolidated RM'000
9 months ended 30 June 2015						
Revenue						
External revenue	4,938,076	4,795,852	101,558	177,819	-	10,013,305
Inter-segment revenue	500,846	-	-	349,793	(850,639)	-
Total revenue	<u>5,438,922</u>	<u>4,795,852</u>	<u>101,558</u>	<u>527,612</u>	<u>(850,639)</u>	<u>10,013,305</u>
Results						
Operating results	606,955	228,193	40,734	207,072	(23,582)	1,059,372
Finance costs	(2,833)	(25,750)	-	(82,931)	23,582	(87,932)
Share of results of associates	4,163	321	9,802	(4,274)	-	10,012
Share of results of a joint venture	(7,434)	-	-	-	-	(7,434)
Segment results	<u>600,851</u>	<u>202,764</u>	<u>50,536</u>	<u>119,867</u>	<u>-</u>	<u>974,018</u>
Profit before taxation						<u>974,018</u>
9 months ended 30 June 2014						
Revenue						
External revenue	3,938,580	4,477,570	80,608	132,866	-	8,629,624
Inter-segment revenue	315,336	244	-	55,454	(371,034)	-
Total revenue	<u>4,253,916</u>	<u>4,477,814</u>	<u>80,608</u>	<u>188,320</u>	<u>(371,034)</u>	<u>8,629,624</u>

Interim Financial Report for the third quarter ended 30 June 2015

(The figures have not been audited)

	Plantations	Manufacturing	Property Development	Investment Holding/Others	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
9 months ended 30 June 2014						
Results						
Operating results	796,710	360,995	31,754	71,544	(24,416)	1,236,587
Finance costs	(12,656)	(12,494)	-	(78,521)	24,416	(79,255)
Share of results of associates	1,953	365	469	32	-	2,819
Segment results	<u>786,007</u>	<u>348,866</u>	<u>32,223</u>	<u>(6,945)</u>	<u>-</u>	<u>1,160,151</u>
Profit before taxation						<u>1,160,151</u>

b) Segment assets

	Plantations	Manufacturing	Property Development	Investment Holding/Others	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
At 30 June 2015					
Operating assets	6,039,783	6,238,129	448,401	3,016,137	15,742,450
Associates	63,930	7,145	66,685	47,240	185,000
Joint venture	135,168	-	-	21,642	156,810
Segment assets	<u>6,238,881</u>	<u>6,245,274</u>	<u>515,086</u>	<u>3,085,019</u>	<u>16,084,260</u>
Tax assets					154,869
Total assets					<u>16,239,129</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 30 June 2015					
Segment liabilities	<u>1,634,961</u>	<u>1,935,014</u>	<u>27,902</u>	<u>2,186,843</u>	<u>5,784,720</u>
Unallocated liabilities					453,617
Total liabilities					<u>6,238,337</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>

Interim Financial Report for the third quarter ended 30 June 2015

(The figures have not been audited)

A9. Material events subsequent to end of period

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

A10. Changes in composition of the Group

During the current quarter, changes to the composition of the Group were:

- a) Standard Soap Company Ltd, a wholly-owned subsidiary of Kuala Lumpur Kepong Berhad ("KLK"), incorporated in the United Kingdom, which has ceased its business operations was placed under member's voluntary winding-up.

The aforesaid member's voluntary winding-up will not have any material operational and financial impact on the net assets and earnings of the Group for the financial year ending 30 September 2015.

- b) increase in effective shareholding in Malay-Sino Chemical Industries Sdn Bhd to 86.01% from 85.58%.
- c) On 21 April 2015, the Company had incorporated a wholly-owned subsidiary in Singapore, Caruso Ventures Pte Ltd ("CVPL"), which has an issued and paid-up capital of SGD5,000 and is currently non-operational. The intended principal activity is investment holding.
- d) On 23 April 2015, the Company had:
- i) incorporated a wholly-owned subsidiary of CVPL in Australia, Caruso Australia Ventures Pty Ltd ("CAV"), which has an issued and paid-up capital of AUD100. The intended principal activity is investment holding;
 - ii) incorporated a wholly-owned subsidiary of CAV in Australia, Caruso Epping Pty Ltd ("CEP"), which has an issued and paid-up capital of AUD100. The intended principal activity is trustee company; and
 - iii) set-up a unit trust in Australia, Caruso Epping Unit Trust, with 100 units created under the trust deed and wholly subscribed by CAV. The intended principal activity is to hold land and undertake property development in Australia.
- e) On 27 May 2015, KLK via its wholly-owned subsidiary, KLK Emmerich GmbH, entered into a conditional Asset Purchase Agreement ("APA") to acquire, for cash, Emery's oleochemical assets and business in Holthausen, Dusseldorf, Germany ("Proposed Transaction") at a purchase price of Euro40.5 million which shall be subject to adjustments to book value of inventories, short-term personnel liabilities and unfunded pension liabilities upon completion.

The Proposed Transaction is expected to be completed in the third quarter of calendar year 2015 subject to fulfillment of all conditions precedent stated in the APA.

Subsequent to the period end, Whitmore Holdings Sdn Bhd ("WH"), a wholly-owned subsidiary of the Company has completed two Conditional Sale and Purchase of Shares Agreements to acquire a total of 90% equity interest in PT Tekukur Indah ("PTTI"), resulting in PTTI becoming a subsidiary of WH.

Interim Financial Report for the third quarter ended 30 June 2015

(The figures have not been audited)

A11. Changes in contingent liabilities and contingent assets

There were no material contingent liabilities or contingent assets since the date of the last annual financial statements for the year ended 30 September 2014.

A12. Capital commitments

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

	At 30 June 2015 RM'000	At 30 September 2014 RM'000
Capital expenditure		
Approved and contracted	192,327	266,052
Approved but not contracted	446,448	936,917
	<u>638,775</u>	<u>1,202,969</u>
Acquisition of shares in a subsidiary		
Approved and contracted	1,196	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 9 months ended 30 June	
	2015 RM'000	2014 RM'000
a) Transactions with associates:		
Sales of finished goods	5,501	6,613
Purchase of goods	2,774	4,967
Service charges paid	1,957	2,951
Research and development services paid	9,384	8,481

Interim Financial Report for the third quarter ended 30 June 2015

(The figures have not been audited)

		Cumulative Quarter	
		9 months ended	
		30 June	
		2015	2014
		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	180,480	169,111
	Taiko Marketing (S) Pte Ltd	3,465	5,720
	Chlor-Al Chemical Pte Ltd	15,585	18,524
	Premier Bleaching Earth Sdn Bhd	-	3,519
	Siam Taiko Marketing Co Ltd	1,678	1,427
	Purchases of goods:		
	Taiko Marketing Sdn Bhd	27,803	22,496
	Taiko Marketing (S) Pte Ltd	17,166	20,265
	Borneo Taiko Clay Sdn Bhd	3,267	3,504
	Bukit Katho Estate Sdn Bhd	2,182	2,837
	Kampar Rubber & Tin Co Sdn Bhd	6,308	7,679
	Kekal & Deras Sdn Bhd	909	1,257
	Ladang Tai Tak (Kota Tinggi) Sdn Bhd	2,097	-
	Malay Rubber Plantations (M) Sdn Bhd	4,351	6,085
	PT Agro Makmur Abadi	55,877	57,349
	PT Safari Riau	22,871	21,085
	PT Taiko Persada Indoprima	4,506	13,275
	Taiko Clay Marketing Sdn Bhd	1,453	1,206
	Taiko Drum Industries Sdn Bhd	2,081	2,375
	Taiko Fertiliser Marketing Sdn Bhd	4,290	25,689
	Freight income earned:		
	Chlor-Al Chemical Pte Ltd	1,217	1,411
	Storage tanks rental received:		
	Taiko Marketing Sdn Bhd	2,097	2,189
	Aircraft operating expenses and management services paid:		
	Smooth Route Sdn Bhd	1,120	-
	Supply of contract labours and engineering works:		
	K7 Engineering Sdn Bhd	2,173	1,313
	Sales commissions charged by:		
	Taiko Marketing Sdn Bhd	3,916	1,633
c)	Transactions between subsidiaries and their non-controlling interests:		
	Sales of indirect materials and finished goods to:		
	Mitsubishi Corporation	59,687	73,253
	Mitsui & Co Ltd	183,733	98,009
	Tejana Trading & Management Services Sdn Bhd	1,214	3,913

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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****3rd Quarter FY 2015 vs 3rd Quarter FY 2014**

The Group's revenue for the current quarter was RM3,639.13 million, 21% higher than RM3,019.48 million in the corresponding quarter last year as all segments, except Property Development, reported higher revenues. Group profit before tax rose 12% to RM334.94 million (2014: RM299.51 million). Comments on the respective business segments are as follows:

Plantations reported a profit of RM189.46 million, 18% lower compared to last year's corresponding quarter's profit of RM231.22 million due to lower commodity prices.

Profit from the **Manufacturing** dropped 12% to RM77.91 million (2014: RM88.07 million) due to lower selling prices and unrealised loss from fair value changes on outstanding derivative contracts. However, revenue was higher at RM1,691.52 million (2014: RM1,546.91 million) from higher sales volume. The oleochemical division recorded a lower profit of RM56.91 million (2014: RM65.91 million) while the chemicals division posted a profit of RM17.93 million (2014: RM21.59 million).

Property Development's profit decreased to RM7.76 million (2014: RM10.60 million) due to the decline in profit recognition from the development project in Bandar Seri Coalfields, Sungai Buloh. Revenue dropped 9% to RM28.98 million (2014: RM31.75 million).

Investment Holding/Others' profit of RM59.81 million (2014: RM33.74 million loss) due to higher dividend income from an oversea investment.

Todate 3rd Quarter FY 2015 vs Todate 3rd Quarter FY 2014

For the current 9 months period, Group revenue was RM10,013.31 million, 16% higher than RM8,629.62 million in the corresponding period last year as all segments reported higher revenues. However, group profit before tax dropped 16% to RM974.02 million (2014: RM1,160.15 million). Comments on the business segments are as follows:

Plantations reported a profit of RM600.85 million, 24% lower than last year's corresponding period's profit of RM786.01 million due to lower commodity prices and higher CPO production cost.

Manufacturing's profit was lower at RM202.76 million (2014: RM348.87 million), despite revenue rose 7% to RM4,795.85 million (2014: RM4,477.81 million), as fatty alcohol business was affected by the continuing cheap petroleum prices, currency translation loss and unrealised loss on from fair value changes on outstanding derivative contracts. The oleochemical division recorded a lower profit of RM142.20 million (2014: RM276.68 million) and the chemicals division posted a profit of RM50.99 million (2014: RM64.71 million).

Property Development reported a 57% higher profit at RM50.54 million (2014: RM32.22 million) generated from a higher revenue of RM101.56 million (2014: RM80.61 million). This segment's profit comprised development profit from Bandar Seri Coalfields project and surpluses from sale of lands.

Investment Holding/Others' profit of RM119.87 million (2014: RM6.95 million loss) due to higher dividend income, realised foreign exchange gain, surplus from deemed disposal of a subsidiary and surplus from government acquisition of land.

B2. Comparison of current quarter's results to the preceding quarter**3rd Quarter FY 2015 vs 2nd Quarter FY 2015**

The Group's pre-tax profit for the current quarter rose 4% to RM334.94 million from the RM320.81 million reported in the preceding quarter. This was due to higher profits from Plantations and Investment Holding/Others resulting from higher FFB production, lower CPO production cost and higher sales volume of CPO and PK and higher dividend from an oversea investment. However, profits from Manufacturing and Property Development were lower. Manufacturing segment was affected by lower selling prices and unrealised loss from fair value changes on outstanding derivative contracts while Property Development's preceding quarter results accounted for surpluses from disposal of lands.

Interim Financial Report for the third quarter ended 30 June 2015

(The figures have not been audited)

B3. Current year's prospects

The Group's Plantations profit for the current financial year is expected to be lower than last financial year with the prevailing low palm products prices. In view of current stiff competition and low fatty alcohol prices, amongst others, the oleochemical division expects a lower profit from that of the last financial year.

Overall, the Group's profit for the current financial year will be lower than that of the 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 30 June 2015.

B5. Income tax expense

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June		9 months ended 30 June	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Current tax				
Malaysian income tax	40,981	53,931	137,153	174,677
Foreign income tax	21,630	22,546	67,800	71,532
	<u>62,611</u>	<u>76,477</u>	<u>204,953</u>	<u>246,209</u>
Deferred tax				
Relating to origination and reversal of temporary differences	(2,240)	(8,529)	(7,853)	2,667
Under/(Over) provision in respect of previous years	12	(32)	8,037	(6,515)
	<u>(2,228)</u>	<u>(8,561)</u>	<u>184</u>	<u>(3,848)</u>
(Over)/Under provision in respect of previous years				
Malaysian income tax	(2,899)	1,042	(2,639)	1,824
Foreign income tax	4,185	(4,075)	5,181	(1,776)
	<u>1,286</u>	<u>(3,033)</u>	<u>2,542</u>	<u>48</u>
	<u>61,669</u>	<u>64,883</u>	<u>207,679</u>	<u>242,409</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.

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 were completed subsequent to the period end i.e. on 8 July 2015. Accordingly, PTTI became a subsidiary of the Company.

Interim Financial Report for the third quarter ended 30 June 2015

(The figures have not been audited)

B7. Group borrowings

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

	At 30 June 2015		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	851	Euro202	808	Euro195
	851		808	
- Unsecured	75,726	USD20,000	32,850	USD10,000
	84,196	Euro20,000	6,268	
	159,922		39,118	
	160,773		39,926	
(ii) Bank Overdraft				
- Secured	688	Euro163	-	
- Unsecured	54,766	Euro13,009	30,923	Euro7,460
	55,454		30,923	
(iii) Short Term Borrowings				
- Unsecured	571,242	USD151,162	293,242	USD89,330
	16,162	CHF4,000	24,049	CHF7,000
	77,198	GBP13,000	79,802	GBP15,000
	265,768	Euro63,131	276,668	Euro66,749
	564,436		349,563	
	1,494,806		1,023,324	
Total repayable within 12 months	1,711,033		1,094,173	
b) Repayable after 12 months:				
(i) Term Loans				
- Secured	1,317	Euro313	1,944	Euro469
- Unsecured	-		82,898	Euro20,000
	113,589	USD30,000	131,401	USD40,000
	300,000		300,000	
	413,589		514,299	
	414,906		516,243	
(ii) Islamic Medium Term Notes				
- Unsecured	1,800,000		1,800,000	
Total repayable after 12 months	2,214,906		2,316,243	
Total Group borrowings	3,925,939		3,410,416	

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(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 30 June 2015, the values and maturity analysis of the outstanding derivatives 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	(1,133,802)	(31,285)
- 1 year to 3 years	-	-
- More than 3 years	-	-
b) Commodity futures contracts:		
- Less than 1 year	73,012	19,394
- 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 30 June 2015, 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 any dividend for the quarter ended 30 June 2015.

An interim single tier dividend of 15 sen per share (2014: interim single tier dividend of 15 sen per share) was declared by the Directors on 20 May 2015 and was paid on 13 August 2015.

b) The total dividend for the current financial year to-date is single tier dividend of 15 sen per share (2014: single tier dividend of 15 sen per share).

Interim Financial Report for the third quarter ended 30 June 2015

(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 30 June		9 months ended 30 June	
	2015	2014	2015	2014
Net profit for the period attributable to owners of the Company (RM'000)	131,662	110,528	369,508	430,717
Weighted average number of shares ('000)	407,876	411,713	407,876	411,713
Earnings per share (sen)	32.3	26.8	90.6	104.6

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 is arrived at after charging/(crediting) the following items:

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June		9 months ended 30 June	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Interest income	(12,643)	(9,499)	(34,028)	(29,445)
Dividend income	(56,884)	(21,818)	(73,256)	(41,471)
Other income	(25,641)	(21,806)	(155,298)	(95,067)
Interest expense	30,154	27,790	87,932	79,255
Depreciation and amortisation	105,460	90,353	311,567	264,872
(Reversal of)/Provision for and write-off of receivables	4,453	(153)	3,191	2,863
Provision for and write-off of inventories	10,152	7,197	21,387	11,883
Surplus on disposal of quoted or unquoted investments	(2)	(189)	(2,181)	(11,148)
Surplus on disposal of land	(7,706)	(578)	(8,700)	(1,566)
Surplus arising from government acquisition of land	(8,150)	62	(21,211)	(1,530)
Surplus on deemed disposal of a subsidiary	-	-	(12,266)	-
Impairment of property, plant and equipment	-	-	-	-
Impairment of prepaid lease payment	-	19,760	-	19,760
Impairment of goodwill	-	3,682	-	3,682
Foreign exchange (gain)/loss	(5,238)	13,281	(43,672)	20,552
Loss on derivatives	34,891	5,250	60,862	12,975
Exceptional items	-	-	-	-

Interim Financial Report for the third quarter ended 30 June 2015

(The figures have not been audited)

B15. Breakdown of realised and unrealised profits or losses

	At 30 June 2015	At 30 September 2014
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	6,926,129	6,766,700
- Unrealised	(45,257)	(207,481)
	<hr/> 6,880,872	<hr/> 6,559,219
Total share of retained profits from associates:		
- Realised	65,194	61,481
- Unrealised	355	32
	<hr/> 65,549	<hr/> 61,513
Total share of (accumulated loss)/retained profits from a joint venture:		
- Realised	(15,654)	-
- Unrealised	8,220	-
	<hr/> (7,434)	<hr/> -
Consolidation adjustments	<hr/> (3,219,669)	<hr/> (3,077,614)
Total group retained profits as per consolidated accounts	<hr/> 3,719,318	<hr/> 3,543,118

By Order of the Board

CHONG SEE TECK
YAP MIOW KIEN
CHIEW CINDY
Company Secretaries

19 August 2015