

BATU KAWAN BERHAD

(6292-U)

(Incorporated in Malaysia)

**Condensed Consolidated Income Statement
For the Third Quarter ended 30 June 2007**

(The figures have not been audited)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter ended 30 June 2007 RM'000	Preceding Year Quarter ended 30 June 2006 Restated RM'000	Current Year 9 months ended 30 June 2007 RM'000	Preceding Year 9 months ended 30 June 2006 Restated RM'000
Revenue	52,830	51,060	164,644	161,577
Operating expenses	(44,416)	(43,898)	(138,915)	(141,660)
Other operating income	421	1,223	1,235	30,926
Finance cost	-	-	-	-
Share of results of associated companies	69,030	50,155	200,831	164,672
Profit before taxation	77,865	58,540	227,795	215,515
Taxation	(1,563)	(1,352)	(4,006)	(3,414)
Net profit for the period	76,302	57,188	223,789	212,101
Attributable to:				
Equity holders of the parent	74,337	55,610	218,013	207,044
Minority interests	1,965	1,578	5,776	5,057
	76,302	57,188	223,789	212,101
Earnings per share				
Basic	17.15 sen	12.82 sen	50.29 sen	47.74 sen
Diluted	Not applicable	Not applicable	Not applicable	Not applicable

The Condensed Consolidated Income Statement should be read in conjunction with the Annual Report for the year ended 30 September 2006.

BATU KAWAN BERHAD

(6292-U)

(Incorporated in Malaysia)

Condensed Consolidated Balance Sheet**At 30 June 2007**

(The figures have not been audited)

	30 June 2007	30 September 2006
	RM'000	Restated RM'000
Non-current Assets		
Property, plant & equipment	111,915	116,429
Investment property	11,148	10,829
Prepaid land lease payments	15,249	15,555
Goodwill on consolidation	11,999	11,999
Investment in associated companies	2,117,123	2,004,803
Other investments	26,878	27,138
Deferred tax assets	837	472
	<u>2,295,149</u>	<u>2,187,225</u>
Current Assets		
Inventories	24,858	23,837
Trade receivables	47,723	53,314
Other receivables, deposits and prepayments	31,636	18,621
Amount due from an associated company	537	551
Tax recoverable	1,076	770
Short term funds	140,134	-
Term deposits	23,620	152,250
Cash and bank balances	3,480	2,345
	<u>273,064</u>	<u>251,688</u>
Current Liabilities		
Trade payables	6,914	6,949
Other payables and accruals	11,462	14,798
Provision for retirement benefits	36	53
Dividends payable	31,612	-
Taxation	1,270	721
	<u>51,294</u>	<u>22,521</u>
Net Current Assets	221,770	229,167
	<u>2,516,919</u>	<u>2,416,392</u>
Share capital	435,951	291,375
Reserves	1,994,615	2,041,733
Equity attributable to equity holders of the parent	2,430,566	2,333,108
Minority interests	70,358	67,628
Total Equity	<u>2,500,924</u>	<u>2,400,736</u>
Non-current Liabilities		
Provision for retirement benefits	1,852	1,759
Deferred tax liabilities	14,143	13,897
	15,995	15,656
	<u>2,516,919</u>	<u>2,416,392</u>
Net assets per share attributable to equity holders of the parent (RM) *	5.61	5.38

* The comparative net assets per share has been adjusted for the effect of the 1 for 2 Bonus Issue.

The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Report for the year ended 30 September 2006.

BATU KAWAN BERHAD

(6292-U)

(Incorporated in Malaysia)

Condensed Consolidated Statement Of Changes In Equity For the Third Quarter ended 30 June 2007

(The figures have not been audited)

	← Attributable to the Equity Holders of the Parent →										
	Share Capital RM'000	Revaluation Reserve RM'000	Capital Reserve RM'000	General Reserve RM'000	Exchange Fluctuation Reserve RM'000	Negative Goodwill RM'000	Retained Profits RM'000	Treasury Shares RM'000	Total RM'000	Minority Interests RM'000	Total Equity RM'000
At 1 October 2006, as previously stated	291,375	715	506,899	154,591	(155)	13,113	1,376,062	(9,492)	2,333,108	67,628	2,400,736
Effect of adopting FRS 3	-	-	-	-	-	(13,113)	40,356	-	27,243	-	27,243
As restated	291,375	715	506,899	154,591	(155)	-	1,416,418	(9,492)	2,360,351	67,628	2,427,979
Net gains/(losses) not recognised in the income statement	-	-	297	(19,516)	(328)	-	-	-	(19,547)	-	(19,547)
Net profit for the period	-	-	-	-	-	-	218,013	-	218,013	5,776	223,789
Bonus issue	144,576	-	-	-	-	-	(144,576)	-	-	-	-
Dividends paid	-	-	-	-	-	-	(90,765)	-	(90,765)	-	(90,765)
Dividends paid to minority shareholders	-	-	-	-	-	-	-	-	-	(3,046)	(3,046)
Dividends payable	-	-	-	-	-	-	(31,612)	-	(31,612)	-	(31,612)
Share buy back	-	-	-	-	-	-	-	(5,874)	(5,874)	-	(5,874)
At 30 June 2007	435,951	715	507,196	135,075	(483)	-	1,367,478	(15,366)	2,430,566	70,358	2,500,924
At 1 October 2005	291,375	715	510,348	146,709	(39)	13,113	1,204,120	(9,492)	2,156,849	64,659	2,221,508
Net gains/(losses) not recognised in the income statement	-	-	-	(152)	(134)	-	-	-	(286)	-	(286)
Net profit for the period	-	-	-	-	-	-	207,044	-	207,044	5,057	212,101
Dividends paid	-	-	-	-	-	-	(70,784)	-	(70,784)	-	(70,784)
Dividends paid to minority shareholders	-	-	-	-	-	-	-	-	-	(2,655)	(2,655)
Dividends payable	-	-	-	-	-	-	(24,983)	-	(24,983)	-	(24,983)
At 30 June 2006	291,375	715	510,348	146,557	(173)	13,113	1,315,397	(9,492)	2,267,840	67,061	2,334,901

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Report for the year ended 30 September 2006.

BATU KAWAN BERHAD

(6292-U)

(Incorporated in Malaysia)

**Condensed Consolidated Cash Flow Statement
For the Third Quarter ended 30 June 2007**

(The figures have not been audited)

	9 months ended	
	2007	2006
	RM'000	Restated RM'000
Cash flows from operating activities		
Profit before taxation	227,795	215,515
Adjustments for:-		
Non-cash items	14,282	16,962
Non-operating items	(206,306)	(194,918)
Operating profit before working capital changes	35,771	37,559
Changes in working capital		
Net change in current assets	(8,430)	(2,655)
Net change in current liabilities	(3,371)	4,138
Cash generated from operations	23,970	39,042
Interest received	2,072	2,612
Tax paid	(3,389)	(2,900)
Retirement benefits paid	(24)	(21)
Net cash generated from operating activities	22,629	38,733
Cash flows from investing activities		
Equity investments	93,563	110,789
Other investments	(9,673)	(14,881)
Net cash generated from investing activities	83,890	95,908
Cash flows from financing activities		
Dividends paid to shareholders of the Company	(90,765)	(70,784)
Dividends paid to minority shareholders	(3,046)	(2,655)
Net cash used in financing activities	(93,811)	(73,439)
Net increase in cash and cash equivalents	12,708	61,202
Effects of exchange rate changes	(69)	(28)
Cash and cash equivalents at 1 October	154,595	81,526
Cash and cash equivalents at 30 June	167,234	142,700

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Report for the year ended 30 September 2006.

BATU KAWAN BERHAD

(6292-U)

(Incorporated in Malaysia)

Notes to Interim Financial Report

A. Explanatory Notes as required by FRS 134

A1. Accounting policies

The interim financial report has been prepared in compliance with FRS 134₂₀₀₄ - Interim Financial Reporting, issued by the Malaysian Accounting Standards Board and paragraph 9.22 of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The accounting policies and methods of computation used in the preparation of the interim financial report are consistent with those adopted in the annual financial statements for the year ended 30 September 2006, except for the adoption of the following new and revised Financial Reporting Standards (“FRSs”) which became effective for the Group for the current financial period:-

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant & Equipment
FRS 117	Leases
FRS 124	Related Party Disclosures
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Statements: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of the above FRSs did not have any significant financial impact on the financial statements of the Group, except for FRS 3, FRS 101, FRS 117 and FRS 140 disclosed as follows:-

(a) FRS 3 - Business Combinations

Under FRS 3, any excess of the Group’s interest in the net fair value of acquirees’ identifiable assets, liabilities and contingent liabilities over cost of acquisitions (previously referred to as “negative goodwill”), after reassessment, is now recognised immediately in the income statement. Prior to 1 October 2006, negative goodwill was not amortised, except to the extent it related to identified expected future losses as at the date of acquisition. In such cases, these expected losses were recognised in the income statement. In accordance with the transitional provisions of FRS 3, negative goodwill as at 1 October 2006 of RM40,356,000 was derecognised with a corresponding increase in retained earnings.

(b) FRS 101 - Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of minority interests, share of net after tax results of associates and other disclosures. In the consolidated balance sheet, minority interests are now presented as part of total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the consolidated statement of changes in equity. FRS 101 also requires disclosure of the total recognised income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interests, in the consolidated statement of changes in equity.

The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with the comparative figures restated to conform to the current period's presentation.

(c) FRS 117 - Leases

The adoption of the revised FRS 117 has resulted in a retrospective change in the accounting policy relating to the classification of leasehold land. Leasehold land held for own use is now classified as operating lease and where necessary, the minimum lease payments of the up-front payments made are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land and building elements of the lease at the inception of the lease. The up-front payment represents prepaid lease payment and are amortised on a straight line basis over the lease term.

Prior to 1 October 2006, leasehold land was classified as property, plant and equipment and was stated at cost and revalued amount less accumulated amortisation. The leasehold land was last revalued in 1996.

With the adoption of the revised FRS 117, the unamortised revalued amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payments as allowed by the transitional provisions of FRS 117. The reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively and as disclosed in Note A1 (e), certain comparatives have been restated. There is no financial impact to the Group on the adoption of FRS 117.

(d) FRS 140 – Investment Property

FRS 140 defines an investment property as a property held for long term rental yield and/or for capital appreciation and that is not occupied by the companies in the Group. It is initially measured at cost, including direct transaction costs.

The Group adopted the cost model to measure its investment property. Under the cost model, investment property is measured at depreciated cost less any accumulated impairment losses.

Prior to 1 October 2006, investment property was classified as property, plant and equipment and is now disclosed as a separate line item in the consolidated balance sheet as part of non-current assets. In line with the revised requirements of FRS 101, the comparative figure is restated to conform to the current period's presentation.

(e) Comparative Figures

Arising from the adoption of new and revised FRSs, the following comparative figures have been restated to conform to current period's presentation:-

	9 months ended 30 June 2006	
	As restated RM'000	As previously reported RM'000
<u>FRS 101</u>		
Condensed Consolidated Income Statement		
Share of results of associated companies	164,672	216,244
Profit before taxation	215,515	267,087
Taxation	3,414	54,986
Condensed Consolidated Cash Flow Statement		
Non-operating items	194,918	246,490
As at 30 September 2006		
	As restated RM'000	As previously reported RM'000
<u>FRS 117 & 140</u>		
Condensed Consolidated Balance Sheet		
Property, plant and equipment	116,429	142,813
Investment property	10,829	-
Prepaid land lease payments	15,555	-

A2. Audit report of preceding annual financial statements

The auditors' report on the financial statements for the year ended 30 September 2006 was not subject to any qualifications.

A3. Seasonal and cyclical operations

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

A4. Unusual items

There were no items affecting the assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence.

A5. Changes in estimates

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

A6. Issuance and repayment of debt and equity securities

There were no issuances and repayments of debt securities, share buy-backs, share cancellations or resale of treasury shares for the financial year to-date except for:-

- (i) the 1 for 2 Bonus Issue of 144,576,000 new ordinary shares of RM1.00 each in the Company which was completed on 13 March 2007.
- (ii) the repurchase of 681,400 of the Company issued share capital from the open market. The average price paid for the shares repurchased was RM8.592 per ordinary share and the total consideration paid, including transaction costs, was RM5,874,186. The repurchased transactions were financed by internally generated funds and shares repurchased are being held as treasury shares.

A7. Dividends

- (i) Dividends Paid

	9 months ended 30 June 2007 RM'000	9 months ended 30 June 2006 RM'000
Dividends proposed in year 2006, paid in year 2007		
- Final 13% less income tax @ 27% (2005: 9% less income tax @ 28%)	27,441	18,737
- Special 30% less income tax @ 27% (2005: 25% less income tax @ 28%)	63,324	52,047
	<u>90,765</u>	<u>70,784</u>

An interim dividend of 10 sen per share less 27% Malaysian income tax, on the enlarged issued share capital after the bonus issue of 1 for 2 ordinary shares held, in respect of the financial year ending 30 September 2007 (year ended 30 September 2006 : 12 sen less 28% Malaysian income tax on the pre-bonus issued share capital) was paid on 13 August 2007.

- (ii) Dividends Proposed

The Directors do not recommend the payment of any dividend for the quarter ended 30 June 2007.

The total dividend declared to-date for the financial year ending 30 September 2007 is 10 sen per share less 27% Malaysian income tax (year ended 30 September 2006 : 12 sen less 28% Malaysian income tax and 43 sen less 27% Malaysian income tax).

A8. Segment information

The business segment information for the 9 months ended 30 June is as follows:-

9 months ended 30 June 2007

	Investment Holding RM'000	Chemicals RM'000	Adjustments RM'000	Consolidated RM'000
REVENUE				
External Sales				
Chemicals	-	144,407	(543)	143,864
Freight & haulage	-	16,282	(961)	15,321
Dividends	150,457	627	(147,724)	3,360
Management services fees	-	27	-	27
Interest income	964	1,108	-	2,072
	<u>151,421</u>	<u>162,451</u>	<u>(149,228)</u>	<u>164,644</u>
Inter-segment Sales	-	-	-	-
	<u>151,421</u>	<u>162,451</u>	<u>(149,228)</u>	<u>164,644</u>
RESULTS				
Segment result	148,587	25,927	(147,550)	26,964
Finance cost	-	-	-	-
Share of results of associated companies	200,611	220	-	200,831
Profit before taxation	<u>349,198</u>	<u>26,147</u>	<u>(147,550)</u>	<u>227,795</u>
Taxation				(4,006)
Profit after taxation				<u>223,789</u>

9 months ended 30 June 2006

	Investment Holding RM'000	Chemicals RM'000	Adjustments RM'000	Consolidated RM'000
REVENUE				
External Sales				
Chemicals	-	146,667	(528)	146,139
Freight & haulage	-	12,836	(276)	12,560
Dividends	123,028	-	(122,789)	239
Management services fees	-	27	-	27
Interest income	1,541	1,071	-	2,612
	<u>124,569</u>	<u>160,601</u>	<u>(123,593)</u>	<u>161,577</u>
Inter-segment Sales	-	-	-	-
	<u>124,569</u>	<u>160,601</u>	<u>(123,593)</u>	<u>161,577</u>
RESULTS				
Segment result	150,231	23,165	(122,553)	50,843
Finance cost	-	-	-	-
Share of results of associated companies	164,708 *	(36)	-	164,672 *
Profit before taxation	<u>314,939 *</u>	<u>23,129</u>	<u>(122,553)</u>	<u>215,515 *</u>
Taxation				(3,414) *
Profit after taxation				<u>212,101 *</u>

* Restated

A9. Valuation of property, plant and equipment

The valuations of property, plant and equipment have been brought forward from the annual financial statements for the year ended 30 September 2006 without amendment.

A10. 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 statement for the said period.

A11. Changes in composition of the Group

There were no changes in the composition of the Group during the current quarter and financial year to-date.

A12. Changes in contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets since the date of the last annual financial statements for the year ended 30 September 2006.

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

B1. Review of performance

For the current quarter, the Group achieved a higher pre-tax profit of RM77.9 million against RM58.5 million reported in the corresponding quarter last year mainly due to substantially higher profit contribution from KLK. KLK's profit rose on higher palm product prices and from higher manufacturing profit.

The Group's pre-tax profit for the 9 months ended 30 June 2007 of RM227.8 million was 5.7% higher than the RM215.5 million achieved in the corresponding period last year due to higher profit contributions from KLK and from the chemical subsidiaries. The higher KLK profit was due to the higher palm product prices and higher manufacturing profit contribution.

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

The current quarter's pre-tax profit of RM77.9 million was higher than the RM65.9 million achieved in the preceding quarter due to:-

- (i) higher profit contribution from KLK, resulting from higher plantation and manufacturing profits, higher investment dividend income and lower retailing loss;
- (ii) higher profit contribution from a chemical operation.

B3. Current year's prospects

The Directors are of the opinion that the Group's pre-tax profit for the current financial year would be higher than that of last year's due to the favourable high prevailing commodity prices on the profit of our plantation associate, KLK.

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 2007.

B5. Taxation

Taxation comprises the following:-

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter ended 30 June 2007 RM'000	Preceding Year Quarter ended 30 June 2006 Restated RM'000	Current Year 9 months ended 30 June 2007 RM'000	Preceding Year 9 months ended 30 June 2006 Restated RM'000
Current tax				
Malaysian income tax	1,594	967	4,128	3,863
Deferred tax				
Relating to origination and reversal of temporary differences	(28)	392	(119)	(442)
Over provision in respect of previous year				
- Malaysian income tax	(3)	(7)	(3)	(7)
	<u>1,563</u>	<u>1,352</u>	<u>4,006</u>	<u>3,414</u>

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

B6. Sale of unquoted investments and/or properties

There was no sale of unquoted investments or properties for the current quarter and financial year to-date.

B7. Quoted securities

a) Purchases and sales of quoted securities for the current quarter and financial year to-date were as follows:-

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter ended 30 June 2007 RM'000	Preceding Year Quarter ended 30 June 2006 RM'000	Current Year 9 months ended 30 June 2007 RM'000	Preceding Year 9 months ended 30 June 2006 RM'000
Purchases of quoted securities	-	-	-	5,705
Sale proceeds of quoted securities	-	-	-	8,370
Surplus on sales of quoted securities	-	-	-	7,782

b) Investments in quoted shares as at 30 June 2007 were as follows:-

		At 30 June 2007 RM'000	At 30 September 2006 RM'000
(i) Quoted shares at cost	- Associated company	418,839	418,839
	- Other investments	11,401	11,401
		<u>430,240</u>	<u>430,240</u>
(ii) Carrying value/book value	- Associated company	2,115,571	2,003,471
	- Other investments	11,401	11,401
		<u>2,126,972</u>	<u>2,014,872</u>
(iii) Market value	- Associated company	6,397,130	3,603,551
	- Other investments	14,779	6,568
		<u>6,411,909</u>	<u>3,610,119</u>

B8. Status of corporate proposals

The proposed acquisition by our wholly-owned subsidiary, Forever Green Venture Limited, of a 75% equity stake in PT Satu Sembilan Delapan (“PTSSD”), an Indonesian company, remains uncompleted pending the fulfilment of conditions precedent.

B9. Group borrowing

There was no group borrowing as at the end of the reporting period.

B10. Off Balance Sheet Financial Instruments

The forward exchange contracts entered into by the Group as at 16 August 2007 (being a date not earlier than 7 days from the date of this report) were as follows:-

	Currency	Contract Amount '000	Equivalent Amount RM'000	Maturity Period
(a) Sales contracts	SGD	<u>1,354</u>	<u>3,102</u>	1 to 2 months

The contracts were entered into by the Group 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 transactions in foreign currencies which are hedged by forward foreign exchange contracts are recorded in the books at their contracted rates. Any gains or losses arising from forward contracts are recognised in the Income Statement upon maturity.

There is minimal credit risk for the forward foreign exchange contracts because these contracts are entered into with licensed financial institutions.

B11. Material Litigation

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

B12. Earnings Per Share*Basic earnings per share*

The earnings per share is calculated by dividing the net profit for the period attributable to equity holders of the parent by the weighted average number of shares of the Company in issue during the period. Comparative earnings per share has been retrospectively adjusted for the effect of the 1 for 2 Bonus Issue.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter ended 30 June 2007	Preceding Year Quarter ended 30 June 2006	Current Year 9 months ended 30 June 2007	Preceding Year 9 months ended 30 June 2006
Net profit for the period attributable to equity holders of the parent (RM'000)	<u>74,337</u>	<u>55,610</u>	<u>218,013</u>	<u>207,044</u>
Weighted average number of shares	<u>433,524,324</u>	<u>433,728,000</u>	<u>433,524,324</u>	<u>433,728,000</u>
Earnings per share (sen)	<u>17.15</u>	<u>12.82</u>	<u>50.29</u>	<u>47.74</u>

By Order of the Board

J.C. LIM
LEONG SEA FOOK
Company Secretaries

22 August 2007