

**BATU KAWAN BERHAD**

(6292-U)

(Incorporated in Malaysia)

**Condensed Consolidated Income Statement  
For the Second Quarter ended 31 March 2008**

(The figures have not been audited)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter ended 31 March 2008 RM'000	Preceding Year Quarter ended 31 March 2007 RM'000	Current Year 6 months ended 31 March 2008 RM'000	Preceding Year 6 months ended 31 March 2007 RM'000
Revenue	60,989	53,598	116,060	111,814
Operating expenses	(55,062)	(47,090)	(101,600)	(94,499)
Other operating income	1,178	295	2,003	814
Finance cost	-	-	-	-
Share of results of associates	110,170	59,075	245,734	131,801
Profit before taxation	117,275	65,878	262,197	149,930
Income tax expense	(1,533)	(682)	(4,190)	(2,443)
Net profit for the period	115,742	65,196	258,007	147,487
Attributable to:				
Equity holders of the Company	114,073	63,576	254,656	143,676
Minority interests	1,669	1,620	3,351	3,811
	115,742	65,196	258,007	147,487
Earnings per share				
Basic	26.41 sen	14.66 sen	58.96 sen	33.13 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 2007.

**BATU KAWAN BERHAD**

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(Incorporated in Malaysia)

**Condensed Consolidated Balance Sheet****At 31 March 2008**

(The figures have not been audited)

	31 March 2008 RM'000	30 September 2007 RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant & equipment	125,749	123,922
Investment property	776	796
Prepaid land lease payments	13,905	14,103
Goodwill on consolidation	11,999	11,999
Investment in associates	2,272,632	2,204,565
Other investments	31,123	31,646
Deferred tax assets	693	730
	<u>2,456,877</u>	<u>2,387,761</u>
<b>Current Assets</b>		
Inventories	36,694	28,150
Trade receivables	61,889	49,456
Other receivables, deposits and prepayments	44,700	35,112
Amount due from an associate	772	696
Tax recoverable	1,398	1,411
Short term funds	119,364	136,704
Term deposits	25,700	26,680
Cash and bank balances	1,881	1,250
	<u>292,398</u>	<u>279,459</u>
<b>TOTAL ASSETS</b>	<u>2,749,275</u>	<u>2,667,220</u>
<b>EQUITY AND LIABILITIES</b>		
Share capital	435,951	435,951
Reserves	2,206,736	2,125,211
Equity attributable to equity holders of the Company	<u>2,642,687</u>	<u>2,561,162</u>
Minority interests	67,165	63,814
<b>Total Equity</b>	<u>2,709,852</u>	<u>2,624,976</u>
<b>Non-Current Liabilities</b>		
Provision for retirement benefits	2,888	2,848
Deferred tax liabilities	12,355	13,177
	<u>15,243</u>	<u>16,025</u>
<b>Current Liabilities</b>		
Trade payables	10,700	9,305
Other payables and accruals	11,072	16,363
Provision for retirement benefits	66	64
Taxation	2,342	487
	<u>24,180</u>	<u>26,219</u>
<b>Total Liabilities</b>	<u>39,423</u>	<u>42,244</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>2,749,275</u>	<u>2,667,220</u>
Net assets per share attributable to equity holders of the Company (RM)	6.12	5.92

The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Report for the year ended 30 September 2007.

# BATU KAWAN BERHAD

(6292-U)

(Incorporated in Malaysia)

## Condensed Consolidated Statement Of Changes In Equity For the Second Quarter ended 31 March 2008

(The figures have not been audited)

	← Attributable to the Equity Holders of the Company →									
	Share Capital RM'000	Revaluation Reserve RM'000	Capital Reserve RM'000	General Reserve RM'000	Exchange Fluctuation Reserve RM'000	Retained Profits RM'000	Treasury Shares RM'000	Total RM'000	Minority Interests RM'000	Total Equity RM'000
At 1 October 2007	435,951	715	507,206	136,011	(541)	1,497,878	(16,058)	2,561,162	63,814	2,624,976
Net gains/(losses) not recognised in the income statement	-	-	38	(30,918)	(300)	-	-	(31,180)	-	(31,180)
Net profit for the period	-	-	-	-	-	254,656	-	254,656	3,351	258,007
Dividends paid	-	-	-	-	-	(127,762)	-	(127,762)	-	(127,762)
Share buy back	-	-	-	-	-	-	(14,189)	(14,189)	-	(14,189)
At 31 March 2008	<u>435,951</u>	<u>715</u>	<u>507,244</u>	<u>105,093</u>	<u>(841)</u>	<u>1,624,772</u>	<u>(30,247)</u>	<u>2,642,687</u>	<u>67,165</u>	<u>2,709,852</u>
At 1 October 2006	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	-	-	288	(28,516)	(328)	-	-	(28,556)	-	(28,556)
Net profit for the period	-	-	-	-	-	143,676	-	143,676	3,811	147,487
Bonus Issue	144,576	-	-	-	-	(144,576)	-	-	-	-
Dividends paid	-	-	-	-	-	(90,765)	-	(90,765)	-	(90,765)
Dividends paid to minority shareholders	-	-	-	-	-	-	-	-	(3,046)	(3,046)
At 31 March 2007	<u>435,951</u>	<u>715</u>	<u>507,187</u>	<u>126,075</u>	<u>(483)</u>	<u>1,324,753</u>	<u>(9,492)</u>	<u>2,384,706</u>	<u>68,393</u>	<u>2,453,099</u>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Report for the year ended 30 September 2007.

**BATU KAWAN BERHAD**

(6292-U)

(Incorporated in Malaysia)

**Condensed Consolidated Cash Flow Statement  
For the Second Quarter ended 31 March 2008**

(The figures have not been audited)

	6 months ended	
	31 March	
	2008	2007
	RM'000	RM'000
<b>Cash flows from operating activities</b>		
Profit before taxation	262,197	149,930
Adjustments for:-		
Non-cash items	8,237	9,804
Non-operating items	(250,447)	(135,955)
Operating profit before working capital changes	19,987	23,779
Changes in working capital		
Net change in current assets	(30,641)	(2,924)
Net change in current liabilities	(3,896)	(3,509)
Cash (used in)/generated from operations	(14,550)	17,346
Interest received	399	1,916
Tax paid	(2,725)	(2,203)
Retirement benefits paid	(33)	(24)
Net cash (used in)/generated from operating activities	(16,909)	17,035
<b>Cash flows from investing activities</b>		
Equity investments	136,680	98,163
Other investments	(9,761)	(5,787)
Net cash generated from investing activities	126,919	92,376
<b>Cash flows from financing activities</b>		
Dividends paid to shareholders of the Company	(127,762)	(90,765)
Dividends paid to minority shareholders	-	(3,046)
Net cash used in financing activities	(127,762)	(93,811)
Net (decrease)/increase in cash and cash equivalents	(17,752)	15,600
Effects of exchange rate changes	63	40
Cash and cash equivalents at 1 October	164,634	154,595
Cash and cash equivalents at 31 March	146,945	170,235

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Report for the year ended 30 September 2007.

# BATU KAWAN BERHAD

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(Incorporated in Malaysia)

## Notes to Interim Financial Report

### A. Explanatory Notes as required by Financial Reporting Standard (“FRS”) 134

#### A1. Accounting policies

The interim financial report is unaudited and has been prepared in compliance with FRS 134 - 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 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 2007, except for the adoption of FRS 6 - Exploration for and Evaluation of Mineral Resources, which became effective for the financial periods beginning on or after 1 January 2007.

The Group has also adopted the following FRSs, amendments to FRS and Issues Committee (“IC”) Interpretations which are effective for financial periods beginning on or after 1 July 2007:-

FRS 107 - Cash Flow Statements

FRS 111 - Construction Contracts

FRS 112 - Income Taxes

FRS 118 - Revenue

FRS 120 - Accounting for Government Grants and Disclosure of Government Assistance

FRS 134 - Interim Financial Reporting

FRS 137 - Provisions, Contingent Liabilities and Contingent Assets

Amendment to FRS 121 - The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation

IC Interpretation 1 - Changes in Existing Decommissioning, Restoration and Similar Liabilities

IC Interpretation 2 - Members’ Shares in Co-operative Entities and Similar Instruments

IC Interpretation 5 - Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

IC Interpretation 6 - Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment

IC Interpretation 7 - Applying the Restatement Approach under FRS 129<sub>2004</sub> - Financial Reporting in Hyperinflationary Economies

IC Interpretation 8 - Scope of FRS 2

The adoption of FRSs 107, 111, 112, 118, 134, 137 and amendments to FRS 121 did not have any significant financial impact on the results and the financial position of the Group upon their initial application. FRSs 6 and 120 and IC Interpretations 1, 2, 5, 6, 7 and 8 are not relevant to the Group’s operation.

#### A2. 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.

**A3. 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.

**A4. 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.

**A5. 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) share buy back of 1,443,600 shares in the Company from the open market. The average price paid for the shares repurchased was RM9.79 per share and the total consideration paid, including transaction costs, was RM14,188,867. The shares bought back were financed by internally generated funds and held as treasury shares.

**A6. Dividends**

- (i) Dividends Paid

	6 months ended 31 March 2008 RM'000	6 months ended 31 March 2007 RM'000
Dividends proposed in year 2007, paid in year 2008		
- Final 40 sen less income tax @ 26% (2006: 13 sen less income tax @ 27%)	127,762	27,441
- Special NIL (2006: 30 sen less income tax @ 27%)	-	63,324
	<u>127,762</u>	<u>90,765</u>

- (ii) Dividend Proposed

An interim dividend of 15 sen per share less 26% Malaysian income tax has been declared by the Directors in respect of the financial year ending 30 September 2008 (year ended 30 September 2007 : 10 sen less 27% Malaysian income tax). The interim dividend will be paid on 12 August 2008 to shareholders registered in the Company's Register as at 16 July 2008.

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

- (a) Securities deposited into the Depositor's Securities Account before 12.30 p.m. on 14 July 2008, in respect of securities which are exempted from mandatory deposit;
- (b) Securities transferred into the Depositor's Securities Account before 4.00 p.m. on 16 July 2008, in respect of transfers; and
- (c) Securities bought on the Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the Rules of the Bursa Securities.

The total dividend declared for the financial year ending 30 September 2008 is 15 sen per share less 26% Malaysian income tax (year ended 30 September 2007 : 10 sen less 27% Malaysian income tax and 40 sen less 26% Malaysian income tax).

**A7. Segment information**

The business segment information for the 6 months ended 31 March is as follows:-

**6 months ended 31 March 2008**

	Investment Holding RM'000	Chemicals RM'000	Adjustments RM'000	Consolidated RM'000
<b>REVENUE</b>				
External Sales				
Chemicals	-	104,963	(1,315)	103,648
Transportation services	-	9,927	(2,065)	7,862
Dividends	201,536	929	(198,361)	4,104
Management services fees	-	47	-	47
Interest income	172	227	-	399
	<u>201,708</u>	<u>116,093</u>	<u>(201,741)</u>	<u>116,060</u>
Inter-segment Sales	-	-	-	-
	<u>201,708</u>	<u>116,093</u>	<u>(201,741)</u>	<u>116,060</u>
<b>RESULTS</b>				
Segment result	198,190	16,549	(198,276)	16,463
Finance cost	-	-	-	-
Share of results of associates	245,766	(32)	-	245,734
Profit before taxation	<u>443,956</u>	<u>16,517</u>	<u>(198,276)</u>	<u>262,197</u>
Taxation				(4,190)
Profit after taxation				<u>258,007</u>

**6 months ended 31 March 2007**

	Investment Holding RM'000	Chemicals RM'000	Adjustments RM'000	Consolidated RM'000
<b>REVENUE</b>				
External Sales				
Chemicals	-	97,582	(328)	97,254
Transportation services	-	10,950	(549)	10,401
Dividends	143,444	105	(141,324)	2,225
Management services fees	-	18	-	18
Interest income	914	1,002	-	1,916
	<u>144,358</u>	<u>109,657</u>	<u>(142,201)</u>	<u>111,814</u>
Inter-segment Sales	-	-	-	-
	<u>144,358</u>	<u>109,657</u>	<u>(142,201)</u>	<u>111,814</u>
<b>RESULTS</b>				
Segment result	142,066	17,271	(141,208)	18,129
Finance cost	-	-	-	-
Share of results of associates	131,690	111	-	131,801
Profit before taxation	<u>273,756</u>	<u>17,382</u>	<u>(141,208)</u>	<u>149,930</u>
Taxation				(2,443)
Profit after taxation				<u>147,487</u>

**A8. 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.

**A9. 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.

**A10. 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 2007.

**B. Explanatory Notes as required by the Bursa Securities' Listing Requirements****B1. Review of performance**

The Group's pre-tax profit for the current quarter of RM117.3 million was substantially higher than the RM65.9 million reported in the corresponding quarter last year mainly due to higher profit contribution from KLK. KLK's better performance was mainly due to higher plantation profit resulting from higher palm product prices and FFB crop, and improved results from the manufacturing sector.

For the first half of the financial year 2008, Group pre-tax profit was RM262.2 million, substantially higher than the RM149.9 million achieved in the corresponding period last year. This was mainly attributable to the higher profit contribution from KLK arising from high palm product prices and increase in FFB crop.

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

Pre-tax profit for the current quarter decreased to RM117.3 million from the RM144.9 million recorded in the preceding quarter mainly due to lower profit contribution from KLK. Despite achieving higher plantation profit, KLK's performance was lower due to an allowance for diminution in value of an investment provided for and seasonal retailing loss during the current quarter.

**B3. Current year's prospects**

The Directors are of the opinion that the Group's pre-tax profit for the current financial year should be substantially higher than that of last year's in view of prevailing high palm products prices benefitting 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 31 March 2008.

**B5. Income tax expense**

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter ended	Quarter ended	6 months ended	6 months ended
	31 March	31 March	31 March	31 March
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Current tax				
Malaysian income tax	1,616	678	4,976	2,534
Deferred tax				
Relating to origination and reversal of temporary differences	(83)	4	(786)	(91)
	<u>1,533</u>	<u>682</u>	<u>4,190</u>	<u>2,443</u>



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

**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 except for:-

- a) See Sen Chemical Berhad, a subsidiary, had on 28 March 2008 entered into a Sale and Purchase Agreement with Evercoat Industries Sdn Bhd for the disposal of a piece of freehold industrial land at Nilai, Negeri Sembilan for a total consideration of RM1,762,513. As at the date of this report, the transaction is yet to be completed and upon completion, a loss of RM82,961 will be recognised.

**B7. Quoted securities**

- a) There were no purchases or sales of quoted securities for the current quarter and financial year to-date.

- b) Investments in quoted shares as at 31 March 2008 were as follows:-

		At 31 March 2008 RM'000	At 30 September 2007 RM'000
(i) Quoted shares at cost	- Associated company	418,839	418,839
	- Other investments	11,401	11,401
		430,240	430,240
(ii) Carrying value/book value	- Associated company	2,271,037	2,202,939
	- Other investments	11,401	11,401
		2,282,438	2,214,340
(iii) Market value	- Associated company	8,033,605	6,545,900
	- Other investments	9,554	11,843
		8,043,159	6,557,743

**B8. Status of corporate proposals**

Our wholly-owned subsidiary, Forever Green Venture Limited (“FGVL”), had an outstanding agreement to purchase a 75% equity share in PT Satu Sembilan Delapan (“PTSSD”), an Indonesian company for a purchase price of USD1,500,000. On 13 September 2007, the Sales and Purchase Agreement (“SPA”) was amended, for FGVL to purchase an increased 92% equity share in PTSSD for an amended purchase price of USD620,080 and based on a lower land hectarage held by PTSSD. The completion date for this conditional SPA has also been extended.

**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 14 May 2008 (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
Sales contracts	SGD	1,488	3,448	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 31 March 2008	Preceding Year Quarter ended 31 March 2007	Current Year 6 months ended 31 March 2008	Preceding Year 6 months ended 31 March 2007
Net profit for the period attributable to equity holders of the parent (RM'000)	114,073	63,576	254,656	143,676
Weighted average number of shares	431,938,912	433,728,000	431,938,912	433,728,000
Earnings per share (sen)	26.41	14.66	58.96	33.13

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

The auditors' report on the financial statements for the year ended 30 September 2007 was not subject to any qualifications.

By Order of the Board

J.C. LIM  
CHONG SEE TECK  
Company Secretaries

21 May 2008