

BATU KAWAN BERHAD

(6292-U)

(Incorporated in Malaysia)

**Condensed Consolidated Income Statement
For the Third Quarter ended 30 June 2008**

(The figures have not been audited)

| | Individual Quarter | | Cumulative Quarter | |
|--------------------------------|--|--|---|---|
| | Current Year Quarter ended 30 June 2008 RM'000 | Preceding Year Quarter ended 30 June 2007 RM'000 | Current Year 9 months ended 30 June 2008 RM'000 | Preceding Year 9 months ended 30 June 2007 RM'000 |
| Revenue | 72,418 | 52,830 | 188,478 | 164,644 |
| Operating expenses | (62,152) | (44,416) | (163,752) | (138,915) |
| Other operating income | 243 | 421 | 2,246 | 1,235 |
| Finance cost | - | - | - | - |
| Share of results of associates | 114,268 | 69,030 | 360,002 | 200,831 |
| Profit before taxation | 124,777 | 77,865 | 386,974 | 227,795 |
| Income tax expense | (1,624) | (1,563) | (5,814) | (4,006) |
| Net profit for the period | 123,153 | 76,302 | 381,160 | 223,789 |
| Attributable to: | | | | |
| Equity holders of the Company | 120,953 | 74,337 | 375,609 | 218,013 |
| Minority interests | 2,200 | 1,965 | 5,551 | 5,776 |
| | 123,153 | 76,302 | 381,160 | 223,789 |
| Earnings per share | | | | |
| Basic | 28.01 sen | 17.15 sen | 86.99 sen | 50.29 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

(6292-U)

(Incorporated in Malaysia)

Condensed Consolidated Balance Sheet**At 30 June 2008**

(The figures have not been audited)

| | 30 June 2008 RM'000 | 30 September 2007 RM'000 |
|---|---------------------------|--------------------------------|
| ASSETS | | |
| Non-Current Assets | | |
| Property, plant & equipment | 133,091 | 123,922 |
| Investment property | 766 | 796 |
| Prepaid land lease payments | 13,840 | 14,103 |
| Goodwill on consolidation | 15,514 | 11,999 |
| Investment in associates | 2,407,327 | 2,204,565 |
| Other investments | 29,637 | 31,646 |
| Deferred tax assets | 687 | 730 |
| | <u>2,600,862</u> | <u>2,387,761</u> |
| Current Assets | | |
| Inventories | 43,496 | 28,150 |
| Trade receivables | 60,073 | 49,456 |
| Other receivables, deposits and prepayments | 52,054 | 35,112 |
| Amount due from an associate | 1,123 | 696 |
| Tax recoverable | 1,634 | 1,411 |
| Short term funds | 87,190 | 136,704 |
| Term deposits | 31,300 | 26,680 |
| Cash and bank balances | 1,845 | 1,250 |
| | <u>278,715</u> | <u>279,459</u> |
| TOTAL ASSETS | <u>2,879,577</u> | <u>2,667,220</u> |
| EQUITY AND LIABILITIES | | |
| Share capital | 435,951 | 435,951 |
| Reserves | 2,300,310 | 2,125,211 |
| Equity attributable to equity holders of the Company | <u>2,736,261</u> | <u>2,561,162</u> |
| Minority interests | 54,682 | 63,814 |
| Total Equity | <u>2,790,943</u> | <u>2,624,976</u> |
| Non-Current Liabilities | | |
| Provision for retirement benefits | 2,912 | 2,848 |
| Deferred tax liabilities | 11,798 | 13,177 |
| | <u>14,710</u> | <u>16,025</u> |
| Current Liabilities | | |
| Trade payables | 7,028 | 9,305 |
| Other payables and accruals | 17,352 | 16,363 |
| Provision for retirement benefits | 67 | 64 |
| Dividends payable | 47,898 | - |
| Taxation | 1,579 | 487 |
| | <u>73,924</u> | <u>26,219</u> |
| Total Liabilities | <u>88,634</u> | <u>42,244</u> |
| TOTAL EQUITY AND LIABILITIES | <u>2,879,577</u> | <u>2,667,220</u> |
| Net assets per share attributable to equity holders of the Company (RM) | 6.34 | 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 Third Quarter ended 30 June 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 | - | - | 24 | (10,477) | (208) | - | - | (10,661) | (14,683) | (25,344) |
| Net profit for the period | - | - | - | - | - | 375,609 | - | 375,609 | 5,551 | 381,160 |
| Dividends paid | - | - | - | - | - | (127,762) | - | (127,762) | - | (127,762) |
| Dividends payable | - | - | - | - | - | (47,898) | - | (47,898) | - | (47,898) |
| Share buy back | - | - | - | - | - | - | (14,189) | (14,189) | - | (14,189) |
| At 30 June 2008 | <u>435,951</u> | <u>715</u> | <u>507,230</u> | <u>125,534</u> | <u>(749)</u> | <u>1,697,827</u> | <u>(30,247)</u> | <u>2,736,261</u> | <u>54,682</u> | <u>2,790,943</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 | - | - | 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 | <u>435,951</u> | <u>715</u> | <u>507,196</u> | <u>135,075</u> | <u>(483)</u> | <u>1,367,478</u> | <u>(15,366)</u> | <u>2,430,566</u> | <u>70,358</u> | <u>2,500,924</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 Third Quarter ended 30 June 2008**

(The figures have not been audited)

| | 9 months ended | |
|--|----------------|-----------|
| | 30 June | |
| | 2008 | 2007 |
| | RM'000 | RM'000 |
| Cash flows from operating activities | | |
| Profit before taxation | 386,974 | 227,795 |
| Adjustments for:- | | |
| Non-cash items | 12,421 | 14,282 |
| Non-operating items | (366,066) | (206,306) |
| Operating profit before working capital changes | 33,329 | 35,771 |
| Changes in working capital | | |
| Net change in current assets | (43,332) | (8,430) |
| Net change in current liabilities | (1,287) | (3,371) |
| Cash (used in)/generated from operations | (11,290) | 23,970 |
| Interest received | 531 | 2,072 |
| Tax paid | (5,776) | (3,389) |
| Retirement benefits paid | (57) | (24) |
| Net cash (used in)/generated from operating activities | (16,592) | 22,629 |
| Cash flows from investing activities | | |
| Equity investments | 121,257 | 93,563 |
| Other investments | (21,167) | (9,673) |
| Net cash generated from investing activities | 100,090 | 83,890 |
| Cash flows from financing activities | | |
| 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 | (44,264) | 12,708 |
| Effects of exchange rate changes | (35) | (69) |
| Cash and cash equivalents at 1 October | 164,634 | 154,595 |
| Cash and cash equivalents at 30 June | 120,335 | 167,234 |

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

(6292-U)

(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 129₂₀₀₄ - 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 buyback 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

| | 9 months ended 30 June 2008 RM'000 | 9 months ended 30 June 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> |

An interim dividend of 15 sen per share less 26% Malaysian income tax in respect of the financial year ending 30 September 2008 (year ended 30 September 2007 : 10 sen less 27% Malaysian income tax) was paid on 12 August 2008.

- (ii) Dividend Proposed

The Directors do not recommend the payment of any dividend for the quarter ended 30 June 2008.

The total dividend declared to-date 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 9 months ended 30 June is as follows:-

9 months ended 30 June 2008

| | Investment Holding RM'000 | Chemicals RM'000 | Adjustments RM'000 | Consolidated RM'000 |
|--------------------------------|---------------------------------|---------------------|-----------------------|------------------------|
| REVENUE | | | | |
| External Sales | | | | |
| Chemicals | - | 172,100 | (2,024) | 170,076 |
| Transportation services | - | 15,782 | (3,290) | 12,492 |
| Dividends | 202,352 | 1,328 | (198,361) | 5,319 |
| Management services fees | - | 60 | - | 60 |
| Interest income | 259 | 309 | (37) | 531 |
| | <u>202,611</u> | <u>189,579</u> | <u>(203,712)</u> | <u>188,478</u> |
| Inter-segment Sales | - | - | - | - |
| | <u>202,611</u> | <u>189,579</u> | <u>(203,712)</u> | <u>188,478</u> |
| RESULTS | | | | |
| Segment result | 199,476 | 25,730 | (198,234) | 26,972 |
| Finance cost | - | - | - | - |
| Share of results of associates | 360,017 | (15) | - | 360,002 |
| Profit before taxation | <u>559,493</u> | <u>25,715</u> | <u>(198,234)</u> | <u>386,974</u> |
| Taxation | | | | (5,814) |
| Profit after taxation | | | | <u>381,160</u> |

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 |
| Transportation services | - | 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 associates | 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> |

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

During the current quarter and financial year to-date, there were no changes to the composition of the Group except for the following:-

- i) the Group increased its effective shareholding in Malay-Sino Chemical Industries Sdn Bhd ("MSCI") from 76.48% to 84.30%; and
- ii) Omega Network Sdn Bhd, a wholly-owned subsidiary of MSCI, was placed under members' voluntary winding up on 20 June 2008.

There were no material effects on the results of the Group arising from the above changes for 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

For the current quarter, the Group achieved a substantially higher pre-tax profit of RM124.8 million against RM77.9 million reported in the corresponding quarter last year, mainly due to higher profit contribution from KLK. KLK's profit rose on higher plantation profit in tandem with the higher palm product prices and FFB yield, and a surplus on disposal of a 60% equity interest in a subsidiary. However, KLK's performance was affected by impairment of goodwill and allowance for diminution in investment value.

The Group's pre-tax profit for the current 9 months under review of RM387.0 million was 69.9% higher than the RM227.8 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, increased FFB crop, better performance from its manufacturing sector and the above surplus on disposal of a subsidiary.

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

The current quarter's pre-tax profit was better at RM124.8 million compared to the RM117.3 million reported in the preceding quarter due to higher profit contributions from KLK and from the chemical subsidiaries.

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 significantly higher than that of last year's in view of higher palm products prices, higher FFB crop and the increase in manufacturing profit 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 30 June 2008.

B5. Income tax expense

| | Individual Quarter | | Cumulative Quarter | |
|--|--|--|---|---|
| | Current Year Quarter ended 30 June 2008 RM'000 | Preceding Year Quarter ended 30 June 2007 RM'000 | Current Year 9 months ended 30 June 2008 RM'000 | Preceding Year 9 months ended 30 June 2007 RM'000 |
| Current tax | | | | |
| Malaysian income tax | 2,160 | 1,594 | 7,136 | 4,128 |
| Deferred tax | | | | |
| Relating to origination and reversal of temporary differences | (551) | (28) | (1,337) | (119) |
| Over provision in respect of previous year | | | | |
| - Malaysian income tax | 15 | (3) | 15 | (3) |
| | <u>1,624</u> | <u>1,563</u> | <u>5,814</u> | <u>4,006</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 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. The transaction was completed on 8 July 2008 and a loss of RM82,961 was 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 30 June 2008 were as follows:-

| | | At 30 June 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 |
| | | <u>430,240</u> | <u>430,240</u> |
| (ii) Carrying value/book value | - Associated company | 2,405,716 | 2,202,939 |
| | - Other investments | 11,401 | 11,401 |
| | | <u>2,417,117</u> | <u>2,214,340</u> |
| (iii) Market value | - Associated company | 8,727,867 | 6,545,900 |
| | - Other investments | 9,902 | 11,843 |
| | | <u>8,737,769</u> | <u>6,557,743</u> |

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 or its nominee, Whitmore Holdings Sdn Bhd, to purchase an increased 92% equity share in PTSSD for an amended purchase price of USD620,080 and based on a lower land hectareage held by PTSSD. On 1 July 2008, Whitmore Holdings Sdn Bhd, a wholly-owned subsidiary of Batu Kawan Berhad (“BKB”) completed the acquisition of the 92% equity interest in PTSSD and accordingly, PTSSD became a subsidiary of BKB.

B9. Group borrowings

There were no group borrowings 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 11 August 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 | <u>1,547</u> | <u>3,696</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 2008 | Preceding Year Quarter ended 30 June 2007 | Current Year 9 months ended 30 June 2008 | Preceding Year 9 months ended 30 June 2007 |
| Net profit for the period attributable to equity holders of the parent (RM'000) | 120,953 | 74,337 | 375,609 | 218,013 |
| Weighted average number of shares | 431,796,908 | 433,524,324 | 431,796,908 | 433,524,324 |
| Earnings per share (sen) | 28.01 | 17.15 | 86.99 | 50.29 |

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

18 August 2008