

BATU KAWAN BERHAD

(6292-U)
(Incorporated in Malaysia)

**Interim Financial Report
For the first quarter ended 31 December 2015**

Interim Financial Report for the first quarter ended 31 December 2015

(The figures have not been audited)

Directors are pleased to announce the unaudited financial results of the Group for the first quarter ended 31 December 2015.

Condensed Consolidated Statement of Profit or Loss

| | Individual Quarter | | Cumulative Quarter | |
|---|-------------------------------|----------------|-------------------------------|----------------|
| | 3 months ended 31 December | | 3 months ended 31 December | |
| | 2015 | 2014 | 2015 | 2014 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 4,450,259 | 3,214,547 | 4,450,259 | 3,214,547 |
| Operating expenses | (4,157,455) | (2,902,296) | (4,157,455) | (2,902,296) |
| Other operating income | 686,758 | 33,058 | 686,758 | 33,058 |
| Finance costs | (41,632) | (29,440) | (41,632) | (29,440) |
| Share of results of associates | (5,454) | 2,405 | (5,454) | 2,405 |
| Share of results of joint ventures | 6,185 | - | 6,185 | - |
| Profit before taxation | 938,661 | 318,274 | 938,661 | 318,274 |
| Income tax expense | (88,368) | (71,472) | (88,368) | (71,472) |
| NET PROFIT FOR THE PERIOD | 850,293 | 246,802 | 850,293 | 246,802 |
| Profit attributable to: | | | | |
| Owners of the Company | 387,526 | 116,954 | 387,526 | 116,954 |
| Non-controlling interests | 462,767 | 129,848 | 462,767 | 129,848 |
| | 850,293 | 246,802 | 850,293 | 246,802 |
| Earnings per share for profit attributable to owners of the Company (sen) | | | | |
| Basic | 95.4 | 28.6 | 95.4 | 28.6 |
| 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 2015.

Interim Financial Report for the first quarter ended 31 December 2015

(The figures have not been audited)

Condensed Consolidated Statement of Other Comprehensive Income

| | Individual Quarter | | Cumulative Quarter | |
|--|-------------------------------|----------------|-------------------------------|----------------|
| | 3 months ended 31 December | | 3 months ended 31 December | |
| | 2015 | 2014 | 2015 | 2014 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Net profit for the period | 850,293 | 246,802 | 850,293 | 246,802 |
| Other comprehensive (loss)/income that will be reclassified subsequently to profit or loss | | | | |
| Net change in fair value of available-for-sale investments | (130,136) | 91,896 | (130,136) | 91,896 |
| Realisation on fair value of available-for-sale investments | (1,378) | (704) | (1,378) | (704) |
| Foreign currency translation differences | (17,054) | 215,359 | (17,054) | 215,359 |
| Total other comprehensive (loss)/income for the period | (148,568) | 306,551 | (148,568) | 306,551 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 701,725 | 553,353 | 701,725 | 553,353 |
| Total comprehensive income attributable to: | | | | |
| Owners of the Company | 335,114 | 260,037 | 335,114 | 260,037 |
| Non-controlling interests | 366,611 | 293,316 | 366,611 | 293,316 |
| | 701,725 | 553,353 | 701,725 | 553,353 |

The Condensed Consolidated Statement of Other Comprehensive Income should be read in conjunction with the Annual Report for the year ended 30 September 2015.

Interim Financial Report for the first quarter ended 31 December 2015
(The figures have not been audited)

Condensed Consolidated Statement of Financial Position

| | At 31 December 2015 | At 30 September 2015 |
|------------------------------------|--|---|
| | RM'000 | RM'000 |
| ASSETS | | |
| Non-current assets | | |
| Property, plant & equipment | 5,227,171 | 5,095,818 |
| Investment property | 50,888 | 51,120 |
| Prepaid lease payments | 317,840 | 296,303 |
| Biological assets | 2,540,003 | 2,480,204 |
| Land held for property development | 1,087,037 | 226,353 |
| Goodwill on consolidation | 351,834 | 359,064 |
| Intangible assets | 13,415 | 15,297 |
| Investment in associates | 151,599 | 160,974 |
| Investment in joint ventures | 206,418 | 181,169 |
| Available-for-sale investments | 1,727,767 | 1,836,879 |
| Deferred tax assets | 140,153 | 148,496 |
| Other receivables | 258,505 | 204,825 |
| | 12,072,630 | 11,056,502 |
| Current assets | | |
| Inventories | 1,913,782 | 1,657,476 |
| Biological assets | 3,745 | 32,599 |
| Trade and other receivables | 2,623,436 | 2,763,098 |
| Property development costs | 72,427 | 59,964 |
| Tax recoverable | 35,727 | 38,290 |
| Derivative financial assets | 157,035 | 315,825 |
| Short term funds | 83,014 | - |
| Cash and cash equivalents | 2,661,712 | 2,696,606 |
| | 7,550,878 | 7,563,858 |
| TOTAL ASSETS | 19,623,508 | 18,620,360 |

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Report for the year ended 30 September 2015.

Interim Financial Report for the first quarter ended 31 December 2015
(The figures have not been audited)

Condensed Consolidated Statement of Financial Position

| | At 31 December 2015 | At 30 September 2015 |
|---|--|---|
| | RM'000 | RM'000 |
| EQUITY AND LIABILITIES | | |
| Current liabilities | | |
| Trade and other payables | 1,371,952 | 1,469,501 |
| Deferred income | 7,218 | 6,728 |
| Tax payable | 40,466 | 32,556 |
| Borrowings | 2,508,020 | 1,914,940 |
| Derivative financial liabilities | 82,961 | 356,479 |
| | <u>4,010,617</u> | <u>3,780,204</u> |
| Net current assets | <u>3,540,261</u> | <u>3,783,654</u> |
| Non-current liabilities | | |
| Provision for retirement benefits | 411,902 | 363,079 |
| Deferred tax liabilities | 288,091 | 285,066 |
| Deferred income | 121,888 | 113,154 |
| Borrowings | 2,870,110 | 3,181,221 |
| | <u>3,691,991</u> | <u>3,942,520</u> |
| Total liabilities | <u>7,702,608</u> | <u>7,722,724</u> |
| Net assets | <u>11,920,900</u> | <u>10,897,636</u> |
| Equity attributable to owners of the Company | | |
| Share capital | 435,951 | 435,951 |
| Treasury shares | (384,663) | (382,208) |
| Reserves | 5,889,563 | 5,554,449 |
| | <u>5,940,851</u> | <u>5,608,192</u> |
| Non-controlling interests | 5,980,049 | 5,289,444 |
| Total equity | <u>11,920,900</u> | <u>10,897,636</u> |
| TOTAL EQUITY AND LIABILITIES | <u>19,623,508</u> | <u>18,620,360</u> |
| Net assets per share attributable to owners of the Company (RM) | 14.63 | 13.80 |

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Report for the year ended 30 September 2015.

Interim Financial Report for the first quarter ended 31 December 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 2015 | 435,951 | (382,208) | 4,810 | 821,732 | 27,743 | 233,463 | 633,402 | 7,035 | 3,826,264 | 5,608,192 | 5,289,444 | 10,897,636 |
| Total comprehensive income for the period | - | - | 60 | 858 | - | (2,757) | (49,781) | - | 386,734 | 335,114 | 366,611 | 701,725 |
| Transactions with owners: | | | | | | | | | | | | |
| Issuance of shares to non-controlling interests | - | - | - | - | - | - | - | - | - | - | 324,800 | 324,800 |
| Share buy back | - | (2,455) | - | - | - | - | - | - | - | (2,455) | - | (2,455) |
| Dividends paid to non-controlling interests | - | - | - | - | - | - | - | - | - | - | (806) | (806) |
| | - | (2,455) | - | - | - | - | - | - | - | (2,455) | 323,994 | 321,539 |
| At 31 December 2015 | 435,951 | (384,663) | 4,870 | 822,590 | 27,743 | 230,706 | 583,621 | 7,035 | 4,212,998 | 5,940,851 | 5,980,049 | 11,920,900 |

* Included in Capital Reserve is RM490,847,000 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 2015.

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

* Included in Capital Reserve is RM488,514,000 which is distributable.

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Report for the year ended 30 September 2015.

Interim Financial Report for the first quarter ended 31 December 2015

(The figures have not been audited)

Condensed Consolidated Statement of Cash Flows

| | 3 months ended 31 December | |
|---|-----------------------------------|------------------|
| | 2015 | 2014 |
| | RM'000 | RM'000 |
| Cash flows from operating activities | | |
| Profit before taxation | 938,661 | 318,274 |
| Adjustments for: | | |
| Non-cash items | 130,457 | 106,962 |
| Non-operating items | (513,960) | (23,124) |
| Operating cash flows before changes in working capital | 555,158 | 402,112 |
| Changes in working capital | | |
| Net change in current assets | (222,451) | (122,821) |
| Net change in current liabilities | (102,516) | (24,714) |
| Cash flows from operations | 230,191 | 254,577 |
| Interest received | 264 | 233 |
| Interest paid | (26,520) | (27,706) |
| Tax paid | (61,909) | (67,367) |
| Retirement benefits paid | (7,302) | (4,754) |
| Net cash flows from/(used in) operating activities | 134,724 | 154,983 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (275,554) | (130,161) |
| Payments of prepaid lease | (20,699) | (8,459) |
| Plantation development expenditure | (41,472) | (47,862) |
| Property development expenditure | (860,684) | (1,382) |
| Subscription of shares in an associate | (324,800) | - |
| Purchase of a joint venture | (22,191) | - |
| Purchase of available-for-sale investments | (39,285) | (19,984) |
| Purchase of intangible assets | - | (524) |
| Share buy back | (2,455) | (26,240) |
| Proceeds from sale of property, plant and equipment | 422 | 245 |
| Compensation from government on land acquired | 23,120 | 2,412 |
| Proceeds from disposal of land | 821,007 | - |
| Proceeds from disposal of available-for-sale investments | 4,880 | 2,249 |
| Increase in short term funds | (83,014) | - |
| Dividends received | 34,391 | 15,399 |
| Interest received | 8,703 | 5,724 |
| Net cash flows used in investing activities | (777,631) | (208,583) |

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Report for the year ended 30 September 2015.

Interim Financial Report for the first quarter ended 31 December 2015

(The figures have not been audited)

Condensed Consolidated Statement of Cash Flows

| | 3 months ended 31 December | |
|---|-----------------------------------|------------------|
| | 2015 | 2014 |
| | RM'000 | RM'000 |
| Cash flows from financing activities | | |
| Repayment of term loans | (235) | (6,476) |
| Drawdown of short term borrowings | 314,636 | 70,674 |
| Dividends paid to non-controlling interests | (806) | (4,466) |
| Issuance of shares to non-controlling interests | 324,800 | - |
| Increase in other receivables | (41,670) | (4,037) |
| Net cash flows from financing activities | 596,725 | 55,695 |
| Net (decrease)/increase in cash and cash equivalents | (46,182) | 2,095 |
| Effects of exchange rate changes | (10,056) | 37,859 |
| Cash and cash equivalents at 1 October | 2,669,438 | 1,869,401 |
| Cash and cash equivalents at 31 December | 2,613,200 | 1,909,355 |
| | | |
| Cash and cash equivalents at 31 December is represented by: | | |
| Cash and cash equivalents | 2,661,712 | 1,986,789 |
| Borrowings - Bank overdraft | (48,512) | (77,434) |
| | 2,613,200 | 1,909,355 |

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Report for the year ended 30 September 2015.

Interim Financial Report for the first quarter ended 31 December 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 Financial Reporting Standard (“FRS”) 134 *Interim Financial Reporting*, issued by the Malaysian Accounting Standards Board 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 2015. 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 2015.

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.

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 142,400 shares in the Company from the open market. The average price paid for the shares repurchased was RM17.17 per share and the total consideration paid, including transaction costs, was RM2,454,308. The shares bought back were financed by internally generated funds and borrowings and held as treasury shares.

A7. Dividends paid

No dividend has been paid during the current quarter ended 31 December 2015 (31 December 2014: Nil).

A8. Segment information

Segment information is presented in respect of the Group’s reportable segments which are based on the Group’s management and internal reporting structure.

a) Segment revenue and results

| | Plantations | Manufacturing | Property Development | Investment Holding/Others | Elimination | Consolidated |
|-------------------------|-------------|---------------|-------------------------|------------------------------|-------------|--------------|
| | RM’000 | RM’000 | RM’000 | RM’000 | RM’000 | RM’000 |
| 3 months ended | | | | | | |
| 31 December 2015 | | | | | | |
| Revenue | | | | | | |
| External revenue | 2,454,102 | 1,891,951 | 10,269 | 93,937 | - | 4,450,259 |
| Inter-segment revenue | 241,766 | - | - | 15,964 | (257,730) | - |
| Total revenue | 2,695,868 | 1,891,951 | 10,269 | 109,901 | (257,730) | 4,450,259 |

Interim Financial Report for the first quarter ended 31 December 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 |
| Results | | | | | | |
| Operating results | 269,878 | 164,066 | 83 | 554,904 | (9,369) | 979,562 |
| Finance costs | (1,527) | (9,833) | - | (39,641) | 9,369 | (41,632) |
| Share of results of associates | 2,202 | 251 | (782) | (7,125) | - | (5,454) |
| Share of results of joint ventures | 6,364 | - | - | (179) | - | 6,185 |
| Segment results | <u>276,917</u> | <u>154,484</u> | <u>(699)</u> | <u>507,959</u> | <u>-</u> | <u>938,661</u> |
| Profit before taxation | | | | | | <u>938,661</u> |
| 3 months ended 31 December 2014 | | | | | | |
| Revenue | | | | | | |
| External revenue | 1,601,320 | 1,509,331 | 29,920 | 73,976 | - | 3,214,547 |
| Inter-segment revenue | 200,355 | - | - | 16,103 | (216,458) | - |
| Total revenue | <u>1,801,675</u> | <u>1,509,331</u> | <u>29,920</u> | <u>90,079</u> | <u>(216,458)</u> | <u>3,214,547</u> |
| Results | | | | | | |
| Operating results | 245,415 | 53,001 | 13,578 | 40,236 | (6,921) | 345,309 |
| Finance costs | (1,047) | (6,854) | - | (28,460) | 6,921 | (29,440) |
| Share of results of associates | 1,868 | 240 | 288 | 9 | - | 2,405 |
| Segment results | <u>246,236</u> | <u>46,387</u> | <u>13,866</u> | <u>11,785</u> | <u>-</u> | <u>318,274</u> |
| Profit before taxation | | | | | | <u>318,274</u> |

b) Segment assets

| | Plantations | Manufacturing | Property Development | Investment Holding/Others | Consolidated |
|-----------------------------|--------------------|----------------------|-----------------------------|----------------------------------|---------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| At 31 December 2015 | | | | | |
| Operating assets | 6,794,767 | 6,895,462 | 1,291,729 | 4,107,653 | 19,089,611 |
| Associates | 59,688 | 8,376 | 68,691 | 14,844 | 151,599 |
| Joint ventures | 147,110 | - | - | 59,308 | 206,418 |
| Segment assets | <u>7,001,565</u> | <u>6,903,838</u> | <u>1,360,420</u> | <u>4,181,805</u> | <u>19,447,628</u> |
| Tax assets | | | | | <u>175,880</u> |
| Total assets | | | | | <u>19,623,508</u> |
| At 30 September 2015 | | | | | |
| Operating assets | 6,655,171 | 6,945,029 | 450,441 | 4,040,790 | 18,091,431 |
| Associates | 61,826 | 8,279 | 68,466 | 22,403 | 160,974 |
| Joint ventures | 144,658 | - | - | 36,511 | 181,169 |
| Segment assets | <u>6,861,655</u> | <u>6,953,308</u> | <u>518,907</u> | <u>4,099,704</u> | <u>18,433,574</u> |
| Tax assets | | | | | <u>186,786</u> |
| Total assets | | | | | <u>18,620,360</u> |

Interim Financial Report for the first quarter ended 31 December 2015

(The figures have not been audited)

c) Segment liabilities

| | Plantations RM'000 | Manufacturing RM'000 | Property Development RM'000 | Investment Holding/Others RM'000 | Consolidated RM'000 |
|-----------------------------|-----------------------|-------------------------|-----------------------------------|--|------------------------|
| At 31 December 2015 | | | | | |
| Segment liabilities | 2,255,532 | 2,143,000 | 45,983 | 2,929,536 | 7,374,051 |
| Unallocated liabilities | | | | | 328,557 |
| Total liabilities | | | | | <u>7,702,608</u> |
| At 30 September 2015 | | | | | |
| Segment liabilities | 2,177,229 | 2,253,946 | 24,744 | 2,949,183 | 7,405,102 |
| Unallocated liabilities | | | | | 317,622 |
| Total liabilities | | | | | <u>7,722,724</u> |

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 report.

A10. Changes in composition of the Group

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

- a) On 18 November 2015, Caruso Australia Ventures Pty Ltd ("CAV"), a wholly-owned subsidiary of the Company, had:
 - i) incorporated a wholly-owned subsidiary, Vivaldi Victoria Pty Ltd, which has an issued and paid-up capital of AUD100, in Australia. The intended principal activity is a trustee company; and
 - ii) set-up a unit trust in Australia, Vivaldi Victoria 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.

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 2015.

A12. Capital commitments

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

| | At 31 December 2015 RM'000 | At 30 September 2015 RM'000 |
|--|-------------------------------------|--------------------------------------|
| Capital expenditure | | |
| Approved and contracted | 231,836 | 195,474 |
| Approved but not contracted | 907,305 | 947,260 |
| | <u>1,139,141</u> | <u>1,142,734</u> |
| Acquisitions of shares in sub-subsidiaries | | |
| Approved and contracted | 1,314 | 1,268 |
| Acquisition of land for property development | | |
| Approved and contracted | - | 784,080 |

Interim Financial Report for the first quarter ended 31 December 2015

(The figures have not been audited)

A13. Significant Related Party Transactions

The following significant related party transactions of the Group have been entered into in the ordinary course of business at prices mutually agreed upon between the parties on terms not more favourable to the related party than those generally available to the public and are not detrimental to the non-controlling interests of the Company:

| | Cumulative Quarter | |
|--|---------------------------|---------------|
| | 3 months ended | |
| | 31 December | |
| | 2015 | 2014 |
| | RM'000 | RM'000 |
| a) Transactions with associates and joint venture: | | |
| Sales of finished goods | 1,883 | 1,955 |
| Purchase of goods | 202,699 | 127 |
| Service charges paid | 1,167 | 457 |
| Research and development services paid | 2,724 | 2,568 |
| 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 | 67,072 | 58,005 |
| Taiko Marketing (S) Pte Ltd | 1,131 | 1,373 |
| Chlor-Al Chemical Pte Ltd | 5,013 | 4,412 |
| Purchases of goods: | | |
| Taiko Marketing Sdn Bhd | 8,684 | 8,841 |
| Taiko Marketing (S) Pte Ltd | 15,222 | 4,460 |
| Borneo Taiko Clay Sdn Bhd | 1,287 | 1,001 |
| Bukit Katho Estate Sdn Bhd | 683 | 729 |
| Kampar Rubber & Tin Co Sdn Bhd | 1,937 | 1,964 |
| Malay Rubber Plantations (M) Sdn Bhd | 1,085 | 1,237 |
| PT Agro Makmur Abadi | 16,661 | 16,692 |
| PT Safari Riau | 6,873 | 7,547 |
| PT Taiko Persada Indoprima | - | 3,089 |
| Taiko Fertiliser Marketing Sdn Bhd | 17 | 164 |
| Supply of contract labours and engineering works: | | |
| K7 Engineering Sdn Bhd | 1,070 | 515 |
| Sales commissions charged by: | | |
| Taiko Marketing Sdn Bhd | 12 | 2,012 |
| c) Transactions between subsidiaries and their non-controlling interests: | | |
| Sales of indirect materials and finished goods to: | | |
| Mitsubishi Corporation | 58,942 | 22,838 |
| Mitsui & Co Ltd | 71,078 | 71,242 |
| PT Eka Dura Indonesia | 24,085 | - |
| PT Tanjung Sarana Lestari | 296,603 | - |
| Tejana Trading & Management Services Sdn Bhd | 304 | 654 |

Interim Financial Report for the first quarter ended 31 December 2015

(The figures have not been audited)

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

B1. Detailed analysis of performance

1st Quarter FY 2016 vs 1st Quarter FY 2015

The Group's revenue for the current quarter was RM4,450.26 million, 38% higher than RM3,214.55 million in the corresponding quarter last year as all segments, except Property Development, reported higher revenues. Group profit before tax was significantly higher at RM938.66 million (2015: RM318.27 million) after accounting for a surplus of RM485.69 million from sale of plantation land to an associate. Comments on the respective business segments are as follows:

Plantations reported a profit of RM276.92 million, 12% higher compared to last year's corresponding quarter's profit of RM246.24 million resulting from improved contributions from refineries and kernel crushing plants and higher selling prices of palm kernel and rubber.

Manufacturing's profit for this quarter was RM154.48 million, significantly higher than last year's corresponding quarter's profit of RM46.39 million due to a 25% higher revenue at RM1,891.95 million (2014: RM1,509.33 million). The oleochemical division's profit improved significantly to RM117.00 million (2014: RM28.80 million) while the chemicals division posted a profit of RM28.59 million (2014: RM16.87 million).

Property Development incurred a small loss of RM699,000 (2014: RM13.87 million profit) due to the slowdown in the property market. Revenue dropped 66% to RM10.27 million (2014: RM29.92 million).

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

1st Quarter FY 2016 vs 4th Quarter FY 2015

This quarter, Group pre-tax profit was RM938.66 million, substantially higher than the RM267.50 million reported in the preceding quarter due to recognition of RM485.69 million surplus from disposal of plantation land to an associate. Profits from all segments, except Property Development, were also higher. Plantations profit rose 50% resulting from higher selling price of palm kernel and better results from refineries and kernel crushing plants. Manufacturing's higher profit was contributed by higher revenue and unrealised gain from fair value changes on outstanding derivative contracts.

B3. Current year's prospects

The Group's Plantations performance for financial year 2016 is expected to be challenging in view of the weak economic outlook and ample supply of oilseeds which may impact the palm oil price.

Notwithstanding the current difficult business environment, the Group anticipates its oleochemical division's profit for financial year 2016 to be favourable, with additional capacities from key expansion plants coming fully on-stream together with the continuous drive for operational efficiency and productivity enhancement. As for the chemicals division, profit from the chlor-alkali business is projected to be satisfactory whilst the sulphuric acid business remains challenging due to competition.

Despite the challenges, the Group expects a satisfactory profit for financial year 2016.

B4. Variance of actual profit from forecast profit

The Group did not issue any forecast profit or profit guarantee for the quarter ended 31 December 2015.

Interim Financial Report for the first quarter ended 31 December 2015

(The figures have not been audited)

B5. Income tax expense

| | Individual Quarter | | Cumulative Quarter | |
|---|--------------------|---------|--------------------|---------|
| | 3 months ended | | 3 months ended | |
| | 31 December | | 31 December | |
| | 2015 | 2014 | 2015 | 2014 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Current tax | | | | |
| Malaysian income tax | 45,688 | 54,064 | 45,688 | 54,064 |
| Foreign income tax | 28,301 | 24,066 | 28,301 | 24,066 |
| | 73,989 | 78,130 | 73,989 | 78,130 |
| Deferred tax | | | | |
| Relating to origination and reversal of temporary differences | 14,302 | (7,146) | 14,302 | (7,146) |
| (Over)/Under provision in respect of previous years | (37) | 276 | (37) | 276 |
| | 14,265 | (6,870) | 14,265 | (6,870) |
| Under/(Over) provision in respect of previous years | | | | |
| Malaysian income tax | - | 259 | - | 259 |
| Foreign income tax | 114 | (47) | 114 | (47) |
| | 114 | 212 | 114 | 212 |
| | 88,368 | 71,472 | 88,368 | 71,472 |

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

There were no corporate proposals announced.

Interim Financial Report for the first quarter ended 31 December 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 31 December 2015 | | At 30 September 2015 | |
|----------------------------------|------------------------|--|-------------------------|--|
| | RM'000 | Amount in Foreign Currency '000 | RM'000 | Amount in Foreign Currency '000 |
| a) Repayable within 12 months: | | | | |
| (i) Term Loans | | | | |
| - Secured | 956 | Euro205 | 1,001 | Euro204 |
| | 956 | | 1,001 | |
| - Unsecured | 86,081 | USD20,000 | 88,235 | USD20,000 |
| | 93,340 | Euro20,000 | 98,388 | Euro20,000 |
| | 179,421 | | 186,623 | |
| | 180,377 | | 187,624 | |
| (ii) Islamic Medium Term Notes | | | | |
| - Unsecured | 300,000 | | - | |
| (ii) Bank Overdraft | | | | |
| - Secured | 638 | Euro137 | - | |
| - Unsecured | 47,874 | Euro10,258 | 27,168 | Euro5,523 |
| | 48,512 | | 27,168 | |
| (iii) Short Term Borrowings | | | | |
| - Unsecured | 699,627 | USD162,818 | 813,493 | USD184,843 |
| | 12,668 | GBP2,000 | 26,637 | GBP4,000 |
| | 181,991 | Euro39,000 | 167,281 | Euro34,000 |
| | 1,084,845 | | 692,737 | |
| | 1,979,131 | | 1,700,148 | |
| Total repayable within 12 months | 2,508,020 | | 1,914,940 | |
| b) Repayable after 12 months: | | | | |
| (i) Term Loans | | | | |
| - Secured | 979 | Euro210 | 1,286 | Euro261 |
| - Unsecured | 140,010 | Euro30,000 | 147,582 | Euro30,000 |
| | 129,121 | USD30,000 | 132,353 | USD30,000 |
| | 269,131 | | 279,935 | |
| | 270,110 | | 281,221 | |
| (ii) Islamic Medium Term Notes | | | | |
| - Unsecured | 2,600,000 | | 2,900,000 | |
| Total repayable after 12 months | 2,870,110 | | 3,181,221 | |
| Total Group borrowings | 5,378,130 | | 5,096,161 | |

Interim Financial Report for the first quarter ended 31 December 2015

(The figures have not been audited)

B8. Derivative financial instruments

The Group has entered into forward foreign exchange contracts as hedges for committed sales and purchases denominated in foreign currencies. The hedging of the foreign currencies is to minimise the exposure of the Group to fluctuations in foreign exchange on receipts and payments.

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

As at 31 December 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 | (814,837) | (6,997) |
| - 1 year to 3 years | - | - |
| - More than 3 years | - | - |
| b) Commodity futures contracts: | | |
| - Less than 1 year | (103,428) | 81,043 |
| - 1 year to 3 years | - | - |
| - More than 3 years | - | - |

With the adoption of FRS 139 *Financial Instruments: Recognition and Measurement*, derivative financial instruments are recognised at fair value on contract dates and subsequently re-measured at fair value through profit or loss. The resulting gain or loss from the re-measurement is recognised in profit or loss.

For the current quarter ended 31 December 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 dividend for the first quarter ended 31 December 2015 (31 December 2014: Nil).

b) Total dividend for the current financial year to-date is Nil (31 December 2014: Nil).

Interim Financial Report for the first quarter ended 31 December 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 31 December | | 3 months ended 31 December | |
| | 2015 | 2014 | 2015 | 2014 |
| Net profit for the period attributable to owners of the Company (RM'000) | 387,526 | 116,954 | 387,526 | 116,954 |
| Weighted average number of shares ('000) | 406,305 | 408,569 | 406,305 | 408,569 |
| Earnings per share (sen) | 95.4 | 28.6 | 95.4 | 28.6 |

B13. Audit report of preceding annual financial statements

The auditors' report on the financial statements for the year ended 30 September 2015 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 31 December | | 3 months ended 31 December | |
| | 2015 | 2014 | 2015 | 2014 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Interest income | (16,031) | (9,092) | (16,031) | (9,092) |
| Dividend income | (13,920) | (9,522) | (13,920) | (9,522) |
| Other income | (686,758) | (33,058) | (686,758) | (33,058) |
| Interest expense | 41,632 | 29,440 | 41,632 | 29,440 |
| Depreciation and amortisation | 121,870 | 101,735 | 121,870 | 101,735 |
| Write-back of receivables | (235) | (575) | (235) | (575) |
| Provision for and write down of inventories | 7,370 | 10,186 | 7,370 | 10,186 |
| Surplus on disposal of quoted or unquoted investments | (1,474) | (695) | (1,474) | (695) |
| Surplus on disposal of land | (487,391) | (712) | (487,391) | (712) |
| Surplus arising from government acquisition of land | (22,444) | (2,359) | (22,444) | (2,359) |
| Foreign exchange loss/(gain) | 19,001 | (24,631) | 19,001 | (24,631) |
| (Gain)/Loss on derivatives | (118,253) | 29,479 | (118,253) | 29,479 |
| Exceptional items | - | - | - | - |

Interim Financial Report for the first quarter ended 31 December 2015

(The figures have not been audited)

B15. Breakdown of realised and unrealised profits or losses

| | At 31 December 2015 | At 30 September 2015 |
|---|------------------------------------|-------------------------------------|
| | RM'000 | RM'000 |
| Total retained profits of the Company and its subsidiaries: | | |
| - Realised | 7,491,980 | 6,751,335 |
| - Unrealised | 408,608 | 322,044 |
| | <u>7,900,588</u> | <u>7,073,379</u> |
| Total share of retained profits from associates: | | |
| - Realised | 62,407 | 73,854 |
| - Unrealised | 230 | 287 |
| | <u>62,637</u> | <u>74,141</u> |
| Total share of (accumulated loss)/retained profits from joint ventures: | | |
| - Realised | (17,877) | (25,082) |
| - Unrealised | 9,585 | 10,606 |
| | <u>(8,292)</u> | <u>(14,476)</u> |
| Consolidation adjustments | <u>(3,741,935)</u> | <u>(3,306,780)</u> |
| Total group retained profits as per consolidated accounts | <u>4,212,998</u> | <u>3,826,264</u> |

B16. Significant Events

On 30 December 2015, the following Sale and Purchase Agreements ("SPA") were completed and the balance purchase prices for the SPAs were fully settled:

- a) SPA between Scope Energy Sdn Bhd ("SESB"), a 60% owned subsidiary of the Kuala Lumpur Kepong Berhad ("KLK") Group, and the three wholly-owned subsidiaries of UEM Sunrise Bhd for the acquisition of 500 acres of free hold land located in the Mukim Tanjung Kupang, District of Johor Bahru, Johor; and
- b) SPA between KLK and Aura Muhibah Sdn Bhd ("AMSB"), a 40% associate of the KLK Group, for the sale of 2,500 acres of freehold land located in Mukim Senai, District of Kulai Jaya, Johor.

Following the completion of the SPAs, KLK Land Sdn Bhd, a wholly-owned subsidiary of the KLK Group, subscribed for the following redeemable preference shares ("RPS"):

- a) 487.2 million of RPS in SESB which represents 60% of the total RPS issued; and
- b) 324.8 million of RPS in AMSB which represents 40% of the total RPS issued.

By Order of the Board

CHONG SEE TECK
YAP MIOW KIEN
CHIEW CINDY
Company Secretaries

17 February 2016