

BATU KAWAN BERHAD

(6292-U)
(Incorporated in Malaysia)

**Interim Financial Report
For the second quarter ended 31 March 2016**

Interim Financial Report for the second quarter ended 31 March 2016

(The figures have not been audited)

Directors are pleased to announce the unaudited financial results of the Group for the second quarter ended 31 March 2016.

Condensed Consolidated Statement of Profit or Loss

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 March		6 months ended 31 March	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Revenue	3,814,450	3,159,630	8,264,709	6,374,177
Operating expenses	(3,604,170)	(2,901,977)	(7,761,625)	(5,804,273)
Other operating income	102,005	96,599	788,763	129,657
Finance costs	(43,678)	(28,338)	(85,310)	(57,778)
Share of results of associates	1,508	(2,455)	(3,946)	(50)
Share of results of joint ventures	(1,627)	(2,651)	4,558	(2,651)
Profit before taxation	268,488	320,808	1,207,149	639,082
Income tax expense	(62,761)	(74,538)	(151,129)	(146,010)
NET PROFIT FOR THE PERIOD	205,727	246,270	1,056,020	493,072
Profit attributable to:				
Owners of the Company	94,435	120,892	481,961	237,846
Non-controlling interests	111,292	125,378	574,059	255,226
	205,727	246,270	1,056,020	493,072
Earnings per share for profit attributable to owners of the Company (sen)				
Basic	23.3	29.6	118.7	58.3
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 second quarter ended 31 March 2016

(The figures have not been audited)

Condensed Consolidated Statement of Other Comprehensive Income

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 March		6 months ended 31 March	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Net profit for the period	205,727	246,270	1,056,020	493,072
Other comprehensive (loss)/income that will be reclassified subsequently to profit or loss				
Currency translation differences	(393,181)	70,266	(410,235)	285,625
Net change in fair value of available-for-sale investments	41,956	257,593	(88,180)	349,490
Realisation on fair value of available-for-sale investments	(348)	(762)	(1,726)	(1,466)
Currency translation differences on deemed disposal of a subsidiary	-	4,319	-	4,319
Total other comprehensive (loss)/income for the period	(351,573)	331,416	(500,141)	637,968
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	(145,846)	577,686	555,879	1,131,040
Total comprehensive (loss)/income attributable to:				
Owners of the Company	(77,039)	274,625	258,075	534,663
Non-controlling interests	(68,807)	303,061	297,804	596,377
	(145,846)	577,686	555,879	1,131,040

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 second quarter ended 31 March 2016

(The figures have not been audited)

Condensed Consolidated Statement of Financial Position

	At 31 March 2016	At 30 September 2015
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	5,114,688	5,095,818
Investment property	50,656	51,120
Prepaid lease payments	306,589	296,303
Biological assets	2,480,679	2,480,204
Land held for property development	1,121,481	226,353
Goodwill on consolidation	341,586	359,064
Intangible assets	12,011	15,297
Investment in associates	180,924	160,974
Investment in joint ventures	217,886	181,169
Available-for-sale investments	1,718,060	1,836,879
Deferred tax assets	138,555	148,496
Other receivables	223,026	204,825
	11,906,141	11,056,502
Current assets		
Inventories	1,825,874	1,657,476
Biological assets	4,983	32,599
Trade and other receivables	2,253,202	2,763,098
Property development costs	88,968	59,964
Tax recoverable	53,735	38,290
Derivative financial assets	300,374	315,825
Short term funds	43,457	-
Cash and cash equivalents	2,097,260	2,696,606
	6,667,853	7,563,858
TOTAL ASSETS	18,573,994	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 second quarter ended 31 March 2016
(The figures have not been audited)

Condensed Consolidated Statement of Financial Position

	At 31 March 2016	At 30 September 2015
	RM'000	RM'000
EQUITY AND LIABILITIES		
Current liabilities		
Trade and other payables	1,183,834	1,469,501
Deferred income	7,160	6,728
Tax payable	55,571	32,556
Borrowings	2,025,657	1,914,940
Derivative financial liabilities	242,856	356,479
	<u>3,515,078</u>	<u>3,780,204</u>
Net current assets	<u>3,152,775</u>	<u>3,783,654</u>
Non-current liabilities		
Provision for retirement benefits	395,713	363,079
Deferred tax liabilities	293,030	285,066
Deferred income	120,479	113,154
Borrowings	2,818,768	3,181,221
	<u>3,627,990</u>	<u>3,942,520</u>
Total liabilities	<u>7,143,068</u>	<u>7,722,724</u>
Net assets	<u>11,430,926</u>	<u>10,897,636</u>
Equity attributable to owners of the Company		
Share capital	435,951	435,951
Treasury shares	(394,889)	(382,208)
Reserves	5,670,507	5,554,449
	<u>5,711,569</u>	<u>5,608,192</u>
Non-controlling interests	5,719,357	5,289,444
Total equity	<u>11,430,926</u>	<u>10,897,636</u>
TOTAL EQUITY AND LIABILITIES	<u>18,573,994</u>	<u>18,620,360</u>
Net assets per share attributable to owners of the Company (RM)	14.08	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 second quarter ended 31 March 2016

(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/(loss) for the period	-	-	24	755	231	(190,116)	(33,658)	-	480,839	258,075	297,804	555,879
Transactions with owners:												
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	-	324,800	324,800
Share buy back	-	(12,681)	-	-	-	-	-	-	-	(12,681)	-	(12,681)
Dividend paid	-	-	-	-	-	-	-	-	(142,017)	(142,017)	-	(142,017)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(192,691)	(192,691)
	-	(12,681)	-	-	-	-	-	-	(142,017)	(154,698)	132,109	(22,589)
At 31 March 2016	435,951	(394,889)	4,834	822,487	27,974	43,347	599,744	7,035	4,165,086	5,711,569	5,719,357	11,430,926

* Included in Capital Reserve is RM490,745,000 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 second quarter ended 31 March 2016

(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	-	-	-	457	2	134,421	162,204	-	237,579	534,663	596,377	1,131,040
Transactions with owners:												
Effect of changes in shareholdings	-	-	-	-	-	-	-	-	(778)	(778)	684	(94)
Share buy back	-	(31,509)	-	-	-	-	-	-	-	(31,509)	-	(31,509)
Dividend paid	-	-	-	-	-	-	-	-	(183,453)	(183,453)	-	(183,453)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(258,338)	(258,338)
	-	(31,509)	-	-	-	-	-	-	(184,231)	(215,740)	(257,654)	(473,394)
At 31 March 2015	435,951	(362,232)	4,809	820,433	27,684	(61,430)	487,208	7,035	3,596,466	4,955,924	4,572,970	9,528,894

* Included in Capital Reserve is RM488,690,000 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 second quarter ended 31 March 2016

(The figures have not been audited)

Condensed Consolidated Statement of Cash Flows

	6 months ended 31 March	
	2016	2015
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	1,207,149	639,082
Adjustments for:		
Non-cash items	263,203	216,666
Non-operating items	(568,554)	(45,337)
Operating cash flows before changes in working capital	901,798	810,411
Changes in working capital		
Net change in current assets	121,920	(178,311)
Net change in current liabilities	(271,775)	241,020
Cash flows from operations	751,943	873,120
Interest received	1,467	528
Interest paid	(86,116)	(58,385)
Tax paid	(122,497)	(161,901)
Retirement benefits paid	(13,554)	(9,985)
Net cash flows from operating activities	531,243	643,377
Cash flows from investing activities		
Purchase of property, plant and equipment	(407,423)	(301,987)
Payments of prepaid lease	(20,309)	(13,711)
Plantation development expenditure	(82,411)	(97,284)
Property development expenditure	(895,128)	(1,995)
Subscription of shares in an associate	(324,873)	-
Subscription of shares in a joint venture	(54,440)	-
Purchase of a joint venture	(22,007)	-
Purchase of available-for-sale investments	(38,682)	(22,270)
Purchase of shares from non-controlling interests	-	(94)
Purchase of intangible assets	(291)	(621)
Share buy back	(12,681)	(31,509)
Proceeds from sale of property, plant and equipment	1,681	5,923
Compensation from government on land acquired	41,832	14,408
Proceeds from disposal of land	825,135	-
Proceeds from disposal of available-for-sale investments	5,452	7,642
Proceeds from disposal of shares in a subsidiary, net of cash disposed	-	(35,089)
Increase in short term funds	(43,457)	-
Dividends received	49,856	22,629
Interest received	20,325	13,194
Repayment from a joint venture	25,341	38,642
Proceeds from investment in quoted shares	2	-
Net cash flows used in investing activities	(932,078)	(402,122)

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 second quarter ended 31 March 2016
(The figures have not been audited)

Condensed Consolidated Statement of Cash Flows

	6 months ended 31 March	
	2016	2015
	RM'000	RM'000
Cash flows from financing activities		
Term loans received	9,786	-
Repayment of term loans	(717)	(6,661)
(Repayment)/Drawdown of short term borrowings	(109,322)	122,111
Dividend paid	(142,017)	(183,453)
Dividends paid to non-controlling interests	(192,691)	(258,338)
Issuance of shares to non-controlling interests	324,800	-
Increase in other receivables	(4,707)	(9,108)
Net cash flows used in financing activities	(114,868)	(335,449)
Net decrease in cash and cash equivalents	(515,703)	(94,194)
Effects of exchange rate changes	(97,879)	70,254
Cash and cash equivalents at 1 October	2,669,438	1,869,401
Cash and cash equivalents at 31 March	2,055,856	1,845,461
Cash and cash equivalents at 31 March is represented by:		
Cash and cash equivalents	2,097,260	1,909,838
Borrowings - Bank overdraft	(41,404)	(64,377)
	2,055,856	1,845,461

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 second quarter ended 31 March 2016

(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 720,100 shares in the Company from the open market. The average price paid for the shares repurchased was RM17.54 per share and the total consideration paid, including transaction costs, was RM12,681,010. The shares bought back were financed by internally generated funds and borrowings and held as treasury shares.

A7. Dividends paid

	6 months ended 31 March	
	2016 RM’000	2015 RM’000
Dividends proposed in financial year (“FY”) 2015, paid in FY 2016:		
Final 35 sen per share single tier	142,017	-
Dividends proposed in FY 2014, paid in FY 2015:		
Final 45 sen per share single tier	-	183,453
	142,017	183,453

Interim Financial Report for the second quarter ended 31 March 2016

(The figures have not been audited)

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
6 months ended 31 March 2016						
Revenue						
External revenue	4,283,830	3,824,530	25,914	130,435	-	8,264,709
Inter-segment revenue	418,694	-	-	111,434	(530,128)	-
Total revenue	<u>4,702,524</u>	<u>3,824,530</u>	<u>25,914</u>	<u>241,869</u>	<u>(530,128)</u>	<u>8,264,709</u>
Results						
Operating results	403,358	300,494	2,420	604,323	(18,748)	1,291,847
Finance costs	(3,053)	(19,770)	-	(81,235)	18,748	(85,310)
Share of results of associates	1,710	(15)	1,834	(7,475)	-	(3,946)
Share of results of joint ventures	5,763	-	-	(1,205)	-	4,558
Segment results	<u>407,778</u>	<u>280,709</u>	<u>4,254</u>	<u>514,408</u>	<u>-</u>	<u>1,207,149</u>
Profit before taxation						<u>1,207,149</u>
6 months ended 31 March 2015						
Revenue						
External revenue	3,097,747	3,104,335	72,578	99,517	-	6,374,177
Inter-segment revenue	369,957	-	-	256,918	(626,875)	-
Total revenue	<u>3,467,704</u>	<u>3,104,335</u>	<u>72,578</u>	<u>356,435</u>	<u>(626,875)</u>	<u>6,374,177</u>
Results						
Operating results	412,928	138,377	41,970	120,277	(13,991)	699,561
Finance costs	(1,940)	(13,768)	-	(56,061)	13,991	(57,778)
Share of results of associates	3,055	245	809	(4,159)	-	(50)
Share of results of a joint venture	(2,651)	-	-	-	-	(2,651)
Segment results	<u>411,392</u>	<u>124,854</u>	<u>42,779</u>	<u>60,057</u>	<u>-</u>	<u>639,082</u>
Profit before taxation						<u>639,082</u>

b) Segment assets

	Plantations	Manufacturing	Property Development	Investment Holding/Others	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
At 31 March 2016					
Operating assets	6,485,187	6,766,945	1,291,808	3,438,954	17,982,894
Associates	60,191	7,682	71,394	41,657	180,924
Joint ventures	154,789	-	-	63,097	217,886
Segment assets	<u>6,700,167</u>	<u>6,774,627</u>	<u>1,363,202</u>	<u>3,543,708</u>	<u>18,381,704</u>
Tax assets					192,290
Total assets					<u>18,573,994</u>

Interim Financial Report for the second quarter ended 31 March 2016

(The figures have not been audited)

	Plantations	Manufacturing	Property Development	Investment Holding/Others	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
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					186,786
Total assets					<u>18,620,360</u>

c) Segment liabilities

	Plantations	Manufacturing	Property Development	Investment Holding/Others	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
At 31 March 2016					
Segment liabilities	<u>1,632,421</u>	<u>2,188,725</u>	<u>49,575</u>	<u>2,923,746</u>	<u>6,794,467</u>
Unallocated liabilities					348,601
Total liabilities					<u>7,143,068</u>
At 30 September 2015					
Segment liabilities	<u>2,177,229</u>	<u>2,253,946</u>	<u>24,744</u>	<u>2,949,183</u>	<u>7,405,102</u>
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, Satterley Forrestfield Pty Ltd ("SFPL"), previously accounted as an investment, became an associate of the Group, with the appointment of a director on 15 February 2016 in SFPL, representing the Group's 40% interest.

Subsequent to the period end, the changes to the composition of the Group were:

- On 15 April 2016, KLK Land Sdn Bhd ("KLK Land"), a wholly-owned subsidiary of Kuala Lumpur Kepong Berhad ("KLK"), acquired two wholly-owned subsidiaries, namely KLK Park Homes Sdn Bhd ("KLKPH") and KLK Landscape Services Sdn Bhd ("KLKLS"), which each has an issued and paid-up capital of RM2. The intended principal activity of KLKPH and KLKLS is property development and provision of landscaping services, respectively; and
- On 5 May 2016, KLK Land acquired another two wholly-owned subsidiaries, namely KLK Security Services Sdn Bhd ("KLKSS") and KLK Retail Centre Sdn Bhd ("KLKRC"), which each has an issued and paid-up capital of RM2. The intended principal activity of KLKSS is provision of security services whilst that of KLKRC is provision of property development and property management.

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.

Interim Financial Report for the second quarter ended 31 March 2016

(The figures have not been audited)

A12. Capital commitments

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

	At 31 March 2016	At 30 September 2015
	RM'000	RM'000
Capital expenditure		
Approved and contracted	234,703	195,474
Approved but not contracted	706,090	947,260
	940,793	1,142,734
Acquisitions of shares in sub-subsidiaries		
Approved and contracted	1,243	1,268
Acquisition of land for property development		
Approved and contracted	-	784,080

A13. Significant Related Party Transactions

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

	Cumulative Quarter 6 months ended 31 March	
	2016	2015
	RM'000	RM'000
a) Transactions with associates and joint venture:		
Sales of finished goods	6,276	4,247
Purchase of goods	389,383	1,615
Service charges paid	2,702	1,081
Research and development services paid	7,021	6,759

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(The figures have not been audited)

		Cumulative Quarter	
		6 months ended	
		31 March	
		2016	2015
		RM'000	RM'000
b)	Transactions with companies in which certain Directors are common directors and/or have direct or deemed interest:		
	Sales of goods:		
	Taiko Marketing Sdn Bhd	130,366	118,696
	Taiko Marketing (S) Pte Ltd	2,048	2,158
	Chlor-Al Chemical Pte Ltd	9,461	9,771
	Siam Taiko Marketing Co Ltd	1,624	1,240
	Purchases of goods:		
	Taiko Marketing Sdn Bhd	17,947	17,613
	Taiko Marketing (S) Pte Ltd	22,356	12,696
	Taiko Acid Works Sdn Bhd	10,227	121
	Borneo Taiko Clay Sdn Bhd	2,299	2,187
	Bukit Katho Estate Sdn Bhd	1,342	1,463
	Kampar Rubber & Tin Co Sdn Bhd	3,597	4,044
	Ladang Tai Tak (Kota Tinggi) Sdn Bhd	1,145	-
	Malay Rubber Plantations (M) Sdn Bhd	2,001	2,707
	PT Agro Makmur Abadi	26,745	35,272
	PT Bumi Karyatama Raharja	1,121	-
	PT Safari Riau	11,366	14,628
	PT Taiko Persada Indoprima	-	3,897
	Taiko Drum Industries Sdn Bhd	1,651	1,330
	Taiko Fertiliser Marketing Sdn Bhd	16	1,805
	Storage tanks rental received:		
	Taiko Marketing Sdn Bhd	1,504	1,377
	Supply of contract labours and engineering works:		
	K7 Engineering Sdn Bhd	2,238	1,431
	Sales commissions charged by:		
	Taiko Marketing Sdn Bhd	26	3,903
c)	Transactions between subsidiaries and their non-controlling interests:		
	Sales of goods:		
	Mitsubishi Corporation	123,398	35,209
	Mitsui & Co Ltd	143,654	139,687
	Tejana Trading & Management Services Sdn Bhd	1,007	1,037
	Purchases of goods:		
	PT Eka Dura Indonesia	23,836	-
	PT Letawa	31,541	-
	PT Tanjung Sarana Lestari	629,951	-

Interim Financial Report for the second quarter ended 31 March 2016

(The figures have not been audited)

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

B1. Detailed analysis of performance

2nd Quarter FY 2016 vs 2nd Quarter FY 2015

The Group's revenue for the current quarter was RM3,814.45 million, 21% higher than RM3,159.63 million in the corresponding quarter last year as Plantations and Manufacturing reported higher revenues. However, Group profit before tax was 16% lower at RM268.49 million (2015: RM320.81 million). Comments on the respective business segments are as follows:

Plantations reported a profit of RM130.86 million, 21% lower compared to last year's corresponding quarter's profit of RM165.16 million resulting from net unrealised foreign exchange loss. However, the impact of the lower profit was mitigated by improved performance from the processing operations.

Manufacturing's profit for this quarter was RM126.23 million, significantly higher than last year's corresponding quarter's profit of RM78.47 million due to a 21% higher revenue at RM1,932.58 million (2015: RM1,595.00 million). The oleochemical division's profit improved to RM94.28 million (2015: RM56.49 million) while the chemicals division posted a profit of RM26.00 million (2015: RM16.19 million).

Property Development registered a profit of RM4.95 million (2015: RM28.91 million) from a revenue of RM15.65 million, 63% lower than last year's corresponding quarter's RM42.66 million due to the slowdown in the property market.

Todate 2nd Quarter FY 2016 vs Todate 2nd Quarter FY 2015

For the first half financial year 2016, Group revenue was RM8,264.71 million, 30% higher than RM6,374.18 million in the corresponding period last year as Plantations and Manufacturing reported higher revenues. Group profit before tax increased 89% to RM1,207.15 million (2015: RM639.08 million) after accounting for a surplus of RM485.69 million from sale of plantation land to an associate. Comments on the business segments are as follows:

Plantations reported a profit of RM407.78 million, slightly lower than last year's corresponding period's profit of RM411.39 million due to lower profits from estate operations off-set the higher profit of the processing operations.

Manufacturing's profit was significantly higher at RM280.71 million (2015: RM124.85 million) as revenue rose 23% to RM3,824.53 million (2015: RM3,104.34 million). The oleochemical division recorded a profit of RM211.28 million (2015: RM85.29 million) and the chemicals division also posted a higher profit of RM54.59 million (2015: RM33.06 million).

Property Development reported a much lower revenue of RM25.91 million (2015: RM72.58 million) which generated a profit of RM4.25 million (2015: RM42.78 million) due to slow sales. In last year's same period, there were surpluses recorded from sale of lands.

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

2nd Quarter FY 2016 vs 1st Quarter FY 2016

This quarter, Group pre-tax profit was RM268.49 million, much lower than the RM938.66 million reported in the preceding quarter. The preceding quarter's profit included the recognition of RM485.69 million surplus from disposal of plantation land to an associate. Profits from all segments were also lower. Plantations profit decreased 53% due to net unrealised foreign exchange loss, lower FFB production and higher CPO production cost. Despite higher revenue, Manufacturing's profit was lower due to higher raw material cost.

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(The figures have not been audited)

B3. Current year's prospects

The Group's Plantations performance for financial year 2016 is expected to be challenging in view of the uncertain economic and weather conditions and the anticipated higher FFB production in the coming months 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 increased capacities from plant expansions coming fully on-stream and a continuing 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 March 2016.

B5. Income tax expense

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 March		6 months ended 31 March	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Current tax				
Malaysian income tax	29,575	42,108	75,263	96,172
Foreign income tax	30,372	22,104	58,673	46,170
	59,947	64,212	133,936	142,342
Deferred tax				
Relating to origination and reversal of temporary differences	1,661	1,533	15,963	(5,613)
Relating to changes in tax rates	548	-	548	-
(Over)/Under provision in respect of previous years	(380)	7,749	(417)	8,025
	1,829	9,282	16,094	2,412
Under/(Over) provision in respect of previous years				
Malaysian income tax	113	1	113	260
Foreign income tax	872	1,043	986	996
	985	1,044	1,099	1,256
	62,761	74,538	151,129	146,010

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.

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(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 March 2016		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	4,140	Euro931	1,001	Euro204
	4,140		1,001	
- Unsecured	117,493	USD30,000	88,235	USD20,000
	88,962	Euro20,000	98,388	Euro20,000
	206,455		186,623	
	210,595		187,624	
(ii) Islamic Medium Term Notes				
- Unsecured	300,000		-	
(ii) Bank Overdraft				
- Unsecured	41,404	Euro9,308	27,168	Euro5,523
(iii) Short Term Borrowings				
- Unsecured	576,841	USD147,538	813,493	USD184,843
	11,228	GBP2,000	26,637	GBP4,000
	173,472	Euro39,000	167,281	Euro34,000
	712,117		692,737	
	1,473,658		1,700,148	
Total repayable within 12 months	2,025,657		1,914,940	
b) Repayable after 12 months:				
(i) Term Loans				
- Secured	6,997	Euro1,573	1,286	Euro261
- Unsecured	133,443	Euro30,000	147,582	Euro30,000
	78,328	USD20,000	132,353	USD30,000
	211,771		279,935	
	218,768		281,221	
(ii) Islamic Medium Term Notes				
- Unsecured	2,600,000		2,900,000	
Total repayable after 12 months	2,818,768		3,181,221	
Total Group borrowings	4,844,425		5,096,161	

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(The figures have not been audited)

B8. Derivative financial instruments

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

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

As at 31 March 2016, 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	(582,267)	39,239
- 1 year to 3 years	-	-
- More than 3 years	-	-
b) Commodity futures contracts:		
- Less than 1 year	(169,324)	18,182
- 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 March 2016, 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) An interim single tier dividend of 15 sen per share has been declared by the Directors in respect of the financial year ending 30 September 2016 (2015: single tier dividend of 15 sen per share) and will be paid on 11 August 2016 to shareholders registered in the Company's Register as at 20 July 2016.

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

- (i) Securities deposited into the Depositor's Securities Account before 12.30 p.m. on 18 July 2016, in respect of securities which are exempted from mandatory deposit;
- (ii) Securities transferred into the Depositor's Securities Account before 4.00 p.m. on 20 July 2016, in respect of transfers; and

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(The figures have not been audited)

(iii) Securities bought on the Bursa Malaysia Securities Berhad (“Bursa Securities”) on a cum entitlement basis according to the Rules of the Bursa Securities.

b) Total dividend for the current financial year to-date is single tier dividend of 15 sen per share (2015: single tier dividend of 15 sen per share).

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 March		6 months ended 31 March	
	2016	2015	2016	2015
Net profit for the period attributable to owners of the Company (RM'000)	94,435	120,892	481,961	237,846
Weighted average number of shares ('000)	406,040	408,112	406,040	408,112
Earnings per share (sen)	23.3	29.6	118.7	58.3

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 March		6 months ended 31 March	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Interest income	(15,530)	(12,293)	(31,561)	(21,385)
Dividend income	(15,645)	(6,850)	(29,565)	(16,372)
Other income	(102,005)	(96,599)	(788,763)	(129,657)
Interest expense	43,678	28,338	85,310	57,778
Depreciation and amortisation	124,652	104,372	246,522	206,107
Write-back of receivables	207	(687)	(28)	(1,262)
Provision for and write down of inventories	4,549	1,049	11,919	11,235
Surplus on disposal of quoted or unquoted investments	(321)	(1,484)	(1,795)	(2,179)
Surplus on disposal of land	(4,185)	(282)	(491,576)	(994)
Surplus arising from government acquisition of land	(18,555)	(10,702)	(40,999)	(13,061)
Surplus on deemed disposal of a subsidiary	-	(12,266)	-	(12,266)
Foreign exchange loss/(gain)	100,161	(13,803)	119,162	(38,434)
(Gain)/Loss on derivatives	6,457	(3,508)	(111,796)	25,971
Exceptional items	-	-	-	-

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(The figures have not been audited)

B15. Breakdown of realised and unrealised profits or losses

	At 31 March 2016 RM'000	At 30 September 2015 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	7,598,802	6,751,335
- Unrealised	158,552	322,044
	<u>7,757,354</u>	<u>7,073,379</u>
Total share of retained profits from associates:		
- Realised	63,913	73,854
- Unrealised	231	287
	<u>64,144</u>	<u>74,141</u>
Total share of (accumulated loss)/retained profits from joint ventures:		
- Realised	(19,705)	(25,082)
- Unrealised	9,786	10,606
	<u>(9,919)</u>	<u>(14,476)</u>
Consolidation adjustments	<u>(3,646,493)</u>	<u>(3,306,780)</u>
Total group retained profits as per consolidated accounts	<u>4,165,086</u>	<u>3,826,264</u>

By Order of the Board

CHONG SEE TECK
YAP MIOW KIEN
CHIEW CINDY
Company Secretaries

16 May 2016