

BATU KAWAN BERHAD

(6292-U)
(Incorporated in Malaysia)

**Interim Financial Report
For the third quarter ended 30 June 2016**

Interim Financial Report for the third quarter ended 30 June 2016

(The figures have not been audited)

Directors are pleased to announce the unaudited financial results of the Group for the third quarter ended 30 June 2016.

Condensed Consolidated Statement of Profit or Loss

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June		9 months ended 30 June	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Revenue	4,043,453	3,639,128	12,308,162	10,013,305
Operating expenses	(3,678,503)	(3,304,958)	(11,440,128)	(9,109,231)
Other operating income	30,836	25,641	819,599	155,298
Finance costs	(45,820)	(30,154)	(131,130)	(87,932)
Share of results of associates	(213)	10,062	(4,159)	10,012
Share of results of joint ventures	7,752	(4,783)	12,310	(7,434)
Profit before taxation	357,505	334,936	1,564,654	974,018
Income tax expense	(59,189)	(61,669)	(210,318)	(207,679)
NET PROFIT FOR THE PERIOD	298,316	273,267	1,354,336	766,339
Profit attributable to:				
Owners of the Company	148,473	131,662	630,434	369,508
Non-controlling interests	149,843	141,605	723,902	396,831
	298,316	273,267	1,354,336	766,339
Earnings per share for profit attributable to owners of the Company (sen)				
Basic	36.6	32.3	155.3	90.6
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 third quarter ended 30 June 2016

(The figures have not been audited)

Condensed Consolidated Statement of Other Comprehensive Income

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June		9 months ended 30 June	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Net profit for the period	298,316	273,267	1,354,336	766,339
Other comprehensive (loss)/income that will be reclassified subsequently to profit or loss				
Currency translation differences	128,396	100,417	(281,839)	386,042
Net change in fair value of available-for-sale investments	(225,018)	98,743	(313,198)	448,233
Realisation on fair value of available-for-sale investments	-	-	(1,726)	(1,466)
Currency translation differences on deemed disposal of a subsidiary	-	-	-	4,319
Total other comprehensive (loss)/income for the period	(96,622)	199,160	(596,763)	837,128
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	201,694	472,427	757,573	1,603,467
Total comprehensive income attributable to:				
Owners of the Company	102,421	224,237	360,496	758,900
Non-controlling interests	99,273	248,190	397,077	844,567
	201,694	472,427	757,573	1,603,467

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 third quarter ended 30 June 2016

(The figures have not been audited)

Condensed Consolidated Statement of Financial Position

	At 30 June 2016	At 30 September 2015
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	5,190,751	5,095,818
Investment property	50,424	51,120
Prepaid lease payments	312,342	296,303
Biological assets	2,560,977	2,480,204
Land held for property development	1,127,580	226,353
Goodwill on consolidation	343,748	359,064
Intangible assets	11,051	15,297
Investment in associates	181,445	160,974
Investment in joint ventures	232,606	181,169
Available-for-sale investments	1,509,804	1,836,879
Deferred tax assets	143,428	148,496
Other receivables	244,939	204,825
	11,909,095	11,056,502
Current assets		
Inventories	1,897,094	1,657,476
Biological assets	31,923	32,599
Trade and other receivables	2,244,873	2,763,098
Property development costs	98,271	59,964
Tax recoverable	62,220	38,290
Derivative financial assets	152,606	315,825
Short term funds	675,642	-
Cash and cash equivalents	2,005,084	2,696,606
	7,167,713	7,563,858
TOTAL ASSETS	19,076,808	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 third quarter ended 30 June 2016

(The figures have not been audited)

Condensed Consolidated Statement of Financial Position

	At 30 June 2016	At 30 September 2015
	RM'000	RM'000
EQUITY AND LIABILITIES		
Current liabilities		
Trade and other payables	1,310,217	1,469,501
Deferred income	5,471	6,728
Tax payable	54,608	32,556
Borrowings	1,718,157	1,914,940
Derivative financial liabilities	121,913	356,479
Dividend payable	146,171	-
	<u>3,356,537</u>	<u>3,780,204</u>
Net current assets	<u>3,811,176</u>	<u>3,783,654</u>
Non-current liabilities		
Provision for retirement benefits	406,785	363,079
Deferred tax liabilities	293,534	285,066
Deferred income	120,956	113,154
Borrowings	3,417,100	3,181,221
	<u>4,238,375</u>	<u>3,942,520</u>
Total liabilities	<u>7,594,912</u>	<u>7,722,724</u>
Net assets	<u>11,481,896</u>	<u>10,897,636</u>
Equity attributable to owners of the Company		
Share capital	435,951	435,951
Treasury shares	(399,442)	(382,208)
Reserves	5,712,117	5,554,449
	<u>5,748,626</u>	<u>5,608,192</u>
Non-controlling interests	5,733,270	5,289,444
Total equity	<u>11,481,896</u>	<u>10,897,636</u>
TOTAL EQUITY AND LIABILITIES	<u>19,076,808</u>	<u>18,620,360</u>

Net assets per share attributable to owners of the Company (RM)

14.18

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 third quarter ended 30 June 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	-	-	45	961	464	(127,150)	(142,796)	-	628,972	360,496	397,077	757,573
Transactions with owners:												
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	-	324,800	324,800
Share buy back	-	(17,234)	-	-	-	-	-	-	-	(17,234)	-	(17,234)
Dividend paid	-	-	-	-	-	-	-	-	(142,017)	(142,017)	-	(142,017)
Dividend payable	-	-	-	-	-	-	-	-	(60,811)	(60,811)	(85,360)	(146,171)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(192,691)	(192,691)
	-	(17,234)	-	-	-	-	-	-	(202,828)	(220,062)	46,749	(173,313)
At 30 June 2016	435,951	(399,442)	4,855	822,693	28,207	106,313	490,606	7,035	4,252,408	5,748,626	5,733,270	11,481,896

* Included in Capital Reserve is RM490,950,000 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 third quarter ended 30 June 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	-	-	-	632	2	180,577	208,611	-	369,078	758,900	844,567	1,603,467
Transactions with owners:												
Effect of changes in shareholdings	-	-	-	-	-	-	-	-	51,597	51,597	98,192	149,789
Share buy back	-	(35,539)	-	-	-	-	-	-	-	(35,539)	-	(35,539)
Dividend paid	-	-	-	-	-	-	-	-	(183,453)	(183,453)	-	(183,453)
Dividend payable	-	-	-	-	-	-	-	-	(61,022)	(61,022)	(85,360)	(146,382)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(258,338)	(258,338)
	-	(35,539)	-	-	-	-	-	-	(192,878)	(228,417)	(245,506)	(473,923)
At 30 June 2015	435,951	(366,262)	4,809	820,608	27,684	(15,274)	533,615	7,035	3,719,318	5,167,484	4,833,308	10,000,792

* Included in Capital Reserve is RM488,865,000 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 third quarter ended 30 June 2016

(The figures have not been audited)

Condensed Consolidated Statement of Cash Flows

	9 months ended 30 June	
	2016	2015
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	1,564,654	974,018
Adjustments for:		
Non-cash items	411,396	328,559
Non-operating items	(607,725)	(106,908)
Operating cash flows before changes in working capital	1,368,325	1,195,669
Changes in working capital		
Net change in current assets	62,693	(767,516)
Net change in current liabilities	(120,975)	420,648
Cash flows from operations	1,310,043	848,801
Interest received	2,326	499
Interest paid	(115,070)	(76,048)
Tax paid	(194,293)	(260,230)
Retirement benefits paid	(19,501)	(15,652)
Net cash flows from operating activities	983,505	497,370
Cash flows from investing activities		
Purchase of property, plant and equipment	(569,151)	(527,580)
Payments of prepaid lease	(23,669)	(18,706)
Plantation development expenditure	(129,367)	(148,952)
Property development expenditure	(901,227)	(4,004)
Subscription of shares in an associate	(325,055)	-
Subscription of shares in joint ventures	(82,050)	(7,078)
Purchase of available-for-sale investments	(50,062)	(32,474)
Purchase of shares from non-controlling interests	-	(1,753)
Purchase of intangible assets	(291)	(670)
Share buy back	(17,234)	(35,539)
Proceeds from sale of property, plant and equipment	4,520	7,040
Compensation from government on land acquired	41,727	22,920
Proceeds from disposal of land	825,135	-
Proceeds from disposal of available-for-sale investments	21,607	7,663
Proceeds from deemed disposal of shares in a subsidiary, net of cash disposed	-	(35,089)
Proceeds from disposal of shares in a subsidiary	-	151,632
Increase in short term funds	(675,642)	-
Dividends received	61,015	29,802
Interest received	30,076	27,244
Repayment of loan from a joint venture	25,400	40,882
Net cash flows used in investing activities	(1,764,268)	(524,662)

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 third quarter ended 30 June 2016
(The figures have not been audited)

Condensed Consolidated Statement of Cash Flows

	9 months ended 30 June	
	2016	2015
	RM'000	RM'000
Cash flows from financing activities		
Issuance of Islamic Medium Term Notes	500,000	-
Term loans received	20,142	-
Repayment of term loans	(1,757)	(6,893)
(Repayment)/Drawdown of short term borrowings	(337,813)	409,931
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	(7,126)	(13,788)
Net cash flows from/(used in) financing activities	163,538	(52,541)
Net decrease in cash and cash equivalents	(617,225)	(79,833)
Effects of exchange rate changes	(65,781)	88,169
Cash and cash equivalents at 1 October	2,669,438	1,869,401
Cash and cash equivalents at 30 June	1,986,432	1,877,737
Cash and cash equivalents at 30 June is represented by:		
Cash and cash equivalents	2,005,084	1,933,191
Borrowings - Bank overdraft	(18,652)	(55,454)
	1,986,432	1,877,737

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 third quarter ended 30 June 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 972,900 shares in the Company from the open market. The average price paid for the shares repurchased was RM17.65 per share and the total consideration paid, including transaction costs, was RM17,233,776. The shares bought back were financed by internally generated funds and borrowings and held as treasury shares.

A7. Dividends paid

	9 months ended 30 June	
	2016	2015
	RM’000	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 third quarter ended 30 June 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
9 months ended 30 June 2016						
Revenue						
External revenue	6,195,711	5,877,384	50,123	184,944	-	12,308,162
Inter-segment revenue	675,459	-	-	51,268	(726,727)	-
Total revenue	6,871,170	5,877,384	50,123	236,212	(726,727)	12,308,162
Results						
Operating results	617,352	462,376	6,710	629,217	(28,022)	1,687,633
Finance costs	(8,397)	(39,860)	-	(110,895)	28,022	(131,130)
Share of results of associates	2,366	(1,214)	2,671	(7,982)	-	(4,159)
Share of results of joint ventures	8,088	-	-	4,222	-	12,310
Segment results	619,409	421,302	9,381	514,562	-	1,564,654
Profit before taxation						1,564,654
9 months ended 30 June 2015						
Revenue						
External revenue	4,938,076	4,795,852	101,558	177,819	-	10,013,305
Inter-segment revenue	500,846	-	-	349,793	(850,639)	-
Total revenue	5,438,922	4,795,852	101,558	527,612	(850,639)	10,013,305
Results						
Operating results	606,955	228,193	40,734	207,072	(23,582)	1,059,372
Finance costs	(2,833)	(25,750)	-	(82,931)	23,582	(87,932)
Share of results of associates	4,163	321	9,802	(4,274)	-	10,012
Share of results of a joint venture	(7,434)	-	-	-	-	(7,434)
Segment results	600,851	202,764	50,536	119,867	-	974,018
Profit before taxation						974,018

b) Segment assets

	Plantations	Manufacturing	Property Development	Investment Holding/Others	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
At 30 June 2016					
Operating assets	6,321,611	6,980,557	1,294,272	3,860,669	18,457,109
Associates	60,848	6,778	72,230	41,589	181,445
Joint ventures	158,184	-	-	74,422	232,606
Segment assets	6,540,643	6,987,335	1,366,502	3,976,680	18,871,160
Tax assets					205,648
Total assets					19,076,808

Interim Financial Report for the third quarter ended 30 June 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 30 June 2016					
Segment liabilities	<u>1,363,368</u>	<u>2,417,326</u>	<u>46,488</u>	<u>3,419,588</u>	<u>7,246,770</u>
Unallocated liabilities					348,142
Total liabilities					<u>7,594,912</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

Standard Soap Company Ltd ("SS"), a wholly-owned subsidiary of Kuala Lumpur Kepong Berhad ("KLK"), incorporated in the United Kingdom was placed under member's voluntary winding-up as it had ceased its business operations.

SS will be dissolved on 18 October 2016 which is three months after the lodgement of the Return of Final Winding-Up Meeting with the Companies House, United Kingdom.

A10. Changes in composition of the Group

During the current quarter, the effective shareholding in an associate, Smith Zain (Penang) Sdn Bhd, was increased to 42.06% from 30.00%.

Subsequent to the period end, Malay-Sino Chemical Holdings Berhad, a sub-subsiary has submitted an application to the Companies Commission of Malaysia ("CCM") to strike off its name from the Register of CCM pursuant to Section 308 of the Companies Act, 1965. The strike off will not have any material operational and financial impact on the net assets and earnings of the Group for the financial year ending 30 September 2016.

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 third quarter ended 30 June 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 30 June 2016 RM'000	At 30 September 2015 RM'000
Capital expenditure		
Approved and contracted	304,726	195,474
Approved but not contracted	504,894	947,260
	890,620	1,142,734
Acquisitions of shares in sub-subsidiaries		
Approved and contracted	1,285	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 9 months ended 30 June	
	2016 RM'000	2015 RM'000
a) Transactions with associates and joint venture:		
Sales of finished goods	13,155	5,501
Purchase of goods	383,150	2,774
Service charges paid	3,536	1,957
Research and development services paid	9,902	9,384

Interim Financial Report for the third quarter ended 30 June 2016

(The figures have not been audited)

		Cumulative Quarter	
		9 months ended	
		30 June	
		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	193,501	180,480
	Taiko Marketing (S) Pte Ltd	3,695	3,465
	Chlor-Al Chemical Pte Ltd	13,782	15,585
	Siam Taiko Marketing Co Ltd	2,520	1,678
	Purchases of goods:		
	Taiko Marketing Sdn Bhd	24,963	27,803
	Taiko Marketing (S) Pte Ltd	26,457	17,166
	Taiko Acid Works Sdn Bhd	10,299	160
	Borneo Taiko Clay Sdn Bhd	3,560	3,267
	Bukit Katho Estate Sdn Bhd	2,175	2,182
	Kampar Rubber & Tin Co Sdn Bhd	5,551	6,308
	Ladang Tai Tak (Kota Tinggi) Sdn Bhd	2,245	2,097
	Malay Rubber Plantations (M) Sdn Bhd	3,530	4,351
	PT Agro Makmur Abadi	38,665	55,877
	PT Bumi Karyatama Raharja	1,399	-
	PT Safari Riau	17,786	22,871
	PT Taiko Persada Indoprima	-	4,506
	Taiko Clay Marketing Sdn Bhd	1,245	1,453
	Taiko Drum Industries Sdn Bhd	2,657	2,081
	Taiko Fertiliser Marketing Sdn Bhd	16	4,290
	Freight income:		
	Chlor-Al Chemical Pte Ltd	108	1,217
	Storage tanks rental received:		
	Taiko Marketing Sdn Bhd	2,227	2,097
	Aircraft operating expense and management services paid:		
	Smooth Route Sdn Bhd	999	1,120
	Supply of contract labours and engineering works:		
	K7 Engineering Sdn Bhd	2,724	2,173
	Sales commissions charged by:		
	Taiko Marketing Sdn Bhd	43	3,916
		<hr/>	<hr/>
c)	Transactions between subsidiaries and their non-controlling interests:		
	Sales of goods:		
	Mitsubishi Corporation	121,129	59,687
	Mitsui & Co Ltd	219,444	183,733
	Tejana Trading & Management Services Sdn Bhd	2,336	1,214
		<hr/>	<hr/>
	Purchases of goods:		
	PT Eka Dura Indonesia	23,398	-
	PT Letawa	44,273	-
	PT Tanjung Sarana Lestari	932,219	-
		<hr/>	<hr/>

Interim Financial Report for the third quarter ended 30 June 2016

(The figures have not been audited)

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

B1. Detailed analysis of performance

3rd Quarter FY 2016 vs 3rd Quarter FY 2015

The Group revenue for the current quarter increased 11% to RM4,043.45 million compared to the RM3,639.13 million achieved in the corresponding quarter last year as Plantations and Manufacturing reported higher revenues. Group profit before tax rose 7% to RM357.51 million (2015: RM334.94 million). Comments on the respective business segments are as follows:

Plantations reported a profit of RM211.63 million, 12% higher compared to last year's corresponding quarter's profit of RM189.46 million due to higher commodity prices and net unrealised foreign exchange gain.

Manufacturing's profit for this quarter was RM140.59 million, significantly higher than last year's corresponding quarter's profit of RM77.91 million due to a 21% higher revenue at RM2,052.85 million (2015: RM1,691.52 million) benefitting from increased sales volumes. The oleochemical division's profit improved to RM99.47 million (2015: RM56.91 million) while the chemicals division posted a profit of RM37.23 million (2015: RM17.93 million).

Property Development registered a profit of RM5.13 million (2015: RM7.76 million) from a revenue of RM24.21 million, 16% lower than last year's corresponding quarter's RM28.98 million due to the slowdown in the property market.

Todate 3rd Quarter FY 2016 vs Todate 3rd Quarter FY 2015

For the current 9 months period, Group revenue was RM12,308.16 million, 23% higher than RM10,013.31 million in the corresponding period last year as Plantations and Manufacturing reported higher revenues. Group profit before tax increased 61% to RM1,564.65 million (2015: RM974.02 million) after accounting for a surplus of RM485.56 million from sale of plantation land to an associate. Comments on the business segments are as follows:

Plantations reported a profit of RM619.41 million, 3% higher than last year's corresponding period's profit of RM600.85 million due to higher contributions from processing operations. Profit from estate operations was lower, affected by lower FFB production and higher CPO production cost.

Manufacturing's profit was significantly higher at RM421.30 million (2015: RM202.76 million) as revenue rose 23% to RM5,877.38 million (2015: RM4,795.85 million). The oleochemical division recorded a profit of RM310.75 million (2015: RM142.20 million) and the chemicals division also posted a higher profit of RM91.82 million (2015: RM50.99 million).

Property Development's revenue of RM50.12 million was half of last year's corresponding period's RM101.56 million and generated a profit of RM9.38 million (2015: RM50.54 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

3rd Quarter FY 2016 vs 2nd Quarter FY 2016

The Group's pre-tax profit for the current quarter of RM357.51 million was 33% higher than the RM268.49 million reported in the preceding quarter due to higher profits from Plantations, Manufacturing and Property Development. Plantations profit increased 62% due to higher commodity prices and net unrealised foreign exchange gain while profit from Manufacturing rose 11% due to higher sales volumes.

Interim Financial Report for the third quarter ended 30 June 2016

(The figures have not been audited)

B3. Current year's prospects

The Group's Plantations performance for financial year 2016 is expected to be satisfactory in view of the current palm oil prices remaining resilient and the anticipated recovery of FFB crop production.

Notwithstanding the current difficult market conditions, 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 together with operational efficiency and productivity improvements. 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 from imports.

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 during the financial year to-date.

B5. Income tax expense

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June		9 months ended 30 June	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Current tax				
Malaysian income tax	44,014	40,981	119,277	137,153
Foreign income tax	13,859	21,630	72,532	67,800
	57,873	62,611	191,809	204,953
Deferred tax				
Relating to origination and reversal of temporary differences	8,991	(2,240)	24,954	(7,853)
Relating to changes in tax rates	(6)	-	542	-
(Over)/Under provision in respect of previous years	(10,754)	12	(11,171)	8,037
	(1,769)	(2,228)	14,325	184
Under/(Over) provision in respect of previous years				
Malaysian income tax	25	(2,899)	138	(2,639)
Foreign income tax	3,060	4,185	4,046	5,181
	3,085	1,286	4,184	2,542
	59,189	61,669	210,318	207,679

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 third quarter ended 30 June 2016

(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 30 June 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	7,570	Euro1,691	1,001	Euro204
	7,570		1,001	
- Unsecured	120,597	USD30,000	88,235	USD20,000
	-		98,388	Euro20,000
	120,597		186,623	
	128,167		187,624	
(ii) Islamic Medium Term Notes				
- Unsecured	300,000		-	
(ii) Bank Overdraft				
- Unsecured	18,652	Euro4,167	27,168	Euro5,523
(iii) Short Term Borrowings				
- Unsecured	491,439	USD121,945	813,493	USD184,843
	10,730	GBP2,000	26,637	GBP4,000
	129,820	Euro29,000	167,281	Euro34,000
	639,349		692,737	
	1,271,338		1,700,148	
Total repayable within 12 months	1,718,157		1,914,940	
b) Repayable after 12 months:				
(i) Term Loans				
- Secured	12,897	Euro2,881	1,286	Euro261
- Unsecured	223,805	Euro50,000	147,582	Euro30,000
	80,398	USD20,000	132,353	USD30,000
	304,203		279,935	
	317,100		281,221	
(ii) Islamic Medium Term Notes				
- Unsecured	3,100,000		2,900,000	
Total repayable after 12 months	3,417,100		3,181,221	
Total Group borrowings	5,135,257		5,096,161	

Interim Financial Report for the third quarter ended 30 June 2016

(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 30 June 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	(762,137)	6,694
- 1 year to 3 years	-	-
- More than 3 years	-	-
b) Commodity futures contracts:		
- Less than 1 year	(461,218)	23,999
- 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 30 June 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) The Directors do not recommend the payment of any dividend for the quarter ended 30 June 2016.

An interim single tier dividend of 15 sen (2015: 15 sen) per share was declared by the Directors on 16 May 2016 and was paid on 11 August 2016.

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

Interim Financial Report for the third quarter ended 30 June 2016

(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 30 June		9 months ended 30 June	
	2016	2015	2016	2015
Net profit for the period attributable to owners of the Company (RM'000)	148,473	131,662	630,434	369,508
Weighted average number of shares ('000)	405,874	407,876	405,874	407,876
Earnings per share (sen)	36.6	32.3	155.3	90.6

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 30 June		9 months ended 30 June	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Interest income	(15,594)	(12,643)	(47,155)	(34,028)
Dividend income	(33,366)	(56,884)	(62,931)	(73,256)
Other income	(30,836)	(25,641)	(819,599)	(155,298)
Interest expense	45,820	30,154	131,130	87,932
Depreciation and amortisation	127,295	105,460	373,817	311,567
(Reversal of)/Provision for and write-off of receivables	(67)	4,453	(95)	3,191
Provision for and write-off of inventories	(752)	10,152	11,167	21,387
Surplus on disposal of quoted or unquoted investments	(5,711)	(2)	(7,506)	(2,181)
Surplus on disposal of land	(230)	(7,706)	(491,806)	(8,700)
Surplus arising from government acquisition of land	105	(8,150)	(40,894)	(21,211)
Surplus on deemed disposal of a subsidiary	-	-	-	(12,266)
Impairment of property, plant and equipment	8,143	-	8,143	-
Impairment of goodwill	1,369	-	1,369	-
Foreign exchange (gain)/loss	(70,147)	(5,238)	49,015	(43,672)
Loss/(Gain) on derivatives	14,335	34,891	(97,891)	60,862
Exceptional items	-	-	-	-

Interim Financial Report for the third quarter ended 30 June 2016

(The figures have not been audited)

B15. Breakdown of realised and unrealised profits or losses

	At 30 June 2016	At 30 September 2015
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	7,695,742	6,751,335
- Unrealised	198,450	322,044
	<u>7,894,192</u>	<u>7,073,379</u>
Total share of retained profits from associates:		
- Realised	63,721	73,854
- Unrealised	211	287
	<u>63,932</u>	<u>74,141</u>
Total share of (accumulated loss)/retained profits from joint ventures:		
- Realised	(11,064)	(25,082)
- Unrealised	8,898	10,606
	<u>(2,166)</u>	<u>(14,476)</u>
Consolidation adjustments	<u>(3,703,550)</u>	<u>(3,306,780)</u>
Total group retained profits as per consolidated accounts	<u>4,252,408</u>	<u>3,826,264</u>

By Order of the Board

CHONG SEE TECK
YAP MIOW KIEN
CHIEW CINDY
Company Secretaries

17 August 2016