

BATU KAWAN BERHAD

(6292-U)
(Incorporated in Malaysia)

**Interim Financial Report
for the First Quarter ended 31 December 2016**

Interim Financial Report for the first quarter ended 31 December 2016

(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 2016.

Condensed Consolidated Statement of Profit or Loss

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 December		3 months ended 31 December	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Revenue	5,629,920	4,450,259	5,629,920	4,450,259
Operating expenses	(5,235,935)	(4,157,455)	(5,235,935)	(4,157,455)
Other operating income	168,439	686,758	168,439	686,758
Finance costs	(47,025)	(41,632)	(47,025)	(41,632)
Share of results of associates	2,170	(5,454)	2,170	(5,454)
Share of results of joint ventures	(3,766)	6,185	(3,766)	6,185
Profit before taxation	513,803	938,661	513,803	938,661
Income tax expense	(104,285)	(88,368)	(104,285)	(88,368)
NET PROFIT FOR THE PERIOD	409,518	850,293	409,518	850,293
Profit attributable to:				
Equity holders of the Company	197,543	387,526	197,543	387,526
Non-controlling interests	211,975	462,767	211,975	462,767
	409,518	850,293	409,518	850,293
Earnings per share for profit attributable to equity holders of the Company (sen)				
Basic	48.8	95.4	48.8	95.4
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 2016.

Interim Financial Report for the first quarter ended 31 December 2016

(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	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Net profit for the period	409,518	850,293	409,518	850,293
Other comprehensive income/(loss) that will be reclassified subsequently to profit or loss				
Net change in fair value of available-for-sale investments	63,352	(130,136)	63,352	(130,136)
Realisation on fair value of available-for-sale investments	1,041	(1,378)	1,041	(1,378)
Foreign currency translation differences	309,716	(17,054)	309,716	(17,054)
	374,109	(148,568)	374,109	(148,568)
Other comprehensive loss that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	(1,103)	-	(1,103)	-
Total other comprehensive income/(loss) for the period	373,006	(148,568)	373,006	(148,568)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	782,524	701,725	782,524	701,725
Total comprehensive income attributable to:				
Equity holders of the Company	375,033	335,114	375,033	335,114
Non-controlling interests	407,491	366,611	407,491	366,611
	782,524	701,725	782,524	701,725

The Condensed Consolidated Statement of Other Comprehensive Income should be read in conjunction with the Annual Report for the year ended 30 September 2016.

Interim Financial Report for the first quarter ended 31 December 2016
(The figures have not been audited)

Condensed Consolidated Statement of Financial Position

	At 31 December 2016	At 30 September 2016
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	5,496,916	5,337,156
Investment property	49,959	50,191
Prepaid lease payments	328,443	319,539
Biological assets	2,763,147	2,644,794
Land held for property development	1,134,863	1,130,312
Goodwill on consolidation	357,174	349,930
Intangible assets	14,135	15,076
Investment in associates	169,161	170,733
Investment in joint ventures	261,997	251,412
Available-for-sale investments	1,701,650	1,694,341
Deferred tax assets	480,856	467,715
Other receivables	246,965	237,505
	13,005,266	12,668,704
Current assets		
Inventories	2,395,767	1,950,696
Biological assets	4,021	43,697
Trade and other receivables	2,857,945	2,271,993
Property development costs	73,728	83,463
Tax recoverable	55,004	59,588
Derivative financial assets	172,325	119,454
Short term funds	529,279	1,068,716
Cash and cash equivalents	2,338,699	1,548,905
	8,426,768	7,146,512
TOTAL ASSETS	21,432,034	19,815,216

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Report for the year ended 30 September 2016.

Interim Financial Report for the first quarter ended 31 December 2016
(The figures have not been audited)

Condensed Consolidated Statement of Financial Position

	At 31 December 2016	At 30 September 2016
	RM'000	RM'000
EQUITY AND LIABILITIES		
Current liabilities		
Trade and other payables	1,725,319	1,400,801
Deferred income	7,033	6,328
Tax payable	109,006	75,101
Borrowings	2,013,005	1,572,222
Derivative financial liabilities	227,759	218,786
	<u>4,082,122</u>	<u>3,273,238</u>
Net current assets	<u>4,344,646</u>	<u>3,873,274</u>
Non-current liabilities		
Provision for retirement benefits	519,181	503,650
Deferred tax liabilities	278,870	281,174
Deferred income	116,244	118,665
Borrowings	3,478,122	3,467,808
	<u>4,392,417</u>	<u>4,371,297</u>
Total liabilities	<u>8,474,539</u>	<u>7,644,535</u>
Net assets	<u>12,957,495</u>	<u>12,170,681</u>
Equity attributable to owners of the Company		
Share capital	435,951	435,951
Treasury shares	(411,212)	(403,272)
Reserves	6,422,163	6,047,130
	<u>6,446,902</u>	<u>6,079,809</u>
Non-controlling interests	6,510,593	6,090,872
Total equity	<u>12,957,495</u>	<u>12,170,681</u>
TOTAL EQUITY AND LIABILITIES	<u>21,432,034</u>	<u>19,815,216</u>
Net assets per share attributable to equity holders of the Company (RM)	15.93	15.01

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Report for the year ended 30 September 2016.

Interim Financial Report for the first quarter ended 31 December 2016

(The figures have not been audited)

Condensed Consolidated Statement of Changes in Equity

	← Attributable to equity holders 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 2016	435,951	(403,272)	4,722	823,254	28,752	208,133	560,878	7,035	4,414,356	6,079,809	6,090,872	12,170,681
Total comprehensive income for the period	-	-	34	2,124	2,431	147,595	30,185	-	192,664	375,033	407,491	782,524
Transactions with owners:												
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	-	13,171	13,171
Share buy back	-	(7,940)	-	-	-	-	-	-	-	(7,940)	-	(7,940)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(941)	(941)
	-	(7,940)	-	-	-	-	-	-	-	(7,940)	12,230	4,290
At 31 December 2016	435,951	(411,212)	4,756	825,378	31,183	355,728	591,063	7,035	4,607,020	6,446,902	6,510,593	12,957,495

* Included in Capital Reserve is RM493,636,000 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 2016.

Interim Financial Report for the first quarter ended 31 December 2016

(The figures have not been audited)

Condensed Consolidated Statement of Changes in Equity

	← Attributable to equity holders 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	-	-	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 2016.

Interim Financial Report for the first quarter ended 31 December 2016

(The figures have not been audited)

Condensed Consolidated Statement of Cash Flows

	3 months ended 31 December	
	2016	2015
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	513,803	938,661
Adjustments for:		
Non-cash items	144,860	130,457
Non-operating items	34,116	(513,960)
Operating cash flows before changes in working capital	692,779	555,158
Changes in working capital		
Net change in current assets	(998,055)	(222,451)
Net change in current liabilities	286,779	(102,516)
Cash flows from operations	(18,497)	230,191
Interest received	928	264
Interest paid	(40,037)	(26,520)
Tax paid	(61,472)	(61,909)
Retirement benefits paid	(9,176)	(7,302)
Net cash flows (used in)/generated from operating activities	(128,254)	134,724
Cash flows from investing activities		
Purchase of property, plant and equipment	(183,930)	(275,554)
Payments of prepaid lease	(2,011)	(20,699)
Plantation development expenditure	(40,239)	(41,472)
Property development expenditure	(4,551)	(860,684)
Subscription of shares in associates	-	(324,800)
Subscription of shares in joint ventures	-	(22,191)
Purchase of available-for-sale investments	(2,206)	(39,285)
Purchase of intangible assets	(36)	-
Share buy back	(7,940)	(2,455)
Proceeds from sale of property, plant and equipment	6,027	422
Compensation from government on land acquired	-	23,120
Proceeds from disposal of land	-	821,007
Proceeds from disposal of available-for-sale investments	104,738	4,880
Decrease/(Increase) in short term funds	553,752	(83,014)
Dividends received	28,455	34,391
Interest received	10,726	8,703
Net cash flows generated from/(used in) investing activities	462,785	(777,631)

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Report for the year ended 30 September 2016.

Interim Financial Report for the first quarter ended 31 December 2016

(The figures have not been audited)

Condensed Consolidated Statement of Cash Flows

	3 months ended 31 December	
	2016	2015
	RM'000	RM'000
Cash flows from financing activities		
Repayment of Islamic Medium Term Notes	(300,000)	-
Redemption of redeemable preference shares from non-controlling interests	784	-
Repayment of term loans	(1,992)	(235)
Drawdown of short term borrowings	696,343	314,636
Dividends paid to non-controlling interests	(941)	(806)
Issuance of shares to non-controlling interests	13,171	324,800
Decrease/(Increase) in other receivables	7,045	(41,670)
Net cash flows generated from financing activities	414,410	596,725
Net increase/(decrease) in cash and cash equivalents	748,941	(46,182)
Effects of exchange rate changes	35,386	(10,056)
Cash and cash equivalents at 1 October	1,508,195	2,669,438
Cash and cash equivalents at 31 December	2,292,522	2,613,200
Cash and cash equivalents at 31 December is represented by:		
Cash and cash equivalents	2,338,699	2,661,712
Borrowings - Bank overdraft	(46,177)	(48,512)
	2,292,522	2,613,200

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Report for the year ended 30 September 2016.

Interim Financial Report for the first quarter ended 31 December 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 2016. 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 2016 except for the ad except for the adoption of the following FRS and amendments to FRSs:

FRS and amendments to FRSs effective for annual periods beginning on or after 1 January 2016

- FRS 14 *Regulatory Deferral Accounts*
- Amendments to FRS 5 *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to FRS 7 *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to FRS 10 *Consolidated Financial Statements*, FRS 12 *Disclosure of Interests in Other Entities* and FRS 128 *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to FRS 11 *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to FRS 101 *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to FRS 116 *Property, Plant and Equipment* and FRS 138 *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to FRS 119 *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to FRS 127 *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to FRS 134 *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

The application of the above FRS and amendments to FRSs has no significant effect to the financial statements of the Group.

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 435,200 shares in the Company from the open market. The average price paid for the shares repurchased was RM18.18 per share and the total consideration paid, including transaction costs, was RM7,939,683. The shares bought back were financed by internally generated funds and borrowings and held as treasury shares.

Interim Financial Report for the first quarter ended 31 December 2016

(The figures have not been audited)

A7. Dividends paid

No dividend has been paid during the current quarter ended 31 December 2016 (31 December 2015: 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 RM'000	Manufacturing RM'000	Property Development RM'000	Investment Holding/Others RM'000	Elimination RM'000	Consolidated RM'000
3 months ended 31 December 2016						
Revenue						
External revenue	3,006,932	2,426,784	60,203	136,001	-	5,629,920
Inter-segment revenue	468,439	-	-	18,156	(486,595)	-
Total revenue	<u>3,475,371</u>	<u>2,426,784</u>	<u>60,203</u>	<u>154,157</u>	<u>(486,595)</u>	<u>5,629,920</u>
Results						
Operating results	433,244	69,437	15,573	55,180	(11,010)	562,424
Finance costs	(2,715)	(15,990)	-	(39,330)	11,010	(47,025)
Share of results of associates	2,196	330	319	(675)	-	2,170
Share of results of joint ventures	(2,496)	-	-	(1,270)	-	(3,766)
Segment results	<u>430,229</u>	<u>53,777</u>	<u>15,892</u>	<u>13,905</u>	<u>-</u>	<u>513,803</u>
Profit before taxation						<u>513,803</u>
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	<u>2,695,868</u>	<u>1,891,951</u>	<u>10,269</u>	<u>109,901</u>	<u>(257,730)</u>	<u>4,450,259</u>
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 a joint venture	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>

Interim Financial Report for the first quarter ended 31 December 2016

(The figures have not been audited)

b) Segment assets

	Plantations	Manufacturing	Property Development	Investment Holding/Others	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
At 31 December 2016					
Operating assets	7,052,205	7,861,705	1,339,729	4,211,377	20,465,016
Associates	62,741	6,612	70,771	29,037	169,161
Joint ventures	173,048	-	-	88,949	261,997
Segment assets	<u>7,287,994</u>	<u>7,868,317</u>	<u>1,410,500</u>	<u>4,329,363</u>	<u>20,896,174</u>
Tax assets					535,860
Total assets					<u>21,432,034</u>
At 30 September 2016					
Operating assets	6,413,914	7,099,082	1,321,245	4,031,527	18,865,768
Associates	62,602	6,421	70,452	31,258	170,733
Joint ventures	163,472	-	-	87,940	251,412
Segment assets	<u>6,639,988</u>	<u>7,105,503</u>	<u>1,391,697</u>	<u>4,150,725</u>	<u>19,287,913</u>
Tax assets					527,303
Total assets					<u>19,815,216</u>

c) Segment liabilities

	Plantations	Manufacturing	Property Development	Investment Holding/Others	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
At 31 December 2016					
Segment liabilities	<u>1,757,348</u>	<u>3,087,771</u>	<u>39,900</u>	<u>3,201,644</u>	<u>8,086,663</u>
Unallocated liabilities					387,876
Total liabilities					<u>8,474,539</u>
At 30 September 2016					
Segment liabilities	<u>1,321,434</u>	<u>2,501,801</u>	<u>43,487</u>	<u>3,421,538</u>	<u>7,288,260</u>
Unallocated liabilities					356,275
Total liabilities					<u>7,644,535</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 report.

A10. Changes in composition of the Group

There were no changes in the composition of the Group arising from business combinations, acquisition or disposal of subsidiaries and long term investments, restructurings and discontinued operations during the current quarter under review.

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 2016.

Interim Financial Report for the first quarter ended 31 December 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 December 2016	At 30 September 2016
	RM'000	RM'000
Capital expenditure		
Approved and contracted	211,589	255,875
Approved but not contracted	492,835	639,613
	704,424	895,488
Acquisition of shares in a sub-subsiidiary		
Approved and contracted	1,403	1,336

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	
	2016	2015
	RM'000	RM'000
a) Transactions with associates and joint venture:		
Sales of finished goods	-	1,883
Purchase of goods	412,295	202,699
Service charges paid	408	1,167
Research and development services paid	4,264	2,724
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	60,163	67,072
Taiko Marketing (S) Pte Ltd	1,239	1,131
Chlor-Al Chemical Pte Ltd	2,708	5,013
Purchases of goods:		
Taiko Marketing Sdn Bhd	7,824	8,684
Taiko Marketing (S) Pte Ltd	4,273	15,222
Taiko Acid Works Sdn Bhd	1,149	43
Borneo Taiko Clay Sdn Bhd	1,348	1,287
Bukit Katho Estate Sdn Bhd	1,234	683
Kampar Rubber & Tin Co Sdn Bhd	2,054	1,937
Malay Rubber Plantations (M) Sdn Bhd	1,607	1,085
PT Agro Makmur Abadi	21,729	16,661
PT Safari Riau	14,578	6,873
Taiko Fertiliser Marketing Sdn Bhd	-	17
Supply of contract labours and engineering works:		
K7 Engineering Sdn Bhd	473	1,070

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(The figures have not been audited)

	Cumulative Quarter	
	3 months ended	
	31 December	
	2016	2015
	RM'000	RM'000
c) Transactions between subsidiaries and their non-controlling interests:		
Sales of goods:		
Mitsubishi Corporation	20,074	58,942
Mitsui & Co Ltd	110,711	71,078
Tejana Trading & Management Services Sdn Bhd	2,806	304
Purchases of goods:		
PT Eka Dura Indonesia	-	24,085
PT Tanjung Sarana Lestari	506,297	296,603

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

B1. Detailed analysis of performance

1st Quarter FY 2017 vs 1st Quarter FY 2016

The Group's revenue for the current quarter was RM5,629.92 million, 27% higher than RM4,450.26 million in the corresponding quarter last year as all segments reported higher revenues. Group profit before tax was significantly lower at RM513.80 million (2016: RM938.66 million which included a RM485.69 million surplus from sale of plantation land to an associate). Comments on the respective business segments are as follows:

Plantations reported a profit of RM430.23 million, 55% higher compared to last year's corresponding quarter's profit of RM276.92 million resulting from higher selling prices of CPO and palm kernel.

Manufacturing's profit for this quarter was RM53.78 million, 65% lower than last year's corresponding quarter's profit of RM154.48 million, despite revenue rose 28% to RM2,426.78 million (2015: RM1,891.95 million). The oleochemical division's profit was significantly lower at RM18.36 million (2015: RM117.00 million) due to increasing cost of raw materials, while the chemicals division posted a profit of RM29.02 million (2015: RM28.59 million).

Property Development registered a profit of RM15.89 million (2015: RM699,000 loss) from a higher revenue of RM60.20 million (2015: RM10.27 million).

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

1st Quarter FY 2017 vs 4th Quarter FY 2016

For the current quarter, Group pre-tax profit increased 99% to RM513.80 million compared to the RM257.93 million reported in the preceding quarter mainly due to Plantations' higher profit from higher commodity prices and increased sales volumes of CPO and palm kernel.

B3. Current year's prospects

The Group's Plantations performance for current financial year is expected to be favourable in view of the projected higher FFB production and committed forward sales.

The profitability of the Group's oleochemical business is expected to be challenging due to difficult trading environment and reduced margins. As for the chemicals division, profit from the chlor-alkali business is projected to be satisfactory while the sulphuric acid business has been restructured to remain competitive.

Overall, the Group anticipates a satisfactory profit for financial year 2017.

Interim Financial Report for the first quarter ended 31 December 2016

(The figures have not been audited)

B4. Variance of actual profit from forecast profit

The Group did not issue any forecast profit or profit guarantee during the current financial year to-date.

B5. Income tax expense

	Individual Quarter		Cumulative Quarter	
	3 months ended		3 months ended	
	31 December		31 December	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Current tax				
Malaysian taxation	49,044	45,688	49,044	45,688
Overseas taxation	49,365	28,301	49,365	28,301
	98,409	73,989	98,409	73,989
Deferred tax				
Relating to origination and reversal of temporary differences	4,728	14,302	4,728	14,302
Over provision in respect of previous years	(298)	(37)	(298)	(37)
	4,430	14,265	4,430	14,265
Under/(Over) provision in respect of previous years				
Malaysian taxation	2,264	-	2,264	-
Overseas taxation	(818)	114	(818)	114
	1,446	114	1,446	114
	104,285	88,368	104,285	88,368

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 December 2016		At 30 September 2016	
	RM'000	Amount in Foreign Currency '000	RM'000	Amount in Foreign Currency '000
a) Repayable within 12 months:				
(i) Term Loans				
- Secured	9,771	Euro2,070	7,899	Euro1,697
- Unsecured	89,510	USD20,000	82,459	USD20,000
	<u>99,281</u>		<u>90,358</u>	
(ii) Islamic Medium Term Notes				
- Unsecured	-		300,000	
(ii) Bank Overdraft				
- Unsecured	46,177	Euro9,783	40,710	Euro8,747
(iii) Short Term Borrowings				
- Unsecured	809,774	USD180,450	313,248	USD75,682
	212,418	Euro45,000	107,040	Euro23,000
	66,456	GBP12,000	-	
	32,315	Rmb50,000	-	
	746,584		720,866	
	<u>1,867,547</u>		<u>1,141,154</u>	
Total repayable within 12 months	<u>2,013,005</u>		<u>1,572,222</u>	
b) Repayable after 12 months:				
(i) Term Loans				
- Secured	7,836	Euro1,660	11,424	Euro2,455
- Unsecured	236,020	Euro50,000	232,695	Euro50,000
	134,266	USD30,000	123,689	USD30,000
	<u>370,286</u>		<u>356,384</u>	
	<u>378,122</u>		<u>367,808</u>	
(ii) Islamic Medium Term Notes				
- Unsecured	3,100,000		3,100,000	
Total repayable after 12 months	<u>3,478,122</u>		<u>3,467,808</u>	
Total Group borrowings	<u>5,491,127</u>		<u>5,040,030</u>	

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.

Interim Financial Report for the first quarter ended 31 December 2016

(The figures have not been audited)

As at 31 December 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	(1,450,262)	(42,483)
- 1 year to 3 years	-	-
- More than 3 years	-	-
b) Commodity futures contracts:		
- Less than 1 year	105,977	(12,951)
- 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 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 dividend for the first quarter ended 31 December 2016 (31 December 2015: Nil).

b) Total dividend for the current financial year to-date is Nil (31 December 2015: Nil).

Interim Financial Report for the first quarter ended 31 December 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 equity holders 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	
	2016	2015	2016	2015
Net profit for the period attributable to equity holders of the Company (RM'000)	197,543	387,526	197,543	387,526
Weighted average number of shares ('000)	405,084	406,305	405,084	406,305
Earnings per share (sen)	48.8	95.4	48.8	95.4

B13. Audit report of preceding annual financial statements

The auditors' report on the financial statements for the year ended 30 September 2016 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	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Interest income	(15,521)	(16,031)	(15,521)	(16,031)
Dividend income	(14,345)	(13,920)	(14,345)	(13,920)
Other income	(168,439)	(686,758)	(168,439)	(686,758)
Interest expense	47,025	41,632	47,025	41,632
Depreciation and amortisation	132,226	121,870	132,226	121,870
Provision for and write-off/(Reversal of write-off) of receivables	4,774	(235)	4,774	(235)
Provision for and write-off of inventories	4,276	7,370	4,276	7,370
Deficit/(Surplus) on disposal of quoted or unquoted investments	2,088	(1,474)	2,088	(1,474)
Surplus on disposal of land	(4,168)	(487,391)	(4,168)	(487,391)
Surplus arising from government acquisition of land	-	(22,444)	-	(22,444)
Impairment of value in an associate	2,132	-	2,132	-
Foreign exchange (gain)/loss	(33,691)	19,001	(33,691)	19,001
Loss/(Gain) on derivatives	53,268	(118,253)	53,268	(118,253)
Exceptional items	-	-	-	-

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(The figures have not been audited)

B15. Breakdown of realised and unrealised profits or losses

	At 31 December 2016	At 30 September 2016
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	7,861,777	7,618,338
- Unrealised	779,951	621,229
	<u>8,641,728</u>	<u>8,239,567</u>
Total share of retained profits from associates:		
- Realised	75,572	67,927
- Unrealised	962	238
	<u>76,534</u>	<u>68,165</u>
Total share of (accumulated loss)/retained profits from joint ventures:		
- Realised	(37,508)	(24,561)
- Unrealised	11,653	10,214
	<u>(25,855)</u>	<u>(14,347)</u>
Consolidation adjustments	<u>(4,085,387)</u>	<u>(3,879,029)</u>
Total group retained profits as per consolidated accounts	<u>4,607,020</u>	<u>4,414,356</u>

By Order of the Board

CHONG SEE TECK
YAP MIOW KIEN
CHIEW CINDY
Company Secretaries

14 February 2017