

BATU KAWAN BERHAD

(6292-U)
(Incorporated in Malaysia)

**Interim Financial Report
for the First Quarter ended 31 December 2017**

Interim Financial Report for the first quarter ended 31 December 2017

(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 2017.

Condensed Consolidated Statement of Profit or Loss

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 December		3 months ended 31 December	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Revenue	5,341,646	5,629,920	5,341,646	5,629,920
Operating expenses	(4,918,286)	(5,235,935)	(4,918,286)	(5,235,935)
Other operating income	103,477	168,439	103,477	168,439
Finance costs	(47,760)	(47,025)	(47,760)	(47,025)
Share of results of associates	2,910	2,170	2,910	2,170
Share of results of joint ventures	4,773	(3,766)	4,773	(3,766)
Profit before taxation	486,760	513,803	486,760	513,803
Income tax expense	(109,605)	(104,285)	(109,605)	(104,285)
NET PROFIT FOR THE PERIOD	377,155	409,518	377,155	409,518
Profit attributable to:				
Equity holders of the Company	177,899	197,543	177,899	197,543
Non-controlling interests	199,256	211,975	199,256	211,975
	377,155	409,518	377,155	409,518
Earnings per share for profit attributable to equity holders of the Company (sen)				
Basic	44.2	48.8	44.2	48.8
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 2017.

Interim Financial Report for the first quarter ended 31 December 2017

(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	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Net profit for the period	377,155	409,518	377,155	409,518
Other comprehensive (loss)/income that will be reclassified subsequently to profit or loss				
Foreign currency translation differences	(294,485)	309,716	(294,485)	309,716
Net change in fair value of available-for-sale investments	(40,176)	63,352	(40,176)	63,352
Realisation on fair value of available-for-sale investments	(2,823)	1,041	(2,823)	1,041
	(337,484)	374,109	(337,484)	374,109
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 (loss)/income for the period	(337,484)	373,006	(337,484)	373,006
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	39,671	782,524	39,671	782,524
Total comprehensive income attributable to:				
Equity holders of the Company	11,604	375,033	11,604	375,033
Non-controlling interests	28,067	407,491	28,067	407,491
	39,671	782,524	39,671	782,524

The Condensed Consolidated Statement of Other Comprehensive Income should be read in conjunction with the Annual Report for the year ended 30 September 2017.

Interim Financial Report for the first quarter ended 31 December 2017
(The figures have not been audited)

Condensed Consolidated Statement of Financial Position

	At 31 December 2017	At 30 September 2017
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	5,343,243	5,487,466
Investment property	49,039	49,263
Prepaid lease payments	312,476	321,985
Biological assets	2,652,861	2,725,985
Land held for property development	1,092,558	1,091,471
Goodwill on consolidation	343,976	352,949
Intangible assets	14,630	15,325
Investment in associates	181,005	177,680
Investment in joint ventures	245,366	251,737
Available-for-sale investments	2,333,736	2,400,912
Other receivables	224,941	237,516
Deferred tax assets	437,857	453,110
	13,231,688	13,565,399
Current assets		
Inventories	2,320,068	1,834,008
Biological assets	5,055	37,806
Trade and other receivables	2,602,248	2,627,540
Tax recoverable	48,716	39,582
Property development costs	167,034	154,696
Available-for-sale investments	195,344	327,143
Derivative financial assets	95,860	110,748
Short term funds	574,662	578,489
Cash and cash equivalents	1,896,916	1,755,744
	7,905,903	7,465,756
TOTAL ASSETS	21,137,591	21,031,155

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Report for the year ended 30 September 2017.

Interim Financial Report for the first quarter ended 31 December 2017
(The figures have not been audited)

Condensed Consolidated Statement of Financial Position

	At 31 December 2017	At 30 September 2017
	RM'000	RM'000
EQUITY AND LIABILITIES		
Current liabilities		
Trade and other payables	1,512,457	1,616,627
Deferred income	7,439	7,808
Borrowings	1,762,942	1,375,596
Tax payable	98,511	99,287
Derivative financial liabilities	44,090	104,643
	<u>3,425,439</u>	<u>3,203,961</u>
Net current assets	<u>4,480,464</u>	<u>4,261,795</u>
Non-current liabilities		
Deferred tax liabilities	287,761	284,561
Deferred income	115,701	117,365
Provision for retirement benefits	478,372	488,288
Borrowings	3,563,425	3,567,168
	<u>4,445,259</u>	<u>4,457,382</u>
Total liabilities	<u>7,870,698</u>	<u>7,661,343</u>
Net assets	<u>13,266,893</u>	<u>13,369,812</u>
Equity attributable to owners of the Company		
Share capital	502,914	498,760
Treasury shares	(464,009)	(446,671)
Reserves	6,589,657	6,645,684
	<u>6,628,562</u>	<u>6,697,773</u>
Non-controlling interests	6,638,331	6,672,039
Total equity	<u>13,266,893</u>	<u>13,369,812</u>
TOTAL EQUITY AND LIABILITIES	<u>21,137,591</u>	<u>21,031,155</u>
Net assets per share attributable to equity holders of the Company (RM)	16.49	16.63

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Report for the year ended 30 September 2017.

Interim Financial Report for the first quarter ended 31 December 2017

(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*	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	
At 1 October 2017	498,760	(446,671)	4,716	825,907	261,380	821,177	7,035	4,725,469	6,697,773	6,672,039	13,369,812
Total comprehensive income for the period	-	-	(33)	(35)	(145,730)	(20,386)	-	177,788	11,604	28,067	39,671
Transactions with owners:											
Effect of changes in shareholdings	-	-	-	-	-	-	-	(63,477)	(63,477)	(56,840)	(120,317)
Redemption of redeemable preference shares	4,154	-	-	-	-	-	-	(4,154)	-	-	-
Share buy back	-	(17,338)	-	-	-	-	-	-	(17,338)	-	(17,338)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(4,935)	(4,935)
	4,154	(17,338)	-	-	-	-	-	(67,631)	(80,815)	(61,775)	(142,590)
At 31 December 2017	502,914	(464,009)	4,683	825,872	115,650	800,791	7,035	4,835,626	6,628,562	6,638,331	13,266,893

* Included in Capital Reserve is RM494,129,000 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 2017.

Interim Financial Report for the first quarter ended 31 December 2017

(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 2017.

Interim Financial Report for the first quarter ended 31 December 2017
(The figures have not been audited)

Condensed Consolidated Statement of Cash Flows

	3 months ended 31 December	
	2017	2016
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	486,760	513,803
Adjustments for:		
Non-cash items	139,193	144,860
Non-operating items	8,219	34,116
Operating cash flows before changes in working capital	634,172	692,779
Changes in working capital		
Net change in current assets	(566,629)	(998,055)
Net change in current liabilities	(89,779)	286,779
Cash flows from operations	(22,236)	(18,497)
Interest received	1,010	928
Interest paid	(39,137)	(40,037)
Tax paid	(115,552)	(61,472)
Retirement benefits paid	(6,634)	(9,176)
Net cash flows used in operating activities	(182,549)	(128,254)
Cash flows from investing activities		
Purchase of property, plant and equipment	(74,267)	(183,930)
Payments of prepaid lease	(55)	(2,011)
Plantation development expenditure	(26,028)	(40,239)
Property development expenditure	(1,087)	(4,551)
Subsequent expenditure of an investment property	(9)	-
Purchase of additional shares in a subsidiary	(120,317)	-
Purchase of available-for-sale investments	(206,370)	(2,206)
Purchase of intangible assets	-	(36)
Proceeds from sale of property, plant and equipment	574	6,027
Compensation from government on land acquired	13,713	-
Proceeds from disposal of available-for-sale investments	344,188	104,738
(Increase)/Decrease in short term funds	(4,335)	553,752
Dividends received	19,600	28,455
Interest received	15,118	10,726
Repayment from joint ventures	320	-
Loan to other receivables	(7,206)	-
Net cash flows (used in)/generated from investing activities	(46,161)	470,725

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Report for the year ended 30 September 2017.

Interim Financial Report for the first quarter ended 31 December 2017

(The figures have not been audited)

Condensed Consolidated Statement of Cash Flows

	3 months ended 31 December	
	2017	2016
	RM'000	RM'000
Cash flows from financing activities		
Term loans received	17,010	-
Repayment of term loans	(3,043)	(1,992)
Repayment of Islamic Medium Term Notes	-	(300,000)
Drawdown of short term borrowings	421,012	696,343
Dividends paid to non-controlling interests	(4,935)	(941)
Share buy back	(17,338)	(7,940)
Redemption of redeemable preference shares from non-controlling interests	-	784
Issuance of shares to non-controlling interests	-	13,171
Decrease in other receivables	5,232	7,045
Net cash flows generated from financing activities	417,938	406,470
Net increase in cash and cash equivalents	189,228	748,941
Effects of exchange rate changes	(39,857)	35,386
Cash and cash equivalents at 1 October	1,631,621	1,508,195
Cash and cash equivalents at 31 December	1,780,992	2,292,522
Cash and cash equivalents at 31 December is represented by:		
Cash and cash equivalents	1,896,916	2,338,699
Borrowings - Bank overdraft	(115,924)	(46,177)
	1,780,992	2,292,522

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Report for the year ended 30 September 2017.

Interim Financial Report for the first quarter ended 31 December 2017

(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 2017. 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 2017 except for the adoption of the following FRSs:

Amendments to FRSs effective for annual periods beginning on or after 1 January 2017

- Amendments to FRS12 *Disclosure of Interests in Other Entities (Annual Improvements to FRS Standards 2014-2016 Cycle)*
- Amendments to FRS 107 *Statement of Cash Flows – Disclosure Initiative*
- Amendments to FRS 112 *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

The application of the above 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 significant changes in the amounts of estimates reported in prior interim periods or prior financial years that have a material effect in the current interim period.

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 871,400 shares in the Company from the open market. The average price paid for the shares repurchased was RM19.83 per share and the total consideration paid, including transaction costs, was RM17,337,539. The shares bought back were financed by internally generated funds and borrowings and held as treasury shares.

A7. Dividends paid

No dividend has been paid during the current quarter ended 31 December 2017 (31 December 2016: Nil).

Interim Financial Report for the first quarter ended 31 December 2017

(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
3 months ended						
31 December 2017						
Revenue						
External revenue	2,577,522	2,630,770	17,882	115,472	-	5,341,646
Inter-segment revenue	270,628	-	-	302,677	(573,305)	-
Total revenue	<u>2,848,150</u>	<u>2,630,770</u>	<u>17,882</u>	<u>418,149</u>	<u>(573,305)</u>	<u>5,341,646</u>
Results						
Operating results	280,619	192,594	1,117	61,244	(8,737)	526,837
Finance costs	(4,435)	(14,983)	-	(37,079)	8,737	(47,760)
Share of results of associates	1,172	444	615	679	-	2,910
Share of results of joint ventures	(1,324)	-	-	6,097	-	4,773
Segment results	<u>276,032</u>	<u>178,055</u>	<u>1,732</u>	<u>30,941</u>	<u>-</u>	<u>486,760</u>
Profit before taxation						<u>486,760</u>
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 a joint venture	(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>

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(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 2017					
Operating assets	6,550,391	7,587,145	1,396,541	4,690,570	20,224,647
Associates	69,975	8,404	72,094	30,532	181,005
Joint ventures	142,916	-	-	102,450	245,366
Segment assets	<u>6,763,282</u>	<u>7,595,549</u>	<u>1,468,635</u>	<u>4,823,552</u>	<u>20,651,018</u>
Tax assets					486,573
Total assets					<u>21,137,591</u>
At 30 September 2017					
Operating assets	6,717,622	7,449,282	1,385,280	4,556,862	20,109,046
Associates	65,845	9,058	71,479	31,298	177,680
Joint ventures	150,556	-	-	101,181	251,737
Segment assets	<u>6,934,023</u>	<u>7,458,340</u>	<u>1,456,759</u>	<u>4,689,341</u>	<u>20,538,463</u>
Tax assets					492,692
Total assets					<u>21,031,155</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 2017					
Segment liabilities	<u>1,513,170</u>	<u>2,789,652</u>	<u>59,324</u>	<u>3,122,280</u>	<u>7,484,426</u>
Tax liabilities					386,272
Total liabilities					<u>7,870,698</u>
At 30 September 2017					
Segment liabilities	<u>1,528,013</u>	<u>2,559,816</u>	<u>67,139</u>	<u>3,122,527</u>	<u>7,277,495</u>
Tax liabilities					383,848
Total liabilities					<u>7,661,343</u>

A9. Material events subsequent to end of period

On 19 January 2018, Kolb Distribution AG, a wholly-owned sub-subsidiary of the Company has incorporated a new wholly-owned company called KLK Chemicals Holding Netherlands B.V. in the Netherlands, which has a total issued capital of Euro25 million comprising 25,000 shares of Euro1,000 each and is currently non-operational.

The intended principal activity of KLK Chemicals Holdings Netherlands B.V. is investment holdings.

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 except for the increase in shareholding in Kuala Lumpur Kepong Berhad to 47.03% from 46.56%.

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 2017.

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(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 2017 RM'000	At 30 September 2017 RM'000
Capital expenditure		
Approved and contracted	187,271	149,163
Approved but not contracted	442,634	550,456
	629,905	699,619
Acquisition of shares in a sub-subsiary		
Approved and contracted	1,258	1,322

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	
	2017 RM'000	2016 RM'000
a) Transactions with associates and joint venture:		
Sales of goods	120,071	-
Purchase of goods	449,285	412,295
Service charges paid	695	408
Research and development services paid	3,935	4,264
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	71,203	60,163
Taiko Marketing (S) Pte Ltd	486	1,239
Chlor-Al Chemical Pte Ltd	2,460	2,708
Storage tanks rental received:		
Taiko Marketing Sdn Bhd	1,026	896
Purchases of goods:		
Taiko Marketing Sdn Bhd	16,320	7,824
Taiko Marketing (S) Pte Ltd	11,595	4,273
Taiko Acid Works Sdn Bhd	946	1,149
Borneo Taiko Clay Sdn Bhd	1,420	1,348
Bukit Katho Estate Sdn Bhd	1,516	1,234
Kampar Rubber & Tin Co Sdn Bhd	2,048	2,054
Malay Rubber Plantations (M) Sdn Bhd	2,162	1,607
PT Agro Makmur Abadi	16,215	21,729
PT Safari Riau	10,914	14,578
Supply of contract labours and engineering works:		
K7 Engineering Sdn Bhd	179	473

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(The figures have not been audited)

	Cumulative Quarter	
	3 months ended	
	31 December	
	2017	2016
	RM'000	RM'000
c) Transactions between subsidiaries and their non-controlling interests:		
Sales of goods:		
Mitsubishi Corporation	17,700	20,074
Mitsui & Co Ltd	87,062	110,711
Tejana Trading & Management Services Sdn Bhd	1,103	2,806
Purchases of goods:		
Mitsubishi Gas Chemical Singapore Pte Ltd	1,546	-
PT Letawa	2,759	-
PT Tanjung Bina Lestari	28,163	-
PT Tanjung Sarana Lestari	221,891	506,297
Tejana Trading & Management Services Sdn Bhd	1,362	-

A14. Proposed Acquisition of a sub-subsidiary

KLK Group via its wholly-owned subsidiary, Kolb Distribution AG (“Kolb”) proposed to acquire from Elementis B.V. (“the Seller”) its entire interest in Elementis Specialties Netherlands B.V. (“ESN”) together with its surfactant chemicals assets and business in Delden, the Netherlands (“Proposed Acquisition”).

On 11 December 2017, Kolb, the Seller and ESN executed a Signing Protocol (“Protocol”) whereby they have agreed to obtain the prior advice of the Dutch Works Council and approval of relevant competition authorities with respect to the Proposed Acquisition within 4 months from the date of the Protocol or by any later date.

The purchase consideration is based on an enterprise value of Euro39 million on a cash-free debt-free basis and with a normal level of working capital and will be funded by a combination of KLK Group’s existing cash reserve and bank borrowings.

The Proposed Acquisition is expected to be completed in the first half of calendar year 2018 subject to the fulfillment of all conditions precedent stated in the Protocol and Sales and Purchase Agreement. Following completion of the Proposed Acquisition, ESN will be a subsidiary of KLK Group.

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(The figures have not been audited)

B. Explanatory Notes as required by the Bursa Securities' Listing Requirements
B1. Detailed analysis of performance
1st Quarter FY 2018 vs 1st Quarter FY 2017

	Quarter Ended		Changes %
	31 December 2017	31 December 2016	
	RM'000	RM'000	
Revenue	5,341,646	5,629,920	(5.1)
Segment results:			
Plantations	276,032	430,229	(35.8)
Manufacturing	178,055	53,777	231.0
Property development	1,732	15,892	(89.1)
Investment holding/Others	30,941	13,905	122.4
Profit before taxation	486,760	513,803	(5.2)

The Group's revenue for the current quarter was RM5,341.65 million, 5.1% lower than RM5,629.92 million in the corresponding quarter last year. Group profit before tax was significantly lower at RM486.76 million (1Q2017: RM513.80 million). Comments on the respective business segments are as follows:

Plantations reported a profit of RM276.03 million, 35.8% lower compared to last year's corresponding quarter's profit of RM430.23 million resulting from weaker average selling price of CPO and PK realised as shown below:

	Quarter Ended		Changes %
	31 December 2017	31 December 2016	
	RM'000	RM'000	
Crude Palm Oil (RM/mt ex-mill)	2,573	2,714	(5.2)
Palm Kernel (RM/mt ex-mill)	2,475	2,635	(6.0)

The profit was further affected by lower CPO sales volume together with net unrealised foreign exchange translation loss of RM29.70 million (1QFY2017: net gain RM44.40 million) on loans advanced and bank borrowings to Indonesian subsidiaries.

Manufacturing's profit reported a substantial rise to RM178.05 million, 231.0% higher than last year corresponding quarter's profit of RM53.78 million with revenue rose 8.4% to RM2,630.77 million (1Q2017: RM2,426.78 million).

The oleochemical division's profit was significantly higher at RM141.11 million (1Q2017: RM18.36 million) aided by an unrealised gain of RM25.4 million (1Q2017: RM27.4 million unrealised loss) arising from the fair value changes on outstanding derivative contracts. The improved profit margins from now stabilised raw material cost i.e. crude palm kernel oil ("CPKO") also contributed to the higher profit. The chemicals division posted a 24.8% higher profit of RM36.24 million (1Q2017: RM29.02 million) from higher selling price and new customers.

Property Development's profit registered a sharp decline to RM1.73 million (1Q2017: RM15.89 million) in line with 70.3% drop in revenue to RM17.88 million.

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(The figures have not been audited)

Investment holdings/Others' profit increased by 122.4% to RM30.94 million (1Q2017: RM13.91 million) was contributed by RM13.62 million surplus arising from government acquisition of land and joint venture distribution amounted to RM6.83 million.

**B2. Comparison of current quarter's results to the preceding quarter
1st Quarter FY 2018 vs 4th Quarter FY 2017**

	Quarter Ended		Changes %
	31 December 2017	30 September 2016	
	RM'000	RM'000	
Revenue	5,341,646	5,301,592	0.7
Segment results:			
Plantations	276,032	296,115	(6.7)
Manufacturing	178,055	115,374	54.3
Property development	1,732	20,936	(91.7)
Investment holding/Others	30,941	(9,827)	414.8
Profit before taxation	486,760	422,598	15.1

For the current quarter, Group pre-tax profit increased 15.1% to RM486.76 million compared to the RM422.60 million reported in the preceding quarter whilst revenue was marginally higher at RM5,341.65 million (4Q12017: RM5,301.59 million).

Plantations recorded a lower profit of RM276.03 million (4Q2017: RM296.12 million) resulting from increased production cost and higher net unrealised foreign exchange translation loss of RM29.70 million (4Q2017: RM18.90 million loss) on loans advanced and borrowings to the Indonesian subsidiaries despite higher realised PK selling price (ex-mill).

Manufacturing's profit increased by 54.3% to RM178.06 million (4Q2017: RM115.37 million after netting off an impairment of RM30.94 million on an under-performing specialised oleochemical plant). Despite marginal decrease in revenue to RM2,630.77 (4Q2017: RM2,670.35 million), the higher profit was achieved from improved margins and a RM25.37 million unrealised fair value gain (4Q2017: RM6.29 million) from derivative contracts.

The oleochemical division posted a 85.3% sharp rise in profit to RM141.11 million (4Q2017: RM76.15 million) whilst the profit from chemicals division had decreased marginally by 0.2% to RM36.24 million (4Q2017: RM36.32 million).

Property Development recorded a substantial drop in profit of RM1.73 million (4Q2017: RM20.94 million) due to lower development profits recognised from the Bandar Seri Coalfields project. Revenue decreased 59.7% to RM17.88 million (4Q2017: RM44.43 million).

Investment holdings/Others' profit surged 414.8% to RM30.94 million (4Q2017: RM9.83 million loss), contributed by farming (RM31.91 million profit versus 4Q2017: RM8.26 million loss) from sale of seasonal higher harvested crops during the current quarter. In addition, including in this segment was a RM13.62 million surplus arising from government acquisition of land.

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(The figures have not been audited)

B3. Current year's prospects

The Group Plantations' profit during the period under review was affected by the decline in CPO prices due to post El-Nino FFB production recovery resulting in high CPO inventories. The Malaysian authorities, however have taken various positive measures to limit any further CPO price erosion.

The Group Manufacturing current quarter's profit has increased due to higher capacity utilisation and operational efficiencies.

As for the Chemicals division, profit from the chlor-alkali business is expected to be satisfactory. The sulphuric acid business is expected to remain profitable in view of the recent re-structuring of plant capacity, though continuing to face challenges from imported smelter acid.

Overall the Group anticipates a satisfactory result for financial year 2018.

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 31 December		3 months ended 31 December	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Current tax				
Malaysian taxation	53,075	49,044	53,075	49,044
Overseas taxation	56,597	49,365	56,597	49,365
	<u>109,672</u>	<u>98,409</u>	<u>109,672</u>	<u>98,409</u>
Deferred tax				
Relating to origination and reversal of temporary differences	(1,989)	4,728	(1,989)	4,728
Under/(Over) provision in respect of previous years	2,096	(298)	2,096	(298)
	<u>107</u>	<u>4,430</u>	<u>107</u>	<u>4,430</u>
(Over)/Under provision in respect of previous years				
Malaysian taxation	(217)	2,264	(217)	2,264
Overseas taxation	43	(818)	43	(818)
	<u>(174)</u>	<u>1,446</u>	<u>(174)</u>	<u>1,446</u>
	<u>109,605</u>	<u>104,285</u>	<u>109,605</u>	<u>104,285</u>

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(The figures have not been audited)

Reconciliation of effective taxation

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 December		3 months ended 31 December	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit before taxation	486,760	513,803	486,760	513,803
Taxation at Malaysia income tax rate of 24% (FY 2017: 24%)	116,822	123,313	116,822	123,313
Effect of difference tax rates	(3,382)	6,292	(3,382)	6,292
Withholding tax on foreign dividend and interest income	3,055	4,140	3,055	4,140
Expenses not deductible for tax purposes	24,188	23,039	24,188	23,039
Tax exempt and non-taxable income	(20,029)	(43,008)	(20,029)	(43,008)
Effect of reduction in Malaysia income tax rate on incremental chargeable income	1	-	1	-
Tax incentives	(975)	(1,871)	(975)	(1,871)
Deferred tax (liabilities)/assets not recognised during the period	(215)	2,689	(215)	2,689
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(9,154)	(12,242)	(9,154)	(12,242)
Tax effect of associates' and joint ventures' results	(1,832)	-	(1,832)	-
Recognition of deferred tax assets not taken up previously	(16)	(337)	(16)	(337)
Recognition of unabsorbed reinvestment allowance	(1,479)	-	(1,479)	-
(Over)/Under provision of expense in respect of previous years	(174)	1,446	(174)	1,446
Under/(Over) provision of deferred tax in respect of previous years	2,096	(298)	2,096	(298)
Others	699	1,122	699	1,122
Tax expense	109,605	104,285	109,605	104,285

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 2017					
	Long Term		Short Term		Total Borrowings	
	Foreign Denomination	RM Denomination	Foreign Denomination	RM Denomination	Foreign Denomination	RM Denomination
	'000	RM'000	'000	RM'000	'000	RM'000
<u>Secured</u>						
Term Loans	Euro 8,735	42,453	Euro 2,734	13,285	Euro 11,469	55,738
<u>Unsecured</u>						
Bank overdraft	-	-	Euro 23,853	115,924	Euro 23,853	115,924
Revolving credit	-	-	Euro 38,000	184,680	Euro 38,000	184,680
Trade financing	-	-	USD 121,922	493,786	USD 121,922	493,786
Term loans	USD 50,000	202,272	-	-	USD 50,000	202,272
	Euro 45,000	218,700	Euro 5,000	24,300	Euro 50,000	243,000
Export credit refinancing	-	-	-	245,075	-	245,075
Bankers' acceptance	-	-	-	685,892	-	685,892
Islamic medium term notes	-	3,100,000	-	-	-	3,100,000
Total	-	3,563,425	-	1,762,942	-	5,326,367

	At 31 December 2016					
	Long Term		Short Term		Total Borrowings	
	Foreign Denomination	RM Denomination	Foreign Denomination	RM Denomination	Foreign Denomination	RM Denomination
	'000	RM'000	'000	RM'000	'000	RM'000
<u>Secured</u>						
Term Loans	Euro 1,660	7,836	Euro 2,070	9,771	Euro 3,730	17,607
<u>Unsecured</u>						
Bank overdraft	-	-	Euro 9,783	46,177	Euro 9,783	46,177
Revolving credit	-	-	USD 34,306	153,951	USD 34,306	153,951
	-	-	Euro 45,000	212,418	Euro 45,000	212,418
	-	-	GBP 12,000	66,456	GBP 12,000	66,456
	-	-	Rmb 50,000	32,315	Rmb 50,000	32,315
Trade financing	-	-	USD 146,144	655,823	USD 146,144	655,823
Term loans	USD 30,000	134,266	USD 20,000	89,510	USD 50,000	223,776
	Euro 50,000	236,020	-	-	Euro 50,000	236,020
Export credit refinancing	-	-	-	312,550	-	312,550
Bankers' acceptance	-	-	-	434,034	-	434,034
Islamic medium term notes	-	3,100,000	-	-	-	3,100,000
Total		3,478,122		2,013,005		5,491,127

	At 31 December	
	2017	2016
<u>Exchange Rates Applied</u>		
USD / RM	4.0500	4.4875
Euro / RM	4.8600	4.7204
GBP / RM	-	5.5380
Rmb / RM	-	0.6463

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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 December 2017, 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	(1,437,336)	38,553
- 1 year to 3 years	-	-
- More than 3 years	-	-
b) Commodity futures contracts:		
- Less than 1 year	(170,102)	13,217
- 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 2017, 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 2017 (31 December 2016: Nil).

b) Total dividend for the current financial year to-date is Nil (31 December 2016: Nil).

Interim Financial Report for the first quarter ended 31 December 2017

(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	
	2017	2016	2017	2016
Net profit for the period attributable to equity holders of the Company (RM'000)	177,899	197,543	177,899	197,543
Weighted average number of shares ('000)	402,423	405,084	402,423	405,084
Earnings per share (sen)	44.2	48.8	44.2	48.8

B13. Audit report of preceding annual financial statements

The auditors' report on the financial statements for the year ended 30 September 2017 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	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Interest income	(23,442)	(15,521)	(23,442)	(15,521)
Dividend income	(3,297)	(14,345)	(3,297)	(14,345)
Other income	(103,477)	(168,439)	(103,477)	(168,439)
Interest expense	47,760	47,025	47,760	47,025
Depreciation and amortisation	129,756	132,226	129,756	132,226
(Reversal of write-off)/Provision for and write-off of receivables	(56)	4,774	(56)	4,774
Provision for and write-off of inventories	14,789	4,276	14,789	4,276
(Surplus)/Deficit on disposal of quoted or unquoted investments	(2,577)	2,088	(2,577)	2,088
Surplus on disposal of land	(235)	(4,168)	(235)	(4,168)
Surplus arising from government acquisition of land	(13,624)	-	(13,624)	-
Impairment of property, plant and equipment	-	-	-	-
Impairment of value in an associate	-	2,132	-	2,132
Foreign exchange loss/(gain)	32,947	(33,691)	32,947	(33,691)
Loss/(Gain) on derivatives	(31,869)	53,268	(31,869)	53,268
Exceptional items	-	-	-	-

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(The figures have not been audited)

B15. Breakdown of realised and unrealised profits or losses

	At 31 December 2017	At 30 September 2017
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	8,697,553	8,268,956
- Unrealised	429,679	543,730
	<u>9,127,232</u>	<u>8,812,686</u>
Total share of retained profits from associates:		
- Realised	82,681	79,874
- Unrealised	833	730
	<u>83,514</u>	<u>80,604</u>
Total share of (accumulated loss)/retained profits from joint ventures:		
- Realised	(42,496)	(47,924)
- Unrealised	15,316	15,971
	<u>(27,180)</u>	<u>(31,953)</u>
Consolidation adjustments	(4,347,940)	(4,135,868)
Total group retained profits as per consolidated accounts	<u>4,835,626</u>	<u>4,725,469</u>

By Order of the Board

CHONG SEE TECK
YAP MIOW KIEN
CHIEW CINDY
Company Secretaries

12 February 2018