

# **BATU KAWAN BERHAD**

(6292-U)  
(Incorporated in Malaysia)

**Interim Financial Report  
for the Third Quarter ended 30 June 2018**

**Interim Financial Report for the third quarter ended 30 June 2018**

(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 2018.

**Condensed Consolidated Statement of Profit or Loss**

	Individual Quarter			Cumulative Quarter		
	3 months ended		+/(-) %	9 months ended		+/(-) %
	30 June			30 June		
2018	2017		2018	2017		
	RM'000	RM'000		RM'000	RM'000	
Revenue	4,472,625	5,012,875	(10.8)	14,643,989	16,246,730	(9.9)
Operating expenses	(4,178,630)	(4,723,921)	(11.5)	(13,638,437)	(15,079,208)	(9.6)
Other operating income	27,912	10,160	174.7	214,240	178,658	19.9
Finance costs	(49,868)	(49,577)	0.6	(147,160)	(144,524)	1.8
Share of results of associates	3,076	1,388	121.6	8,360	7,916	5.6
Share of results of joint ventures	(6,211)	(2,895)	114.5	(2,883)	(10,038)	(71.3)
<b>Profit before taxation</b>	<b>268,904</b>	<b>248,030</b>	<b>8.4</b>	<b>1,078,109</b>	<b>1,199,534</b>	<b>(10.1)</b>
Income tax expense	(78,642)	(93,336)	(15.7)	(279,911)	(300,173)	(6.8)
<b>NET PROFIT FOR THE PERIOD</b>	<b>190,262</b>	<b>154,694</b>	<b>23.0</b>	<b>798,198</b>	<b>899,361</b>	<b>(11.2)</b>
Profit attributable to:						
Equity holders of the Company	106,588	80,779	32.0	394,239	441,637	(10.7)
Non-controlling interests	83,674	73,915	13.2	403,959	457,724	(11.7)
	190,262	154,694	23.0	798,198	899,361	(11.2)
Earnings per share for profit attributable to equity holders of the Company (sen)						
Basic	26.6	20.0		98.2	109.2	
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 third quarter ended 30 June 2018**

(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	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<b>Net profit for the period</b>	<b>190,262</b>	<b>154,694</b>	<b>798,198</b>	<b>899,361</b>
Other comprehensive income/(loss) that will be reclassified subsequently to profit or loss				
Currency translation differences	37,894	(110,758)	(541,390)	198,843
Net change in fair value of available-for-sale investments	144,960	46,713	31,698	493,655
Realisation on fair value of available-for-sale investments	(4,543)	(4,028)	(7,713)	(2,987)
	178,311	(68,073)	(517,405)	689,511
Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	-	4	-	(1,111)
<b>Total other comprehensive income/(loss) for the period</b>	<b>178,311</b>	<b>(68,069)</b>	<b>(517,405)</b>	<b>688,400</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>368,573</b>	<b>86,625</b>	<b>280,793</b>	<b>1,587,761</b>
Total comprehensive income attributable to:				
Equity holders of the Company	188,734	47,074	132,512	770,095
Non-controlling interests	179,839	39,551	148,281	817,666
	368,573	86,625	280,793	1,587,761

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 third quarter ended 30 June 2018**

(The figures have not been audited)

**Condensed Consolidated Statement of Financial Position**

	<b>At 30 June 2018</b>	<b>At 30 September 2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant & equipment	5,394,518	5,487,466
Investment property	68,246	49,263
Prepaid lease payments	302,095	321,985
Biological assets	2,586,977	2,725,985
Land held for property development	1,096,966	1,091,471
Goodwill on consolidation	338,506	352,949
Intangible assets	22,702	15,325
Investment in associates	183,917	177,680
Investment in joint ventures	255,677	251,737
Available-for-sale investments	2,420,511	2,400,912
Other receivables	211,714	237,516
Deferred tax assets	412,220	453,110
	<b>13,294,049</b>	<b>13,565,399</b>
<b>Current assets</b>		
Inventories	2,287,445	1,834,008
Biological assets	29,856	37,806
Trade and other receivables	2,269,375	2,627,540
Tax recoverable	52,878	39,582
Property development costs	155,967	154,696
Available-for-sale investments	241,121	327,143
Derivative financial assets	57,694	110,748
Short term funds	625,998	578,489
Cash and cash equivalents	1,452,853	1,755,744
	<b>7,173,187</b>	<b>7,465,756</b>
<b>TOTAL ASSETS</b>	<b>20,467,236</b>	<b>21,031,155</b>

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 third quarter ended 30 June 2018**  
(The figures have not been audited)

**Condensed Consolidated Statement of Financial Position**

	<b>At 30 June 2018</b>	<b>At 30 September 2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	1,483,301	1,616,627
Deferred income	7,704	7,808
Borrowings	1,244,769	1,375,596
Tax payable	65,471	99,287
Derivative financial liabilities	46,576	104,643
Dividend payable	144,712	-
	<u>2,992,533</u>	<u>3,203,961</u>
<b>Net current assets</b>	<b><u>4,180,654</u></b>	<b><u>4,261,795</u></b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	298,904	284,561
Deferred income	121,218	117,365
Provision for retirement benefits	467,834	488,288
Borrowings	3,640,560	3,567,168
	<u>4,528,516</u>	<u>4,457,382</u>
<b>Total liabilities</b>	<b><u>7,521,049</u></b>	<b><u>7,661,343</u></b>
<b>Net assets</b>	<b><u>12,946,187</u></b>	<b><u>13,369,812</u></b>
<b>Equity attributable to owners of the Company</b>		
Share capital	506,053	498,760
Treasury shares	(489,963)	(446,671)
Reserves	6,467,059	6,645,684
	<u>6,483,149</u>	<u>6,697,773</u>
Non-controlling interests	6,463,038	6,672,039
<b>Total equity</b>	<b><u>12,946,187</u></b>	<b><u>13,369,812</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>20,467,236</u></b>	<b><u>21,031,155</u></b>
Net assets per share attributable to equity holders of the Company (RM)	16.18	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 third quarter ended 30 June 2018**

(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	
<b>At 1 October 2017</b>	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 (loss)/income for the period	-	-	(69)	420	(268,190)	6,831	-	393,520	132,512	148,281	280,793
Transactions with owners:											
Effect of changes in shareholdings	-	-	-	-	-	-	-	(63,342)	(63,342)	(56,975)	(120,317)
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	15,499	15,499
Redemption of redeemable preference shares	7,293	-	-	-	-	-	-	(7,293)	-	-	-
Shares buy back	-	(43,292)	-	-	-	-	-	-	(43,292)	-	(43,292)
Dividend paid	-	-	-	-	-	-	-	(180,400)	(180,400)	-	(180,400)
Dividends payable	-	-	-	-	-	-	-	(60,102)	(60,102)	(84,610)	(144,712)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(231,196)	(231,196)
	7,293	(43,292)	-	-	-	-	-	(311,137)	(347,136)	(357,282)	(704,418)
<b>At 30 June 2018</b>	506,053	(489,963)	4,647	826,327	(6,810)	828,008	7,035	4,807,852	6,483,149	6,463,038	12,946,187

\* Included in Capital Reserve is RM494,584,000 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 third quarter ended 30 June 2018**

(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	
<b>At 1 October 2016</b>	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	-	-	11	2,343	2,431	94,304	234,560	-	436,446	770,095	817,666	1,587,761
Transactions with owners:												
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	-	13,171	13,171
Redemption of redeemable preference shares	7,428	-	-	-	-	-	-	-	(7,428)	-	-	-
Shares buy back	-	(34,226)	-	-	-	-	-	-	-	(34,226)	-	(34,226)
Dividend paid	-	-	-	-	-	-	-	-	(161,890)	(161,890)	-	(161,890)
Dividends payable	-	-	-	-	-	-	-	-	(60,488)	(60,488)	(85,360)	(145,848)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(238,232)	(238,232)
	7,428	(34,226)	-	-	-	-	-	-	(229,806)	(256,604)	(310,421)	(567,025)
Reclassification of capital redemption reserve to share capital pursuant to Section 618(2) of the Companies Act 2016	31,304	-	-	-	(31,183)	-	-	-	-	121	(121)	-
<b>At 30 June 2017</b>	474,683	(437,498)	4,733	825,597	-	302,437	795,438	7,035	4,620,996	6,593,421	6,597,996	13,191,417

\* Included in Capital Reserve is RM493,854,000 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 third quarter ended 30 June 2018**

(The figures have not been audited)

**Condensed Consolidated Statement of Cash Flows**

	<b>9 months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before taxation	1,078,109	1,199,534
Adjustments for:		
Non-cash items	487,927	459,530
Non-operating items	34,440	(106,579)
Operating cash flows before changes in working capital	1,600,476	1,552,485
Changes in working capital		
Net change in current assets	(170,348)	(239,281)
Net change in current liabilities	(169,520)	(20,946)
Cash flows from operations	1,260,608	1,292,258
Interest received	2,998	4,356
Interest paid	(150,760)	(136,316)
Tax paid	(316,183)	(242,280)
Retirement benefits paid	(22,682)	(26,219)
<b>Net cash flows generated from operating activities</b>	<b>773,981</b>	<b>891,799</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(273,278)	(422,989)
Payments of prepaid lease	(561)	(1,763)
Plantation development expenditure	(67,590)	(103,304)
Property development expenditure	(5,495)	(14,244)
Purchase of investment properties	(9,003)	-
Purchase of shares in a sub-subsidiary, net of cash acquired	(172,082)	-
Purchase of additional shares in a subsidiary	(120,317)	-
Subscription of shares in joint ventures	(2,474)	-
Purchase of available-for-sale investments	(516,734)	(659,387)
Purchase of intangible assets	(819)	(37)
Proceeds from sale of property, plant and equipment	3,628	12,728
Compensation from government on land acquired	25,546	7,011
Proceeds from disposal of available-for-sale investments	573,162	170,983
Advances to joint ventures	(24,020)	-
Advances to investee companies	(7,866)	(18,312)
(Increase)/Decrease in short term funds	(58,374)	402,571
Dividends received	39,405	50,294
Interest received	47,241	37,510
<b>Net cash flows used in investing activities</b>	<b>(569,631)</b>	<b>(538,939)</b>

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 third quarter ended 30 June 2018**  
(The figures have not been audited)

**Condensed Consolidated Statement of Cash Flows**

	<b>9 months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from financing activities</b>		
Drawdown of term loans	198,929	105,723
Repayment of term loans	(9,349)	(90,816)
Repayment of Islamic Medium Term Notes	-	(300,000)
(Repayment)/Drawdown of short term borrowings	(128,486)	474,344
Dividends paid	(180,400)	(161,890)
Dividends paid to non-controlling interests	(231,196)	(238,232)
Shares buy back	(43,292)	(34,226)
Redemption of redeemable preference shares from non-controlling interests	-	1,440
Issuance of shares to non-controlling interests	15,499	13,171
Decrease in other receivables	13,217	12,298
<b>Net cash flows used in financing activities</b>	<b>(365,078)</b>	<b>(218,188)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(160,728)</b>	<b>134,672</b>
Effects of exchange rate changes	(79,191)	17,506
Cash and cash equivalents at 1 October	1,631,621	1,508,195
<b>Cash and cash equivalents at 30 June</b>	<b>1,391,702</b>	<b>1,660,373</b>
Cash and cash equivalents at 30 June is represented by:		
Cash and cash equivalents	1,452,853	1,782,835
Borrowings - Bank overdraft	(61,151)	(122,462)
	<b>1,391,702</b>	<b>1,660,373</b>

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 third quarter ended 30 June 2018**

(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 FRS 12 *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 2,196,300 shares in the Company from the open market. The average price paid for the shares repurchased was RM19.64 per share and the total consideration paid, including transaction costs, was RM43,292,307. The shares bought back were financed by internally generated funds and borrowings and held as treasury shares.

**Interim Financial Report for the third quarter ended 30 June 2018**

(The figures have not been audited)

**A7. Dividends paid**

	<b>9 months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Dividends proposed in financial year ("FY") 2017, paid in FY 2018:		
Final single tier 45 sen (FY 2016, paid in FY 2017: 40 sen) per share	180,400	161,890

**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

	<b>Plantations</b>	<b>Manufacturing</b>	<b>Property Development</b>	<b>Investment Holding/Others</b>	<b>Elimination</b>	<b>Consolidated</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>9 months ended 30 June 2018</b>						
Revenue						
External revenue	6,291,806	8,034,372	106,144	211,667	-	14,643,989
Inter-segment revenue	628,859	-	-	663,517	(1,292,376)	-
Total revenue	<u>6,920,665</u>	<u>8,034,372</u>	<u>106,144</u>	<u>875,184</u>	<u>(1,292,376)</u>	<u>14,643,989</u>
Results						
Operating results	615,094	495,130	14,980	120,742	(26,154)	1,219,792
Finance costs	(13,313)	(48,963)	-	(111,038)	26,154	(147,160)
Share of results of associates	4,525	636	1,609	1,590	-	8,360
Share of results of joint ventures	(8,608)	-	-	5,725	-	(2,883)
Segment results	<u>597,698</u>	<u>446,803</u>	<u>16,589</u>	<u>17,019</u>	<u>-</u>	<u>1,078,109</u>
Profit before taxation						<u>1,078,109</u>
<b>9 months ended 30 June 2017</b>						
Revenue						
External revenue	8,237,059	7,674,893	97,096	237,682	-	16,246,730
Inter-segment revenue	1,217,298	-	-	332,717	(1,550,015)	-
Total revenue	<u>9,454,357</u>	<u>7,674,893</u>	<u>97,096</u>	<u>570,399</u>	<u>(1,550,015)</u>	<u>16,246,730</u>
Results						
Operating results	1,048,009	207,082	18,141	103,586	(30,638)	1,346,180
Finance costs	(10,010)	(51,449)	-	(113,703)	30,638	(144,524)
Share of results of associates	6,416	574	1,419	(493)	-	7,916
Share of results of a joint venture	(10,704)	-	-	666	-	(10,038)
Segment results	<u>1,033,711</u>	<u>156,207</u>	<u>19,560</u>	<u>(9,944)</u>	<u>-</u>	<u>1,199,534</u>
Profit before taxation						<u>1,199,534</u>

**Interim Financial Report for the third quarter ended 30 June 2018**

(The figures have not been audited)

## b) Segment assets

	<b>Plantations</b>	<b>Manufacturing</b>	<b>Property Development</b>	<b>Investment Holding/Others</b>	<b>Consolidated</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>At 30 June 2018</b>					
Operating assets	6,251,170	7,314,850	1,428,378	4,568,146	19,562,544
Associates	72,306	8,718	73,088	29,805	183,917
Joint ventures	154,228	-	-	101,449	255,677
Segment assets	<u>6,477,704</u>	<u>7,323,568</u>	<u>1,501,466</u>	<u>4,699,400</u>	<u>20,002,138</u>
Tax assets					465,098
Total assets					<u>20,467,236</u>
<b>At 30 September 2017</b>					
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

	<b>Plantations</b>	<b>Manufacturing</b>	<b>Property Development</b>	<b>Investment Holding/Others</b>	<b>Consolidated</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>At 30 June 2018</b>					
Segment liabilities	1,221,722	2,595,693	78,678	3,115,869	7,011,962
Tax liabilities and dividend payable					509,087
Total liabilities					<u>7,521,049</u>
<b>At 30 September 2017</b>					
Segment liabilities	1,528,013	2,559,816	67,139	3,122,527	7,277,495
Tax liabilities					383,848
Total liabilities					<u>7,661,343</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**

- (a) The proposed subscription of 75% equity interest in PT Perindustrian Sawit Synergi ("PSS") by KLK Group's wholly-owned subsidiary, KL-Kepong Plantation Holdings Sdn Bhd was completed on 31 May 2018. Following the completion, PSS is now a subsidiary of KLK Group.
- (b) Kubahi Marine Services Ltd ("KMS"), a subsidiary of KLK Group, has submitted an application to the Registrar of Companies ("ROC") Papua New Guinea ("PNG") for the removal of KMS from the Companies Register of PNG. The ROC has approved the application on 28 June 2018.

Following such approval, KMS ceased to be a subsidiary of KLK Group. The removal of KMS from the Companies Register of PNG 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 2018.

**Interim Financial Report for the third quarter ended 30 June 2018**

(The figures have not been audited)

**A11. Changes in contingent liabilities and contingent assets**

There were no material changes in the contingent liabilities or contingent assets since the last annual financial statements for the year ended 30 September 2017.

**A12. Capital commitments**

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

	<b>At 30 June 2018 RM'000</b>	<b>At 30 September 2017 RM'000</b>
Capital expenditure		
Approved and contracted	88,093	149,163
Approved but not contracted	285,610	550,456
	<u>373,703</u>	<u>699,619</u>
Acquisition of shares in a sub-subsidiary		
Approved and contracted	1,187	1,322
Joint venture		
Share of capital commitment of a joint venture	13,189	-

**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:

	<b>Cumulative Quarter 9 months ended 30 June</b>	
	<b>2018 RM'000</b>	<b>2017 RM'000</b>
a) Transactions with associates and joint ventures:		
Sales of goods	246,991	5,098
Purchase of goods	971,878	959,485
Service charges paid	1,722	1,939
Research and development services paid	11,084	10,433

**Interim Financial Report for the third quarter ended 30 June 2018**

(The figures have not been audited)

	<b>Cumulative Quarter</b>	
	<b>9 months ended</b>	
	<b>30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
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	222,760	196,317
Taiko Marketing (S) Pte Ltd	1,098	2,309
Chlor-Al Chemical Pte Ltd	6,264	6,554
Siam Taiko Marketing Co Ltd	2,405	2,752
Storage tanks rental received:		
Taiko Marketing Sdn Bhd	2,987	2,758
Purchases of goods:		
Taiko Marketing Sdn Bhd	53,495	29,152
Taiko Marketing (S) Pte Ltd	21,268	24,216
Taiko Acid Works Sdn Bhd	2,413	3,800
Borneo Taiko Clay Sdn Bhd	3,645	3,446
Bukit Katho Estate Sdn Bhd	3,547	3,562
Kampar Rubber & Tin Co Sdn Bhd	5,158	5,754
Kekal & Deras Sdn Bhd	1,295	1,493
Ladang Tai Tak (Kota Tinggi) Sdn Bhd	553	568
Malay Rubber Plantations (M) Sdn Bhd	5,348	6,268
PT Agro Makmur Abadi	65,951	67,469
PT Safari Riau	26,193	30,999
Taiko Clay Marketing Sdn Bhd	1,700	1,822
Taiko Drum Industries Sdn Bhd	2,396	1,980
Freight income:		
Taiko Marketing Sdn Bhd	1,244	1,017
Aircraft operating expenses and management services paid:		
Smooth Route Sdn Bhd	1,423	1,390
Supply of contract labours and engineering works:		
K7 Engineering Sdn Bhd	918	1,970
c) Transactions between subsidiaries and their non-controlling interests:		
Sales of goods:		
Mitsubishi Corporation	38,541	52,745
Mitsui & Co Ltd	265,410	328,834
Tejana Trading & Management Services Sdn Bhd	3,047	9,333
Purchases of goods:		
Mitsubishi Gas Chemical Singapore Pte Ltd	11,970	-
PT Letawa	2,661	-
PT Tanjung Bina Lestari	27,746	188,822
PT Tanjung Sarana Lestari	988,654	1,251,870
Tejana Trading & Management Services Sdn Bhd	1,361	-

**Interim Financial Report for the third quarter ended 30 June 2018**

(The figures have not been audited)

**A14. Proposed Disposal of a Subsidiary**

On 26 March 2018, a subsidiary of the Company entered into a Sale of Shares Agreement (“SSA”) with a related party to dispose its wholly-owned subsidiary, See Sen Bulking Installation Sdn Bhd (“SSBI”), for a cash consideration of RM1.29 million. The cash consideration will be adjusted based on SSBI’s net realisable assets for the month end immediately preceding the date of fulfillment of the last of the conditions precedent. The disposal is yet to be completed pending fulfillment of conditions precedent.

**Explanatory Notes as required by the Bursa Securities’ Listing Requirements****B1. Detailed analysis of performance****3<sup>rd</sup> Quarter FY 2018 vs 3<sup>rd</sup> Quarter FY 2017**

	Quarter Ended		Changes %
	30 June		
	2018	2017	
	RM’000	RM’000	
Revenue	4,472,625	5,012,875	(10.8)
Segment results:			
Plantations	134,051	235,033	(43.0)
Manufacturing	120,120	19,211	525.3
Property development	8,259	2,461	235.6
Investment holding/Others	6,474	(8,675)	174.6
Profit before taxation	268,904	248,030	8.4

The Group’s profit before taxation was higher at RM268.90 million (3Q2017: RM248.03 million) despite a decline of 10.8% in revenue to RM4,472.63 million (3Q2017: RM5,012.88 million). Comments on the respective business segments are as follows:

**Plantations’** profit was substantially lower by 43.0% at RM134.05 million (3Q2017: RM235.03 million) resulting from weaker realised CPO and PK selling prices and negative contribution from processing and trading operations.

**Manufacturing** reported significantly higher profit of RM120.12 million, 525.3% higher than last year corresponding quarter’s profit of RM19.21 million which was impacted by high volatility of raw material prices and stock write-down. Revenue was marginally higher at RM2,616.38 million (3Q2017: RM2,505.71 million).

The oleochemical division registered a sharp rise in the current quarter’s profit amounted to RM85.07 million (3Q2017: loss RM26.10 million) whilst the chemical division posted marginally higher profit of RM41.46 million (3Q2017: RM41.10 million).

**Property Development** registered a much higher profit of RM8.26 million (3Q2017: RM2.46 million) with 261.0% increase in revenue to RM50.57 million (3Q2017: RM14.01 million).

**Investment holdings/Others** reported a 174.6% higher profit of RM6.47 million (3Q2017: loss RM8.68 million) mainly due to net unrealised foreign exchange translation gain of RM5.00 million (3Q2017: unrealised loss RM1.64 million) arising from strengthening of Ringgit Malaysia.

**Interim Financial Report for the third quarter ended 30 June 2018**

(The figures have not been audited)

**Todate 3<sup>rd</sup> Quarter FY2018 vs Todate 3<sup>rd</sup> Quarter FY2017**

	Todate Ended		Changes %
	30 June		
	2018 RM'000	2017 RM'000	
Revenue	14,643,989	16,246,730	(9.9)
Segment results:			
Plantations	597,698	1,033,711	(42.2)
Manufacturing	446,803	156,207	186.0
Property development	16,589	19,560	(15.2)
Investment holding/Others	17,019	(9,944)	271.1
Profit before taxation	1,078,109	1,199,534	(10.1)

The Group for the 9 months under review posted a 10.1% drop in the profit to RM1,078.11 million (Todate 3Q2017: RM1,199.53 million) with a decrease of 9.9% in revenue to RM14,643.99 million (Todate 3Q2017: RM16,246.73 million). Comments on the respective business segments are as follows:

**Plantations'** profit recorded a sharp decline of 42.2% to RM597.70 million (Todate 3Q2017: RM1,033.71 million) due to weaker realised CPO and PK selling prices and further affected by negative contribution from processing and trading operations as well as net unrealised foreign exchange translation loss of RM68.30 million (Todate 3Q2017: unrealised gain RM14.87 million) on loans advanced and bank borrowings to Indonesian subsidiaries.

**Manufacturing** reported a substantial rise in the 9 months profit to RM446.80 million, 186.0% higher than last year todate's profit of RM156.21 million with revenue rose 4.7% to RM8,034.37 million (Todate 3Q2017: RM7,674.89 million).

The oleochemical division's profit was significantly higher at RM338.02 million (Todate 3Q2017: RM39.38 million) contributed by higher sales volume and improved profit margin from now stabilised raw material costs. The chemical division posted a 14.0% higher profit of RM115.40 million (Todate 3Q2017: RM101.20 million) from higher selling price.

**Property Development** segment recorded a decrease in profit of 15.2% to RM16.59 million (Todate 3Q2017: RM19.56 million) although revenue had increased by 9.3% to RM106.14 million (Todate 3Q2017: RM97.10 million) with the recognition of development profits from a particular phase with lower gross margin.

**Investment holdings/Others'** profit increased by 271.1% to RM17.02 million (Todate 3Q2017: loss RM9.94 million) was mainly contributed by RM24.20 million surplus arising from government acquisition of land.



**Interim Financial Report for the third quarter ended 30 June 2018**

(The figures have not been audited)

**B2. Comparison of current quarter's results to the preceding quarter  
3<sup>rd</sup> Quarter FY 2018 vs 2<sup>nd</sup> Quarter FY 2018**

	Quarter Ended		Changes %
	30 June 2018	31 March 2018	
	RM'000	RM'000	
Revenue	4,472,625	4,829,718	(7.4)
Segment results:			
Plantations	134,051	187,615	(28.5)
Manufacturing	120,120	148,628	(19.2)
Property development	8,259	6,598	25.2
Investment holding/Others	6,474	(20,396)	131.7
Profit before taxation	268,904	322,445	(16.6)

For the current quarter, Group pre-tax profit decreased 16.6% to RM268.90 million compared to RM322.45 million reported in the preceding quarter whilst revenue was lower at RM4,472.63 million (2Q2018: RM4,829.72 million). Comments on the respective business segments are as follows:

**Plantations** recorded a lower profit of RM134.05 million (2Q2018: RM187.62 million) resulting from decrease in FFB production by 3.3% to 979,916 mt on top of lower realised CPO and PK selling prices.

**Manufacturing's** profit slipped 19.2% to RM120.12 million (2Q2018: RM148.63 million) and revenue shrunk 6.1% to RM2,616.38 million (2Q2018: RM2,787.22 million).

The oleochemical division's profit shrunk 23.9% to RM85.07 million (2Q2018: RM111.85 million) as a result of the drop in selling prices. The current quarter's profit was further affected by the recognition of unrealised loss of RM50.00 million (2Q2018: unrealised gain RM21.30 million) from the fair value changes on outstanding derivative contracts. Chemicals division had reported an increase in profit by 10.1% to RM41.46 million (2Q2018: RM37.64 million) due to higher selling price.

**Property** segment's profit increased 131.7% to RM8.26 million (2Q2018: RM6.60 million), in tandem with the increase in revenue to RM50.57 million (2Q2018: RM37.69 million)

**Investment holdings/Others'** profit rose sharply by 131.7% to RM6.47 million (2Q2018: loss RM20.40 million) was mainly contributed by dividend income of RM35.91 million from overseas investments, Synthomer plc and M.P. Evans Group.

**Interim Financial Report for the third quarter ended 30 June 2018**

(The figures have not been audited)

**B3. Current year's prospects**

The Group's plantations profit is expected to be lower with the prevailing weak CPO price. The decline in plantations' profit will be mitigated by the higher contributions from oleochemical, and from chemicals division due to favourable selling prices.

Overall, the Group expects a lower profit for the current financial year.

**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		9 months ended	
	30 June		30 June	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Current tax				
Malaysian taxation	41,288	56,112	142,314	153,785
Overseas taxation	34,059	35,617	128,870	140,920
	75,347	91,729	271,184	294,705
Deferred tax				
Relating to origination and reversal of temporary differences	(6,538)	7,452	(8,079)	9,772
Under/(Over) provision in respect of previous years	3,437	(3,294)	9,437	(3,047)
	(3,101)	4,158	1,358	6,725
Under/(Over) provision in respect of previous years				
Malaysian taxation	(1,109)	(4,434)	(1,326)	(2,209)
Overseas taxation	7,505	1,883	8,695	952
	6,396	(2,551)	7,369	(1,257)
	78,642	93,336	279,911	300,173

**Interim Financial Report for the third quarter ended 30 June 2018**

(The figures have not been audited)

**Reconciliation of effective taxation**

	Individual Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	30 June		30 June	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	268,904	248,030	1,078,109	1,199,534
Taxation at Malaysia income tax rate of 24% (FY 2017: 24%)	64,537	59,527	258,746	287,888
Effect of difference tax rates	(597)	42	(3,762)	6,820
Withholding tax on foreign dividend and interest income	9,066	15,104	15,627	27,608
Expenses not deductible for tax purposes	14,511	20,185	65,941	42,945
Tax exempt and non-taxable income	(20,636)	(20,775)	(55,306)	(75,626)
Tax incentives	(946)	(1,629)	(2,705)	(3,523)
Deferred tax (liabilities)/assets not recognised during the period	(126)	16,793	441	20,273
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(1,767)	7,985	(10,532)	(6,398)
Tax effect on associates' and joint ventures' results	752	343	(1,315)	491
Recognition of deferred tax assets not taken up previously	3,320	71	(6,240)	(266)
Under/(Over) provision of expense in respect of previous years	6,396	(2,551)	7,369	(1,257)
Under/(Over) provision of deferred tax in respect of previous years	3,437	(3,294)	9,437	(3,047)
Others	695	1,535	2,210	4,265
Tax expense	78,642	93,336	279,911	300,173

**B6. Status of corporate proposals**

There were no corporate proposals announced.

**Interim Financial Report for the third quarter ended 30 June 2018**

(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 2018					
	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 7,607	35,752	Euro 2,498	11,741	Euro 10,105	47,493
<u>Unsecured</u>						
Bank overdraft	-	-	Euro 13,012	61,151	Euro 13,012	61,151
Revolving credit	-	-	USD 7,974	32,224	USD 7,974	32,224
			Euro 33,000	155,090	Euro 33,000	155,090
Trade financing	-	-	USD 49,404	199,642	USD 49,404	199,642
Term loans	USD 37,500	152,214	USD 12,500	50,738	USD 50,000	202,952
	Euro 75,000	352,594	Euro 14,000	65,830	Euro 89,000	418,424
Export credit refinancing	-	-	-	206,998	-	206,998
Bankers' acceptance	-	-	-	461,355	-	461,355
Islamic medium term notes	-	3,100,000	-	-	-	3,100,000
<b>Total</b>	-	<b>3,640,560</b>	-	<b>1,244,769</b>	-	<b>4,885,329</b>

	At 30 June 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 4,622	22,683	Euro 2,097	10,293	Euro 6,719	32,976
<u>Unsecured</u>						
Bank overdraft	-	-	Euro 25,954	122,462	Euro 25,954	122,462
Revolving credit	-	-	USD 14,870	63,852	USD 14,870	63,852
	-	-	Euro 43,000	211,013	Euro 43,000	211,013
Trade financing	-	-	Rmb 122,000	77,275	Rmb 122,000	77,275
Term loans	USD 50,000	214,635	USD 113,682	488,151	USD 113,682	488,151
	Euro 50,000	245,380	-	-	Euro 50,000	245,380
Export credit refinancing	-	-	-	201,721	-	201,721
Bankers' acceptance	-	-	-	588,049	-	588,049
Islamic medium term notes	-	3,100,000	-	-	-	3,100,000
<b>Total</b>		<b>3,582,698</b>		<b>1,762,816</b>		<b>5,345,514</b>

	At 30 June	
	2018	2017
<u>Exchange Rates Applied</u>		
USD / RM	4.0410	4.2940
Euro / RM	4.6997	4.9076
Rmb / RM	-	0.6334

**Interim Financial Report for the third quarter ended 30 June 2018**

(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 2018, the values and maturity analysis of the outstanding derivatives of the Group are as follows:

	<b>Contract / Notional value Net long/(short)</b>	<b>Fair value Net gains/(losses)</b>
	<b>RM'000</b>	<b>RM'000</b>
a) Forward foreign exchange contracts:		
- Less than 1 year	(983,755)	(10,717)
- 1 year to 3 years	-	-
- More than 3 years	-	-
b) Commodity futures contracts:		
- Less than 1 year	(129,868)	21,852
- 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 2018, 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**

There was no pending material litigation as at the date of this report.

**Interim Financial Report for the third quarter ended 30 June 2018**

(The figures have not been audited)

**B11. Dividend**

a) The Directors do not recommend the payment of any dividend for the quarter ended 30 June 2018.

An interim single tier dividend of 15 sen per share (2017: 15 sen per share) was declared by the Directors on 16 May 2018 and was paid on 9 August 2018.

b) Total dividend for the current financial year to-date is single tier dividend of 15 sen per share (2017: single tier dividend of 15 sen per share).

**B12. Earnings Per Share***Basic earnings per share*

The earnings per share is calculated by dividing the net profit for the period attributable to 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 30 June		9 months ended 30 June	
	2018	2017	2018	2017
Net profit for the period attributable to equity holders of the Company (RM'000)	106,588	80,779	394,239	441,637
Weighted average number of shares ('000)	401,426	404,449	401,426	404,449
Earnings per share (sen)	26.6	20.0	98.2	109.2

**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.

**Interim Financial Report for the third quarter ended 30 June 2018**

(The figures have not been audited)

**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	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Interest income	(21,596)	(24,204)	(68,287)	(63,130)
Dividend income	(38,522)	(36,842)	(44,402)	(57,868)
Other income	(27,912)	(10,160)	(214,240)	(178,658)
Interest expense	49,868	49,577	147,160	144,524
Depreciation and amortisation	129,403	122,915	388,051	389,147
(Reversal of write-off)/Provision for and write-off of receivables	(1,361)	810	(646)	5,336
Provision for and write-off of inventories	5,946	40,147	24,117	50,306
Surplus on disposal of quoted or unquoted investments	(4,785)	(5,519)	(7,230)	(3,430)
Surplus on disposal of land	(745)	(218)	(1,527)	(4,829)
Surplus arising from government acquisition of land	(187)	(4,892)	(24,176)	(4,892)
Impairment of property, plant and equipment	-	-	-	-
Impairment of value in an associate	-	(20)	-	1,210
Impairment of available-for-sale investments	-	31,932	-	31,932
Foreign exchange (gain)/loss	(38,444)	4,531	13,820	266
Loss/(Gain) on derivatives	44,535	(2,276)	(24,705)	1,737
Exceptional items	-	-	-	-

By Order of the Board

CHONG SEE TECK  
YAP MIOW KIEN  
CHIEW CINDY  
Company Secretaries

14 August 2018