

# **BATU KAWAN BERHAD**

(6292-U)

(Incorporated in Malaysia)

**Interim Financial Report  
for the year ended 30 September 2018**

**BATU KAWAN BERHAD (6292-U)**

(Incorporated in Malaysia)

**Interim Financial Report for the year ended 30 September 2018**

(The figures have not been audited)

Directors are pleased to announce the unaudited financial results of the Group for the year ended 30 September 2018.

**Condensed Consolidated Statement of Profit or Loss**

	Individual Quarter			Cumulative Quarter		
	3 months ended		+/(-) %	Year ended		+/(-) %
	30 September			30 September		
	2018 RM'000	2017 RM'000		2018 RM'000	2017 RM'000	
Revenue	4,322,368	5,301,592	(18.5)	18,966,357	21,548,322	(12.0)
Operating expenses	(4,106,857)	(4,845,024)	(15.2)	(17,745,294)	(19,924,232)	(10.9)
Other operating income	31,465	6,378	393.3	245,705	185,036	32.8
Finance costs	(48,111)	(45,598)	5.5	(195,271)	(190,122)	2.7
Share of results of associates	4,283	5,074	(15.6)	12,643	12,990	(2.7)
Share of results of joint ventures	(4,552)	175	(2,701.1)	(7,435)	(9,863)	(24.6)
<b>Profit before taxation</b>	<b>198,596</b>	<b>422,597</b>	<b>(53.0)</b>	<b>1,276,705</b>	<b>1,622,131</b>	<b>(21.3)</b>
Income tax expense	(71,113)	(123,235)	(42.3)	(351,024)	(423,408)	(17.1)
<b>NET PROFIT FOR THE PERIOD/YEAR</b>	<b>127,483</b>	<b>299,362</b>	<b>(57.4)</b>	<b>925,681</b>	<b>1,198,723</b>	<b>(22.8)</b>
Profit attributable to:						
Equity holders of the Company	71,237	145,009	(50.9)	465,476	586,646	(20.7)
Non-controlling interests	56,246	154,353	(63.6)	460,205	612,077	(24.8)
	127,483	299,362	(57.4)	925,681	1,198,723	(22.8)
Earnings per share for profit attributable to equity holders of the Company (sen)						
Basic	17.8	35.9		116.0	145.2	
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.

**BATU KAWAN BERHAD (6292-U)**

(Incorporated in Malaysia)

**Interim Financial Report for the year ended 30 September 2018**

(The figures have not been audited)

**Condensed Consolidated Statement of Other Comprehensive Income**

	Individual Quarter		Cumulative Quarter	
	3 months ended		Year ended	
	30 September		30 September	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<b>Net profit for the period/year</b>	<b>127,483</b>	<b>299,362</b>	<b>925,681</b>	<b>1,198,723</b>
Other comprehensive income/(loss) that will be reclassified subsequently to profit or loss				
Currency translation differences	34,806	(84,033)	(506,586)	114,810
Net change in fair value of available-for-sale investments	35,303	47,564	67,001	541,219
Realisation on fair value of available-for-sale investments	(71)	(2,251)	(7,783)	(5,238)
	70,038	(38,720)	(447,368)	650,791
Other comprehensive income that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	1,836	28,767	1,836	27,657
<b>Total other comprehensive income/(loss) for the period/year</b>	<b>71,874</b>	<b>(9,953)</b>	<b>(445,532)</b>	<b>678,448</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR</b>	<b>199,357</b>	<b>289,409</b>	<b>480,149</b>	<b>1,877,171</b>
Total comprehensive income attributable to:				
Equity holders of the Company	102,387	143,267	234,898	913,363
Non-controlling interests	96,970	146,142	245,251	963,808
	199,357	289,409	480,149	1,877,171

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

**BATU KAWAN BERHAD (6292-U)**

(Incorporated in Malaysia)

**Interim Financial Report for the year ended 30 September 2018**

(The figures have not been audited)

**Condensed Consolidated Statement of Financial Position**

	At 30 September 2018 <u>RM'000</u>	At 30 September 2017 <u>RM'000</u>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant & equipment	5,491,237	5,487,466
Investment property	48,393	49,263
Prepaid lease payments	386,003	321,985
Biological assets	2,776,616	2,725,985
Land held for property development	1,100,407	1,091,471
Goodwill on consolidation	343,595	352,949
Intangible assets	23,358	15,325
Investment in associates	185,565	177,680
Investment in joint ventures	259,300	251,737
Available-for-sale investments	2,493,727	2,400,912
Other receivables	220,110	237,516
Deferred tax assets	397,541	453,110
	<u>13,725,852</u>	<u>13,565,399</u>
<b>Current assets</b>		
Inventories	2,146,452	1,834,008
Biological assets	41,906	37,806
Trade and other receivables	2,172,494	2,627,540
Tax recoverable	62,305	39,582
Property development costs	140,621	154,696
Available-for-sale investments	291,246	327,143
Derivative financial assets	69,234	110,748
Short term funds	195,579	578,489
Cash and cash equivalents	1,561,986	1,755,744
	<u>6,681,823</u>	<u>7,465,756</u>
<b>TOTAL ASSETS</b>	<u><b>20,407,675</b></u>	<u><b>21,031,155</b></u>

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

**BATU KAWAN BERHAD (6292-U)**

(Incorporated in Malaysia)

**Interim Financial Report for the year ended 30 September 2018**

(The figures have not been audited)

**Condensed Consolidated Statement of Financial Position**

	At 30 September 2018 <u>RM'000</u>	At 30 September 2017 <u>RM'000</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	1,444,782	1,616,627
Deferred income	7,947	7,808
Borrowings	1,221,114	1,375,596
Tax payable	49,048	99,287
Derivative financial liabilities	64,219	104,643
	<u>2,787,110</u>	<u>3,203,961</u>
<b>Net current assets</b>	<b><u>3,894,713</u></b>	<b><u>4,261,795</u></b>
<b>Non-current liabilities</b>		
Other payables	82	-
Deferred tax liabilities	321,459	284,561
Deferred income	119,004	117,365
Provision for retirement benefits	477,323	488,288
Borrowings	3,562,099	3,567,168
	<u>4,479,967</u>	<u>4,457,382</u>
<b>Total liabilities</b>	<b><u>7,267,077</u></b>	<b><u>7,661,343</u></b>
<b>Net assets</b>	<b><u>13,140,598</u></b>	<b><u>13,369,812</u></b>
<b>Equity attributable to owners of the Company</b>		
Share capital	508,489	498,760
Treasury shares	(491,740)	(446,671)
Reserves	6,567,009	6,645,684
	<u>6,583,758</u>	<u>6,697,773</u>
Non-controlling interests	6,556,840	6,672,039
<b>Total equity</b>	<b><u>13,140,598</u></b>	<b><u>13,369,812</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>20,407,675</u></b>	<b><u>21,031,155</u></b>
Net assets per share attributable to equity holders of the Company (RM)	16.44	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.

**BATU KAWAN BERHAD (6292-U)**

(Incorporated in Malaysia)

**Interim Financial Report for the year ended 30 September 2018**

(The figures have not been audited)

**Condensed Consolidated Statement of Changes in Equity**

	Attributable to equity holders of the Company								Non-controlling interested	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	
<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	-	-	(77)	833	(251,261)	19,913	-	465,490	234,898	245,251	480,149
Transactions with owners:											
Effect of changes in shareholdings	-	-	-	-	-	-	-	(63,342)	(63,342)	(56,975)	(120,317)
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	15,285	15,285
Acquisition through business combination	-	-	-	-	-	-	-	-	-	3,651	3,651
Redemption of redeemable preference shares	9,729	-	-	-	-	-	-	(9,729)	-	-	-
Shares buy back	-	(45,069)	-	-	-	-	-	-	(45,069)	-	(45,069)
Dividend paid	-	-	-	-	-	-	-	(240,502)	(240,502)	-	(240,502)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(322,411)	(322,411)
	9,729	(45,069)	-	-	-	-	-	(313,573)	(348,913)	(360,450)	(709,363)
<b>At 30 September 2018</b>	508,489	(491,740)	4,639	826,740	10,119	841,090	7,035	4,877,386	6,583,758	6,556,840	13,140,598

\* Included in Capital Reserve is RM494,997,000 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.

**BATU KAWAN BERHAD (6292-U)**

(Incorporated in Malaysia)

**Interim Financial Report for the year ended 30 September 2018**

(The figures have not been audited)

**Condensed Consolidated Statement of Changes in Equity**

	← Attributable to equity holders of the Company →											
	← 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	Non-controlling interests	Total equity
	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 (loss)/income for the period	-	-	(6)	2,653	2,431	53,247	260,299	-	594,739	913,363	963,808	1,877,171
Transactions with owners:										-		-
Effect of changes in shareholdings	-	-	-	-	-	-	-	-	(29,743)	(29,743)	(58,390)	(88,133)
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	-	13,171	13,171
Redemption of redeemable preference shares	31,505	-	-	-	-	-	-	-	(31,505)	-	-	-
Shares buy back	-	(43,399)	-	-	-	-	-	-	-	(43,399)	-	(43,399)
Dividend paid	-	-	-	-	-	-	-	-	(222,378)	(222,378)	-	(222,378)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(337,301)	(337,301)
	31,505	(43,399)	-	-	-	-	-	-	(283,626)	(295,520)	(382,520)	(678,040)
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 September 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

\* 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.

**BATU KAWAN BERHAD (6292-U)**

(Incorporated in Malaysia)

**Interim Financial Report for the year ended 30 September 2018**

(The figures have not been audited)

**Condensed Consolidated Statement of Cash Flows**

	Year ended 30 September	
	2018	2017
	RM'000	RM'000
<b>Cash flows from operating activities</b>		
Profit before taxation	1,276,705	1,622,131
Adjustments for:		
Non-cash items	678,976	609,474
Non-operating items	42,071	(95,423)
Operating cash flows before changes in working capital	1,997,752	2,136,182
Changes in working capital		
Net change in current assets	121,558	(197,787)
Net change in current liabilities	(550,749)	208,593
Cash flows from operations	1,568,561	2,146,988
Interest received	4,014	5,549
Interest paid	(222,437)	(194,104)
Tax paid	(399,485)	(369,947)
Retirement benefits paid	(31,398)	(32,880)
<b>Net cash flows generated from operating activities</b>	<b>919,255</b>	<b>1,555,606</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(382,590)	(550,919)
Payments of prepaid lease	(5,428)	(8,702)
Plantation development expenditure	(100,378)	(151,823)
Property development expenditure	(8,936)	(17,129)
Purchase of investment properties	(73)	-
Purchase of shares in a sub-subsiary, net of cash acquired	(206,025)	-
Purchase of additional shares in a subsidiary	(120,317)	(88,133)
Subscription of shares in joint ventures	(3,989)	(2,068)
Purchase of available-for-sale investments	(607,380)	(798,932)
Purchase of intangible assets	(1,762)	(1,426)
Proceeds from sale of property, plant and equipment	5,580	13,564
Compensation from government on land acquired	25,404	7,011
Proceeds from disposal of available-for-sale investments	591,439	341,493
Advances to joint ventures	(27,969)	(4,136)
Advances to investee companies	(12,066)	(20,580)
Decrease in short term funds	375,106	493,293
Dividends received	67,884	88,157
Interest received	74,127	53,956
<b>Net cash flows used in investing activities</b>	<b>(337,373)</b>	<b>(646,374)</b>

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



**BATU KAWAN BERHAD (6292-U)**

(Incorporated in Malaysia)

**Interim Financial Report for the year ended 30 September 2018**

(The figures have not been audited)

**Condensed Consolidated Statement of Cash Flows**

	Year ended 30 September	
	2018	2017
	RM'000	RM'000
<b>Cash flows from financing activities</b>		
Drawdown of term loans	218,800	116,249
Repayment of term loans	(57,277)	(91,855)
Repayment of Islamic Medium Term Notes	-	(300,000)
(Repayment)/Drawdown of short term borrowings	(251,138)	58,510
Dividends paid	(240,502)	(222,378)
Dividends paid to non-controlling interests	(322,411)	(337,301)
Shares buy back	(45,069)	(43,399)
Redemption of redeemable preference shares from non-controlling interests	-	1,440
Issuance of shares to non-controlling interests	15,285	13,171
Decrease in other receivables	17,191	22,864
<b>Net cash flows used in financing activities</b>	<b>(665,121)</b>	<b>(782,699)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(83,239)</b>	<b>126,533</b>
Effects of exchange rate changes	(75,429)	(3,108)
Cash and cash equivalents at 1 October	1,631,620	1,508,195
<b>Cash and cash equivalents at 30 September</b>	<b>1,472,952</b>	<b>1,631,620</b>
Cash and cash equivalents at 30 September is represented by:		
Cash and cash equivalents	1,561,986	1,755,744
Borrowings - Bank overdraft	(89,034)	(124,124)
	<b>1,472,952</b>	<b>1,631,620</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 year ended 30 September 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 FRS and amendments to 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 2,301,500 shares in the Company from the open market. The average price paid for the shares repurchased was RM19.51 per share and the total consideration paid, including transaction costs, was RM45,069,274. The shares bought back were financed by internally generated funds and held as treasury shares.

**BATU KAWAN BERHAD (6292-U)**

(Incorporated in Malaysia)

**Interim Financial Report for the year ended 30 September 2018**

(The figures have not been audited)

**A7. Dividends paid**

	<b>Year ended 30 September</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Interim 15 sen per share single tier (2017: 15 sen per share single tier)	60,102	60,488
Dividends proposed in financial year ("FY") 2017, paid in FY 2018:		
Final 45 sen per share single tier	180,400	-
Dividends proposed in financial year ("FY") 2016, paid in FY 2017:		
Final 40 sen per share single tier	-	161,890
	<u>240,502</u>	<u>222,378</u>

**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>Year ended 30 September 2018</b>						
Revenue						
External revenue	7,942,328	10,586,709	177,676	259,644	-	18,966,357
Inter-segment revenue	851,220	-	-	745,220	(1,596,440)	-
Total revenue	<u>8,793,548</u>	<u>10,586,709</u>	<u>177,676</u>	<u>1,004,864</u>	<u>(1,596,440)</u>	<u>18,966,357</u>
Results						
Operating results	742,140	574,274	35,648	151,510	(36,804)	1,466,768
Finance costs	(9,477)	(63,766)	-	(158,832)	36,804	(195,271)
Share of results of associates	7,122	1,457	2,190	1,874	-	12,643
Share of results of joint ventures	(12,128)	-	-	4,693	-	(7,435)
Segment results	<u>727,657</u>	<u>511,965</u>	<u>37,838</u>	<u>(755)</u>	<u>-</u>	<u>1,276,705</u>
Profit before taxation						<u>1,276,705</u>
<b>Year ended 30 September 2017</b>						
Revenue						
External revenue	10,765,551	10,345,242	141,521	296,008	-	21,548,322
Inter-segment revenue	1,391,807	-	-	392,546	(1,784,353)	-
Total revenue	<u>12,157,358</u>	<u>10,345,242</u>	<u>141,521</u>	<u>688,554</u>	<u>(1,784,353)</u>	<u>21,548,322</u>
Results						
Operating results	1,347,189	337,577	39,469	126,631	(41,740)	1,809,126
Finance costs	(12,565)	(67,330)	-	(151,967)	41,740	(190,122)
Share of results of associates	10,652	1,334	1,027	(23)	-	12,990
Share of results of joint ventures	(15,450)	-	-	5,587	-	(9,863)
Segment results	<u>1,329,826</u>	<u>271,581</u>	<u>40,496</u>	<u>(19,772)</u>	<u>-</u>	<u>1,622,131</u>
Profit before taxation						<u>1,622,131</u>

**Interim Financial Report for the year ended 30 September 2018**

(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
<b>At 30 September 2018</b>					
Operating assets	6,556,890	6,842,072	1,477,059	4,626,943	19,502,964
Associates	72,268	9,457	73,669	30,171	185,565
Joint ventures	153,964	-	-	105,336	259,300
Segment assets	<u>6,783,122</u>	<u>6,851,529</u>	<u>1,550,728</u>	<u>4,762,450</u>	<u>19,947,829</u>
Tax assets					459,846
Total assets					<u>20,407,675</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**

	Plantations	Manufacturing	Property Development	Investment Holding/Others	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 30 September 2018</b>					
Segment liabilities	1,268,745	2,358,528	107,623	3,161,674	6,896,570
Tax liabilities					370,507
Total liabilities					<u>7,267,077</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**

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 review except for the followings:

- (a) The acquisition of 95% equity interest in PT Putra Bongan Jaya ("PBJ") by KLK Group was completed on 30 August 2018. Following the completion, PBJ is now a subsidiary of KLK Group.
- (b) The acquisition of 95% equity interest in PT Bumi Makmur Sejahtera Jaya ("BMSJ") by KLK's wholly-owned subsidiary, KL-Kepong Plantation Holdings Sdn Bhd was completed on 7 September 2018. Following the completion, BMSJ is now a subsidiary of KLK Group.

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.

**BATU KAWAN BERHAD (6292-U)**

(Incorporated in Malaysia)

**Interim Financial Report for the year ended 30 September 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 year, the Group's capital commitments were as follows:

	<b>At 30 September 2018 RM'000</b>	<b>At 30 September 2017 RM'000</b>
Capital expenditure		
Approved and contracted	131,387	149,163
Approved but not contracted	843,320	550,456
	<u>974,707</u>	<u>699,619</u>
Acquisition of shares in a sub-subsiary		
Approved and contracted	-	1,322
Joint venture		
Share of capital commitment of a joint venture	<u>8,641</u>	<u>-</u>

**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 Year ended 30 September</b>	
	<b>2018 RM'000</b>	<b>2017 RM'000</b>
a) Transactions with associates and joint ventures:		
Sales of goods	318,824	7,951
Purchase of goods	1,268,263	1,278,632
Service charges paid	1,722	2,524
Research and development services paid	<u>11,084</u>	<u>14,435</u>

**BATU KAWAN BERHAD (6292-U)**

(Incorporated in Malaysia)

**Interim Financial Report for the year ended 30 September 2018**

(The figures have not been audited)

	<b>Cumulative Quarter</b>	
	<b>Year ended</b>	
	<b>30 September</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	292,390	270,504
Taiko Marketing (S) Pte Ltd	1,874	2,807
Chlor-Al Chemical Pte Ltd	7,817	8,982
Siam Taiko Marketing Co Ltd	3,224	3,611
Storage tanks rental received:		
Taiko Marketing Sdn Bhd	3,970	3,709
Purchases of goods:		
Taiko Marketing Sdn Bhd	65,741	43,327
Taiko Marketing (S) Pte Ltd	27,571	24,216
Taiko Acid Works Sdn Bhd	2,452	4,963
Borneo Taiko Clay Sdn Bhd	3,404	4,494
Bukit Katho Estate Sdn Bhd	4,457	4,894
Kampar Rubber & Tin Co Sdn Bhd	7,044	7,933
Kekal & Deras Sdn Bhd	1,577	1,998
Ladang Tai Tak (Kota Tinggi) Sdn Bhd	1,001	568
Malay Rubber Plantations (M) Sdn Bhd	6,651	8,521
PT Agro Makmur Abadi	84,940	81,734
PT Safari Riau	33,649	41,735
Taiko Clay Marketing Sdn Bhd	2,320	2,426
Taiko Drum Industries Sdn Bhd	2,986	2,715
Freight income:		
Taiko Marketing Sdn Bhd	1,401	1,381
Chlor-Al Chemical Pte Ltd	637	252
Management fees paid:		
Farming Management Services Pty Ltd	-	2,284
Aircraft operating expenses and management services paid:		
Smooth Route Sdn Bhd	1,423	1,789
Supply of contract labours and engineering works:		
K7 Engineering Sdn Bhd	918	2,946
Yeow Brothers Engineering Sdn Bhd	758	1,394
Sales commissions charged by:		
Taiko Marketing Sdn Bhd	102	63
c) Transactions between subsidiaries and their non-controlling interests:		
Sales of goods:		
Mitsubishi Corporation	46,096	70,036
Mitsui & Co Ltd	349,788	418,796
Tejana Trading & Management Services Sdn Bhd	4,312	10,760
Purchases of goods:		
Mitsubishi Gas Chemical Singapore Pte Ltd	17,283	3,217
PT Letawa	2,671	-
PT Tanjung Bina Lestari	27,851	205,883
PT Tanjung Sarana Lestari	1,328,873	1,648,180
Tejana Trading & Management Services Sdn Bhd	1,361	5,007

**Interim Financial Report for the year ended 30 September 2018**

(The figures have not been audited)

**Explanatory Notes as required by the Bursa Securities' Listing Requirements**

**B1. Detailed analysis of performance**

**4<sup>th</sup> Quarter FY 2018 vs 4<sup>th</sup> Quarter FY 2017**

	<b>Quarter Ended</b>		<b>Changes %</b>
	<b>30 September</b>		
	<b>2018</b>	<b>2017</b>	
	<b>RM'000</b>	<b>RM'000</b>	
Revenue	4,322,368	5,301,592	(18.5)
Segment results:			
Plantations	129,959	296,114	(56.1)
Manufacturing	65,162	115,374	(43.5)
Property development	21,249	20,936	1.5
Investment holding/Others	(17,774)	(9,827)	(80.9)
Profit before taxation	198,596	422,597	(53.0)

The Group's profit before taxation was substantially lower at RM198.60 million (4Q2017: RM422.60 million) with a decline of 18.5% in revenue to RM4,322.37 million (4Q2017: RM5,301.59 million). Comments on the respective business segments are as follows:

**Plantations'** profit was 56.1% lower at RM129.96 million (4Q2017: RM296.11 million) resulting from weaker realised CPO and PK selling prices and negative contribution from processing and trading operations.

**Manufacturing** reported a 43.5% lower profit of RM65.16 million (4Q2017: RM115.37 million) whilst revenue was marginally lower at RM2,552.34 million (4Q2017: RM2,670.35 million).

The oleochemical division registered a sharp decrease in the current quarter's profit amounted to RM29.99 million (4Q2017: RM76.15 million) affected by lower returns from Europe operations due to narrower margins and lower sales volume. The profit had accounted for an impairment loss of RM21.60 million on an under-performing specialised oleochemical plant. The chemical division posted a 30.0% lower profit at RM25.40 million (4Q2017: RM36.31 million) mainly due to RM4.63 million impairment of property, plant and equipment and increase in unit production cost.

**Property Development** registered a marginal higher profit of RM21.25 million (4Q2017: RM20.94 million) although revenue had improved by 61.0% to RM71.53 million (4Q2017: RM44.43 million) due to recognition of development profits from a particular phase with lower gross margin.

**Investment holdings/Others** recorded 80.9% higher loss of RM17.77 million (4Q2017: RM9.83 million loss) mainly due to lower shares of profit in joint ventures by RM6.24 million.

**Interim Financial Report for the year ended 30 September 2018**

(The figures have not been audited)

**FY2018 vs FY2017**

	<u>Year Ended</u>		<b>Changes %</b>
	<b>30 September</b>		
	<b>2018</b>	<b>2017</b>	
	<b>RM'000</b>	<b>RM'000</b>	
Revenue	<u>18,966,357</u>	<u>21,548,322</u>	(12.0)
Segment results:			
Plantations	727,657	1,329,826	(45.3)
Manufacturing	511,965	271,581	88.5
Property development	37,838	40,496	(6.6)
Investment holding/Others	(755)	(19,772)	96.2
Profit before taxation	<u>1,276,705</u>	<u>1,622,131</u>	(21.3)

The Group posted a 21.3% drop in the profit to RM1,276.71 million (2017: RM1,622.13 million) with a decrease of 12.0% in revenue to RM18,966.36 million (2017: RM21,548.32 million). Comments on the respective business segments are as follows:

**Plantations'** profit shrunk substantially by 45.3% to RM727.66 million (2017: RM1,329.83 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 RM85.26 million (2017: RM4.04 million unrealised loss) on loans advanced and bank borrowings to Indonesian subsidiaries.

**Manufacturing** reported a substantial rise in the profit to RM511.97 million, 88.5% higher than last year's profit of RM271.58 million with revenue rose 2.3% to RM10,586.71 million (2017: RM10,345.24 million).

The oleochemical division's profit was significantly higher at RM368.01 million (2017: RM115.54 million) contributed by strong sales volume and healthy margins from favourable raw material costs. The chemical division posted a marginally higher profit of RM140.80 million (2017: RM137.50 million) from higher selling prices.

**Property Development** segment recorded a decrease in profit of 6.6% to RM37.84 million (2017: RM40.50 million) although revenue had increased by 25.5% to RM177.67 million (2017: RM141.52 million) with the recognition of development profits from a particular phase with lower gross margin.

**Investment holdings/Others'** loss narrowed by 96.2% to RM760,000 (2017: RM19.77 million loss) was mainly contributed by RM24.20 million surplus arising from government acquisition of land.



**Interim Financial Report for the year ended 30 September 2018**

(The figures have not been audited)

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

	<b>Quarter Ended</b>		<b>Changes %</b>
	<b>30 September 2018 RM'000</b>	<b>30 June 2018 RM'000</b>	
Revenue	4,322,368	4,472,625	(3.4)
Segment results:			
Plantations	129,959	134,051	(3.1)
Manufacturing	65,162	120,120	(45.8)
Property development	21,249	8,259	157.3
Investment holding/Others	(17,774)	6,474	(374.5)
Profit before taxation	198,596	268,904	(26.1)

For the current quarter, Group's profit before taxation decreased 26.1% to RM198.60 million compared to RM268.90 million reported in the preceding quarter whilst revenue was lower at RM4,322.37 million (3Q2018: RM4,472.63 million). Comments on the respective business segments are as follows:

**Plantations** recorded a lower profit of RM129.96 million (3Q2018: RM134.05 million) resulting from weaker realised CPO and PK selling prices and negative contribution from processing and trading operations. The results was further affected by higher net unrealised foreign exchange translation loss of RM16.96 million (3Q2017: RM2.95 million unrealised loss) despite 11.1% higher FFB production to 1,072,233 mt and drop in CPO production cost.

**Manufacturing's** profit slipped 45.8% to RM65.16 million (3Q2018: RM120.12 million) and revenue shrunk 2.4% to RM2,552.34 million (3Q2018: RM2,616.38 million).

The oleochemical division's profit decreased by 64.7% to RM29.99 million (3Q2018: RM85.07 million) despite the huge reduction in unrealised loss to RM9.39 million (3Q2018: RM49.99 million unrealised loss) from fair value changes on outstanding derivative contracts. The current quarter's profit was affected by Europe operations' lower profit from lower margins and impairment of RM21.60 million on an under-performing specialised oleochemical plant. The chemical division posted a 39.0% lower profit at RM25.40 million (3Q2018: RM41.46 million) arising from RM4.63 million impairment of property, plant and equipment and increase in unit production cost.

**Property Development** segment recorded a significant increase in profit to RM21.25 million (3Q2018: RM8.26 million) supported by 41.5% improvement in revenue to RM71.53 million (RM50.57 million).

**Investment holdings/Others'** result reduced sharply by 374.5% to loss of RM17.77 million (3Q2018: profit RM6.47 million) due to recognition of lower dividend income of RM16.73 million (3Q2017: RM35.91 million) from overseas investments.

**BATU KAWAN BERHAD (6292-U)**

(Incorporated in Malaysia)

**Interim Financial Report for the year ended 30 September 2018**

(The figures have not been audited)

**B3. Current year's prospects**

The Group's plantation profit for the FY 2019 will be affected by the current depressed palm product prices.

The Group's oleochemical business is expected to maintain its performance with higher capacity utilisation and operational efficiencies. The outlook for the chemical division will be impacted by higher energy and raw material costs.

Overall, the Group's profit for financial year 2019 is likely to be affected by the above challenges.

**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**

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<u>3 months ended</u>		<u>Year ended</u>	
	<u>30 September</u>		<u>30 September</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Current tax				
Malaysian taxation	46,834	71,502	189,149	225,287
Overseas taxation	19,894	42,691	148,764	183,611
	<u>66,728</u>	<u>114,193</u>	<u>337,913</u>	<u>408,898</u>
Deferred tax				
Relating to origination and reversal of temporary differences	9,631	(718)	1,552	9,054
Under/(Over) provision in respect of previous years	1,973	(414)	11,410	(3,461)
	<u>11,604</u>	<u>(1,132)</u>	<u>12,962</u>	<u>5,593</u>
(Over)/Under provision in respect of previous years				
Malaysian taxation	(7,411)	3,702	(8,737)	1,493
Overseas taxation	192	6,472	8,886	7,424
	<u>(7,219)</u>	<u>10,174</u>	<u>149</u>	<u>8,917</u>
	<u>71,113</u>	<u>123,235</u>	<u>351,024</u>	<u>423,408</u>

**BATU KAWAN BERHAD (6292-U)**

(Incorporated in Malaysia)

**Interim Financial Report for the year ended 30 September 2018**

(The figures have not been audited)

Profit before taxation	198,596	422,597	1,276,705	1,622,131
Taxation at Malaysia income tax rate of 24% (FY 2017: 24%)	47,663	101,423	306,409	389,311
Effect of difference tax rates in foreign jurisdiction	798	(13,478)	(2,964)	(6,658)
Withholding tax on foreign dividend and interest income	3,152	9,017	18,780	36,625
Expenses not deductible for tax purposes	27,036	56,351	92,975	99,296
Tax exempt and non-taxable income	(17,243)	(27,080)	(72,549)	(102,706)
Effect of reduction in Malaysia income tax rate on incremental chargeable income	(399)	(1,655)	(399)	(1,655)
Tax incentives	(843)	(543)	(3,548)	(4,066)
Deferred tax (liabilities)/assets not recognised during the period/year	(2,062)	3,338	(1,621)	23,611
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	9,709	2,601	(823)	(3,797)
Tax effect on associates' and joint ventures' results	64	(1,222)	(1,250)	(731)
Recognition of deferred tax assets not taken up previously	6,178	(11,170)	(62)	(11,436)
(Over)/Under provision of expense in respect of previous years	(7,219)	10,174	149	8,917
Under/(Over) provision of deferred tax in respect of previous years	1,973	(414)	11,410	(3,461)
Recognition of current year unabsorbed reinvestment allowance	-	(4,153)		(4,153)
Others	2,306	46	4,517	4,311
Tax expense	71,113	123,235	351,024	423,408

**B6. Status of corporate proposals**

There were no corporate proposals announced.

**Interim Financial Report for the year ended 30 September 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 September 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			
Term Loans	Euro	7,300	35,085	Euro	2,122	10,198	Euro	9,422	45,283
<u>Unsecured</u>									
Bank overdraft	-	-	CHF	3	13	3	13		
Revolving credit	-	-	Euro	18,521	89,021	Euro	18,521	89,021	
	-	-	Euro	20,000	96,130	Euro	20,000	96,130	
	-	-	Rp	149,165,902	41,453	Rp	149,165,902	41,453	
Trade financing	-	-	AUD	9,000	26,951	AUD	9,000	26,951	
Term loans	USD	45,000	186,695	USD	65,380	270,675	USD	65,380	270,675
	Euro	50,000	240,319	Euro	36,500	175,439	Euro	86,500	415,758
Export credit refinancing	-	-	-	-	83,620	-	-	83,620	
Bankers' acceptance	-	-	-	-	427,614	-	-	427,614	
Islamic medium term notes	-	3,100,000	-	-	-	-	-	3,100,000	
<b>Total</b>	-	3,562,099	-	1,221,114	-	4,783,213			

	At 30 September 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	6,240	31,104	Euro	2,355	11,739	Euro	8,595	42,843
<u>Unsecured</u>									
Bank overdraft	-	-	Euro	24,902	124,124	Euro	24,902	124,124	
Revolving credit	-	-	Euro	33,000	164,492	USD	33,000	164,492	
	-	-	RMB	84,000	53,441	Euro	84,000	53,441	
Trade financing	-	-	USD	99,712	421,031	USD	99,712	421,031	
Term loans	USD	50,000	211,757	USD	5,000	24,923	USD	55,000	236,680
	Euro	45,000	224,307	-	-	-	Euro	45,000	224,307
Export credit refinancing	-	-	-	-	350,787	-	-	350,787	
Bankers' acceptance	-	-	-	-	225,059	-	-	225,059	
Islamic medium term notes	-	3,100,000	-	-	-	-	-	3,100,000	
<b>Total</b>	-	3,567,168	-	1,375,596	-	4,942,764			

<u>Exchange Rates Applied</u>	At 30 September	
	2018	2017
USD / RM	4.1400	4.2235
Euro / RM	4.8065	4.9846
Rmb / RM	-	0.6362
CHF/RM	4.2163	-
Rp1,000/RM	0.2779	-
AUD/RM	2.9945	-

**Interim Financial Report for the year ended 30 September 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 September 2018, the values and maturity analysis of the outstanding derivatives of the Group are as follows:

	<b>Contract / Notional value Net long/(short) RM'000</b>	<b>Fair value Net gains/(losses) RM'000</b>
a) Forward foreign exchange contracts:		
- Less than 1 year	(880,831)	(10,757)
- 1 year to 3 years	-	-
- More than 3 years	-	-
	-	-
b) Commodity futures contracts:		
- Less than 1 year	68,675	15,841
- 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 September 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.

**BATU KAWAN BERHAD (6292-U)**

(Incorporated in Malaysia)

**Interim Financial Report for the year ended 30 September 2018**

(The figures have not been audited)

**B11. Dividend**

- a) The Directors will recommend the payment of a final dividend for the financial year ended 30 September 2018 at a later date.
- b) The total interim dividend paid for the current financial year to-date is single tier dividend of 15 sen per share (2017: interim dividend of 15 sen per share and final dividend of 45 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/year attributable to equity holders of the Company by the weighted average number of shares of the Company in issue during the period/year.

	Individual Quarter		Cumulative Quarter	
	3 months ended		Year ended	
	30 September		30 September	
	2018	2017	2018	2017
Net profit for the period/year attributable to equity holders of the Company (RM'000)	71,237	145,009	465,476	586,646
Weighted average number of shares ('000)	401,232	404,102	401,232	404,102
Earnings per share (sen)	17.8	35.9	116.0	145.2

**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.

**BATU KAWAN BERHAD (6292-U)**

(Incorporated in Malaysia)

**Interim Financial Report for the year ended 30 September 2018**

(The figures have not been audited)

**B14. Condensed Consolidated Statement of Profit or Loss**

Profit before taxation for the period/year is arrived at after charging/(crediting) the following items:

	Individual Quarter		Cumulative Quarter	
	3 months ended		Year ended	
	30 September		30 September	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Interest income	(20,051)	(22,504)	(88,338)	(85,634)
Dividend income	(20,420)	(19,594)	(64,821)	(77,462)
Other income	(31,465)	(6,378)	(245,705)	(185,036)
Interest expense	48,111	45,598	195,271	190,122
Depreciation and amortisation	126,286	122,503	514,356	511,650
Provision for /(Reversal of write-off) and write-off of receivables	467	2,580	(179)	7,916
Provision for /(Reversal of write-off) and write-off of inventories	10,184	(27,921)	34,301	22,385
Deficit/(Surplus) on disposal of quoted or unquoted investment	257	(8,123)	(6,973)	(11,553)
Surplus on disposal of land	(918)	(782)	(2,445)	(5,611)
Deficit/(Surplus) arising from government acquisition of land	142	-	(24,034)	(4,892)
(Reversal of impairment)/Impairment of leasehold land	(58)	38	(58)	38
Impairment of property, plant and equipment	26,251	30,940	26,251	30,940
Impairment of value in an associate	-	21	-	1,231
Impairment of available-for-sale investments	579	693	579	32,625
Foreign exchange loss	28,422	1,390	42,241	1,656
(Gain)/Loss on derivatives	(13,876)	18,738	(38,591)	20,475
Exceptional items	-	-	-	-

By Order of the Board

CHONG SEE TECK  
YAP MIOW KIEN  
CHIEW CINDY  
Company Secretaries

14 November 2018