

# **BATU KAWAN BERHAD**

(6292-U)

(Incorporated in Malaysia)

**Interim Financial Report  
for the Third Quarter ended 30 June 2019**

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

(Incorporated in Malaysia)

**Interim Financial Report for the third quarter ended 30 June 2019**

(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 2019.

**Condensed Consolidated Statement of Profit or Loss**

	Individual Quarter			Cumulative Quarter		
	3 months ended		+ / (-) %	9 months ended		+ / (-) %
	30 June			30 June		
	2019	2018		2019	2018	
	RM'000	RM'000		RM'000	RM'000	
		Restated			Restated	
Revenue	3,824,675	4,473,120	(14.5)	12,123,259	14,629,039	(17.1)
Operating expenses	(3,763,092)	(4,158,290)	(9.5)	(11,630,407)	(13,821,427)	(15.9)
Other operating income	53,207	5,100	943.3	297,411	222,993	33.4
Finance costs	(39,035)	(49,867)	(21.7)	(134,251)	(147,160)	(8.8)
Share of results of associates	2,327	3,076	(24.3)	4,618	8,360	(44.8)
Share of results of joint ventures	3,597	(6,212)	(157.9)	2,626	(2,884)	(191.1)
<b>Profit before taxation</b>	<b>81,679</b>	<b>266,927</b>	<b>(69.4)</b>	<b>663,256</b>	<b>888,921</b>	<b>(25.4)</b>
Income tax expense	(21,578)	(78,482)	(72.5)	(145,652)	(287,390)	(49.3)
<b>NET PROFIT FOR THE PERIOD</b>	<b>60,101</b>	<b>188,445</b>	<b>(68.1)</b>	<b>517,604</b>	<b>601,531</b>	<b>(14.0)</b>
Profit attributable to:						
Equity holders of the Company	50,826	106,665	(52.3)	266,798	288,431	(7.5)
Non-controlling interests	9,275	81,780	(88.7)	250,806	313,100	(19.9)
	60,101	188,445	(68.1)	517,604	601,531	(14.0)
Earnings per share for profit attributable to equity holders of the Company (sen)						
Basic	12.8	26.6		67.1	71.9	
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 2018.

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

(Incorporated in Malaysia)

**Interim Financial Report for the third quarter ended 30 June 2019**

(The figures have not been audited)

**Condensed Consolidated Statement of Other Comprehensive Income**

	Individual Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	30 June		30 June	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
<b>Net profit for the period</b>	<b>60,101</b>	<b>188,445</b>	<b>517,604</b>	<b>601,531</b>
Other comprehensive income/(loss) that will be reclassified subsequently to profit or loss				
Currency translation differences	74,616	41,484	66,317	(328,747)
Net change in fair value of equity instruments	(31,134)	140,286	(632,974)	24,538
<b>Total other comprehensive income/ (loss) for the period</b>	<b>43,482</b>	<b>181,770</b>	<b>(566,657)</b>	<b>(304,209)</b>
<b>TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD</b>	<b>103,583</b>	<b>370,215</b>	<b>(49,053)</b>	<b>297,322</b>
Total comprehensive income/(loss) attributable to:				
Equity holders of the Company	71,732	189,856	(68)	140,627
Non-controlling interests	31,851	180,359	(48,985)	156,695
	<b>103,583</b>	<b>370,215</b>	<b>(49,053)</b>	<b>297,322</b>

The Condensed Consolidated Statement of Other Comprehensive Income should be read in conjunction with the Annual Report for the year ended 30 September 2018.

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

(Incorporated in Malaysia)

**Interim Financial Report for the third quarter ended 30 June 2019**

(The figures have not been audited)

**Condensed Consolidated Statement of Financial Position**

	<b>At 30 June 2019</b>	<b>At 30 September 2018</b>	<b>At 30 September 2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
		Restated	Restated
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant & equipment	8,060,589	8,081,684	7,954,603
Investment property	47,699	48,393	49,263
Prepaid lease payments	354,781	386,003	321,985
Land held for property development	1,107,340	1,100,407	1,091,471
Goodwill on consolidation	346,118	343,595	352,949
Intangible assets	22,442	23,358	15,325
Investments in associates	194,614	185,565	177,680
Investments in joint ventures	267,268	259,300	251,737
Other investments	1,887,784	2,535,465	2,437,881
Other receivables	236,007	220,110	237,516
Deferred tax assets	432,666	389,616	445,666
	<b>12,957,308</b>	<b>13,573,496</b>	<b>13,336,076</b>
<b>Current assets</b>			
Inventories	2,009,302	2,146,452	1,816,450
Biological assets	73,448	103,351	118,593
Trade and other receivables	2,110,460	2,102,794	2,620,924
Contract assets	26,419	52,010	284
Contract costs	1,558	1,016	652
Tax recoverable	103,609	62,305	39,582
Property development costs	130,112	136,332	153,919
Other investments	259,992	291,246	327,143
Derivative financial assets	41,631	69,234	110,748
Short term funds	190,224	195,579	578,489
Cash and cash equivalents	1,604,395	1,561,986	1,755,744
	<b>6,551,150</b>	<b>6,722,305</b>	<b>7,522,528</b>
<b>TOTAL ASSETS</b>	<b>19,508,458</b>	<b>20,295,801</b>	<b>20,858,604</b>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Report for the year ended 30 September 2018.

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

(Incorporated in Malaysia)

**Interim Financial Report for the third quarter ended 30 June 2019**

(The figures have not been audited)

**Condensed Consolidated Statement of Financial Position**

	<b>At 30 June 2019</b>	<b>At 30 September 2018</b>	<b>At 30 September 2017</b>
	<b>RM'000</b>	<b>RM'000</b> Restated	<b>RM'000</b> Restated
<b>EQUITY AND LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	1,353,753	1,389,940	1,560,528
Contract liabilities	127,236	54,842	57,803
Deferred income	8,175	7,947	7,808
Borrowings	981,927	1,221,114	1,375,596
Tax payable	44,566	49,048	99,287
Derivative financial liabilities	29,288	64,219	104,643
Dividend payable	143,896	-	-
	<u>2,688,841</u>	<u>2,787,110</u>	<u>3,205,665</u>
<b>Net current assets</b>	<b><u>3,862,309</u></b>	<b><u>3,935,195</u></b>	<b><u>4,316,863</u></b>
<b>Non-current liabilities</b>			
Other payables	82	82	-
Deferred tax liabilities	423,605	420,135	386,679
Deferred income	112,402	119,004	117,365
Provision for retirement benefits	488,507	477,323	488,288
Borrowings	3,555,846	3,562,099	3,567,168
	<u>4,580,442</u>	<u>4,578,643</u>	<u>4,559,500</u>
<b>Total liabilities</b>	<b><u>7,269,283</u></b>	<b><u>7,365,753</u></b>	<b><u>7,765,165</u></b>
<b>Net assets</b>	<b><u>12,239,175</u></b>	<b><u>12,930,048</u></b>	<b><u>13,093,439</u></b>
<b>Equity attributable to owners of the Company</b>			
Share capital	515,229	509,308	498,379
Treasury shares	(578,240)	(491,740)	(446,671)
Reserves	5,814,872	6,069,494	6,118,316
	<u>5,751,861</u>	<u>6,087,062</u>	<u>6,170,024</u>
Non-controlling interests	6,487,314	6,842,986	6,923,415
<b>Total equity</b>	<b><u>12,239,175</u></b>	<b><u>12,930,048</u></b>	<b><u>13,093,439</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>19,508,458</u></b>	<b><u>20,295,801</u></b>	<b><u>20,858,604</u></b>
Net assets per share attributable to equity holders of the Company (RM)	14.55	15.20	15.33

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Report for the year ended 30 September 2018.

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

(Incorporated in Malaysia)

**Interim Financial Report for the third quarter ended 30 June 2019**

(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*	Exchange fluctuation reserve	Fair value reserve	General reserve	Retained earnings	Total	Non-controlling interested	Total equity
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 2018</b>	509,689	(491,740)	4,639	826,740	10,119	841,090	7,035	4,876,186	6,583,758	6,556,840	13,140,598
Effect on adoption of MFRSs	(381)	-	(4,639)	(234,669)	(31,239)	(1,786)	(7,035)	(216,947)	(496,696)	286,146	(210,550)
<b>At 1 October 2018 - restated</b>	509,308	(491,740)	-	592,071	(21,120)	839,304	-	4,659,239	6,087,062	6,842,986	12,930,048
Total comprehensive income/(loss) for the period	-	-	-	1,000	26,762	(291,740)	-	263,910	(68)	(48,985)	(49,053)
Transactions with owners:											
Effect of changes in shareholdings	-	-	-	-	-	-	-	(30,820)	(30,820)	(14,014)	(44,834)
Redemption of redeemable preference shares	5,921	-	-	-	-	-	-	(5,900)	21	(21)	-
Shares buy back	-	(86,500)	-	-	-	-	-	-	(86,500)	-	(86,500)
Dividend paid	-	-	-	-	-	-	-	(158,548)	(158,548)	-	(158,548)
Dividend payable	-	-	-	-	-	-	-	(59,286)	(59,286)	(84,610)	(143,896)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(208,042)	(208,042)
	5,921	(86,500)	-	-	-	-	-	(254,554)	(335,133)	(306,687)	(641,820)
<b>At 30 June 2019</b>	515,229	(578,240)	-	593,071	5,642	547,564	-	4,668,595	5,751,861	6,487,314	12,239,175

\* Included in Capital Reserve is RM309,100,000 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 2018.

## BATU KAWAN BERHAD (6292-U)

(Incorporated in Malaysia)

### Interim Financial Report for the third quarter ended 30 June 2019

(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*	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	
<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
Effect on adoption of MFRSs	(381)	-	(4,716)	(234,669)	(144,981)	(7,057)	(7,035)	(128,910)	(527,749)	251,376	(276,373)
<b>At 1 October 2017 - restated</b>	498,379	(446,671)	-	591,238	116,399	814,120	-	4,596,559	6,170,024	6,923,415	13,093,439
Total comprehensive (loss)/income for the period	-	-	-	420	(154,890)	7,384	-	287,713	140,627	156,695	297,322
Transactions with owners:											
Effect of changes in shareholdings	-	-	-	-	-	-	-	(66,003)	(66,003)	(54,314)	(120,317)
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	15,499	15,499
Acquisition through business combination	-	-	-	-	-	-	-	-	-	-	-
Redemption of redeemable preference shares	7,292	-	-	-	-	-	-	(7,292)	-	-	-
Shares buy back	-	(43,292)	-	-	-	-	-	-	(43,292)	-	(43,292)
Dividend paid	-	-	-	-	-	-	-	(180,400)	(180,400)	-	(180,400)
Dividend payable	-	-	-	-	-	-	-	(60,102)	(60,102)	(84,610)	(144,712)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(231,195)	(231,195)
	7,292	(43,292)	-	-	-	-	-	(313,797)	(349,797)	(354,620)	(704,417)
<b>At 30 June 2018 - restated</b>	505,671	(489,963)	-	591,658	(38,491)	821,504	-	4,570,475	5,960,854	6,725,490	12,686,344

\* Included in Capital Reserve is RM259,915,000 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 2018.

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

(Incorporated in Malaysia)

**Interim Financial Report for the third quarter ended 30 June 2019**

(The figures have not been audited)

**Condensed Consolidated Statement of Cash Flows**

	9 months ended 30 June	
	2019	2018
	RM'000	RM'000
		Restated
<b>Cash flows from operating activities</b>		
Profit before taxation	663,256	888,921
Adjustments for:		
Non-cash items	545,365	770,015
Non-operating items	19,487	34,441
Operating cash flows before changes in working capital	1,228,108	1,693,377
Changes in working capital		
Net change in current assets	152,708	(179,964)
Net change in current liabilities	11,973	(161,804)
Cash flows generated from operations	1,392,789	1,351,609
Interest received	4,607	2,574
Interest paid	(126,443)	(150,760)
Tax paid	(214,568)	(316,183)
Retirement benefits paid	(21,889)	(22,682)
<b>Net cash flows generated from operating activities</b>	<b>1,034,496</b>	<b>864,558</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(199,882)	(273,278)
Payments of prepaid lease	(4,373)	(561)
Plantation development expenditure	(237,907)	(158,589)
Property development expenditure	(6,933)	(5,495)
Subsequent expenditure of an investment property	(16)	(9,003)
Purchase of shares in sub-subsidiaries, net of cash acquired	(46,320)	-
Purchase of additional shares in a subsidiary	-	(292,399)
Subscription of shares in joint ventures	(5,586)	(2,474)
Purchase of investments	(592,031)	(516,734)
Purchase of intangible assets	(2,250)	(819)
Proceeds from sale of property, plant and equipment	4,736	3,628
Compensation from government on land acquired	49,801	25,546
Proceeds from disposal of subsidiaries, net of cash disposed	2,673	-
Proceeds from disposal of investments	622,426	573,162
Repayment from associates	2,940	-
Advance to joint ventures	(5,292)	(24,020)
Advance to other receivables	(5,947)	(7,867)
Decrease/(Increase) in short term funds	5,910	(58,374)
Dividends received	46,400	39,404
Interest received	49,881	47,665
<b>Net cash flows used in investing activities</b>	<b>(321,770)</b>	<b>(660,208)</b>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Report for the year ended 30 September 2018.



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

(Incorporated in Malaysia)

**Interim Financial Report for the third quarter ended 30 June 2019**

(The figures have not been audited)

**Condensed Consolidated Statement of Cash Flows**

	<b>9 months ended 30 June</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
		Restated
<b>Cash flows from financing activities</b>		
Drawdown of term loans	28,814	198,929
Repayment of term loans	(136,118)	(9,349)
Net repayment of short term borrowings	(168,712)	(128,486)
Dividends paid	(158,548)	(180,400)
Dividends paid to non-controlling interests	(208,042)	(231,195)
Shares buy back	(86,500)	(43,292)
Issuance of shares to non-controlling interests	-	15,499
Increase in other receivables	4,749	13,216
<b>Net cash flows used in financing activities</b>	<b>(724,357)</b>	<b>(365,078)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(11,631)</b>	<b>(160,728)</b>
Effects of exchange rate changes	12,236	(79,191)
Cash and cash equivalents at 1 October	1,472,952	1,631,621
<b>Cash and cash equivalents at 30 June</b>	<b>1,473,557</b>	<b>1,391,702</b>
Cash and cash equivalents at 30 June is represented by:		
Cash and cash equivalents	1,604,395	1,452,853
Borrowings - Bank overdraft	(130,838)	(61,151)
	<b>1,473,557</b>	<b>1,391,702</b>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Report for the year ended 30 September 2018.

**Interim Financial Report for the third quarter ended 30 June 2019**

(The figures have not been audited)

## **Notes to Interim Financial Report**

### **A. Explanatory Notes as required by Malaysian Financial Reporting Standard (“MFRS”) 134**

#### **A1. Statement of compliance**

The interim financial report is unaudited and has been prepared in compliance with Malaysian Financial Reporting Standard (“MFRS”) 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 2018.

#### **Transition of MFRS Framework**

The Group is a transitioning entity and its financial statements for the period up to and including the year ended 30 September 2018 were prepared in accordance with Financial Reporting Standards (“FRS”) framework.

The Interim Financial Report of the Group for the current quarter ended 30 June 2019 is prepared in accordance with the MFRS framework, including MFRS 1 *First Time Adoption of MFRS*, MFRS 9 *Financial Instruments*, MFRS 15 *Revenue from Contracts with Customers*, MFRS 141 *Agriculture: Bearer Plants* and amendments to MFRS 116 *Property, Plant and Equipment*. The Group has consistently applied the same accounting policies in its opening MFRS statement of financial position as at 1 October 2017, being the transition date, and throughout all periods presented, as if these policies had always been in effect. Comparative information in this interim financial report have been restated to reflect the financial impact on transition from FRS framework to MFRS framework as disclosed below:

#### **(a) MFRS 1 *First Time Adoption of MFRS***

As provided in MFRS 1, first time adopters of MFRS can elect optional exemptions from full retrospective application of MFRSs. The Group has elected the applicable exemptions as follows:

##### **(i) Exemption for business combinations**

The Group has elected to apply MFRS 3 Business Combinations prospectively from the date FRS 3 Business Combinations was adopted on 1 October 2011. Business combinations that occurred prior to that date have not been restated. This election does not have any impact to the financial results of the Group.

##### **(ii) MFRS 15 *Revenue from Contracts with Customers***

The Group has elected the exemption in MFRS 1 which allows the Group not to restate any contracts that were completed before 1 October 2017. This election does not have any impact to the financial results to the Group.

#### **(b) Amendments to MFRS 116 *Property, Plant and Equipment* and MFRS 141 *Agriculture: Bearer Plants***

Prior to the adoption of the amendments to MFRS 116 and MFRS 141, all new planting expenditure incurred on land clearing, planting and upkeep of trees to maturity was capitalised as plantation development expenditure and was not amortised except for those short land leases held in Indonesia where the plantation development expenditure was amortised using the straight-line method over the estimated productive years. Replanting expenditure was recognised in profit or loss in the year in which the expenditure was incurred. Agriculture produce which forms part of the bearer plants was not separately identified and recognised.

With the adoption of the amendments to MFRS 116 and MFRS 141, all new planting expenditure and replanting expenditure are recognised as bearer plants under property, plant and equipment and measured at cost less accumulated depreciation. The agricultural produce that grows on bearer plants is measured at fair value less costs to sell. The changes in fair value less costs to sell of the produce is recognised in profit or loss.

**Interim Financial Report for the third quarter ended 30 June 2019**

(The figures have not been audited)

(c) *MFRS 9 Financial Instruments*

Classification and measurement of financial assets, other than available-for-sale financial assets, and financial liabilities remain unchanged under MFRS 9.

Previously, the Group's quoted and unquoted investments in equity instruments were classified as available-for-sale ("AFS") financial assets. Unquoted investments were measured at cost and quoted equity instruments were measured at fair value with fair value gains or losses recognised in other comprehensive income ("OCI"). On derecognition, the cumulative gain or loss recognised in OCI was reclassified from equity into profit or loss. These AFS financial assets satisfy the conditions for classification as financial assets at fair value through OCI under MFRS 9 with all subsequent changes in fair value being recognised in OCI and not subsequently transferred to profit or loss on derecognition.

In respect of impairment of financial assets, MFRS 9 replaces the "incurred loss" model in MFRS 139 with an "expected credit loss" ("ECL") model. The new impairment model applies to financial assets measured at amortised cost and contract assets, but not to investments in equity instruments. Under this new model, the Group is required to record ECL on all its loan and trade receivables, either on a 12-month or lifetime basis. The Group applies the simplified approach and record lifetime ECL on all trade receivables.

(d) *MFRS 15 Revenue from Contracts with Customers*

Prior to adoption of MFRS 15, the Group recognised revenue from contracts with customers when significant risks and rewards of ownership of goods and services had been transferred to the customers, recovery of the consideration was probable, there was no continuing management involvement with the goods and the amount of revenue could be measure reliably.

Upon adoption of MFRS 15, the Group recognises revenue to depict the transfer of promised goods and services to customers for an amount that reflects the consideration to which the Group expects to be entitled in exchange for goods and services. Revenue is recognised when a customer obtains control of goods and services, i.e. when the customer has the ability to direct the use of and obtain benefits from the goods and services.

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

(Incorporated in Malaysia)

**Interim Financial Report for the third quarter ended 30 June 2019**

(The figures have not been audited)

**(e) Effect on Transition to MFRS Framework  
Reconciliation of Profit or Loss**

	<b>Individual Quarter - 3 months ended 30 June 2018</b>					
	<b>Previously Stated under FRSs</b>	<b>Effect on Adoption of MFRS 1</b>	<b>Effect on Adoption of MFRS 9</b>	<b>Effect on Adoption of MFRS 15</b>	<b>Effect on Adoption of MFRS 141</b>	<b>Restated under MFRSs</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>
Revenue	4,472,625	-	-	495	-	4,473,120
Operating expenses	(4,178,568)	2	21,245	(490)	(479)	(4,158,290)
Other operating income	27,850	-	(22,924)	-	174	5,100
Finance costs	(49,867)	-	-	-	-	(49,867)
Share of results of associates	3,076	-	-	-	-	3,076
Share of results of joint ventures	(6,212)	-	-	-	-	(6,212)
Profit before taxation	268,904	2	(1,679)	5	(305)	266,927
Tax expense	(78,642)	(46)	-	(1)	207	(78,482)
Net profit for the period	190,262	(44)	(1,679)	4	(98)	188,445
Attributable to:						
Equity holders of the Company	106,588	(21)	(271)	2	367	106,665
Non-controlling interests	83,674	(23)	(1,408)	2	(465)	81,780
	190,262	(44)	(1,679)	4	(98)	188,445
	Sen	Sen	Sen	Sen	Sen	Sen
Earnings per share - basic	26.6	-	(0.1)	-	0.1	26.6

	<b>Cumulative Quarter - 9 months ended 30 June 2018</b>					
	<b>Previously Stated under FRSs</b>	<b>Effect on Adoption of MFRS 1</b>	<b>Effect on Adoption of MFRS 9</b>	<b>Effect on Adoption of MFRS 15</b>	<b>Effect on Adoption of MFRS 141</b>	<b>Restated under MFRSs</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>
Revenue	14,643,989	-	-	(14,950)	-	14,629,039
Operating expenses	(13,638,436)	(69)	(210,302)	14,657	12,723	(13,821,427)
Other operating income	214,240	-	(4,449)	1,566	11,636	222,993
Finance costs	(147,160)	-	-	-	-	(147,160)
Share of results of associates	8,360	-	-	-	-	8,360
Share of results of joint ventures	(2,884)	-	-	-	-	(2,884)
Profit before taxation	1,078,109	(69)	(214,751)	1,273	24,359	888,921
Tax expense	(279,911)	(137)	-	75	(7,417)	(287,390)
Net profit for the period	798,198	(206)	(214,751)	1,348	16,942	601,531
Attributable to:						
Equity holders of the Company	394,239	(127)	(114,705)	529	8,495	288,431
Non-controlling interests	403,959	(79)	(100,046)	819	8,447	313,100
	798,198	(206)	(214,751)	1,348	16,942	601,531
	Sen	Sen	Sen	Sen	Sen	Sen
Earnings per share - basic	98.2	-	(28.5)	0.1	2.1	71.9

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

(Incorporated in Malaysia)

**Interim Financial Report for the third quarter ended 30 June 2019**

(The figures have not been audited)

**Reconciliation of Financial Position and Equity**

	<b>30 September 2018</b>					<b>Restated under MFRSs</b>
	<b>Previously Stated under FRSs</b>	<b>Effect on Adoption of MFRS 1</b>	<b>Effect on Adoption of MFRS 9</b>	<b>Effect on Adoption of MFRS 15</b>	<b>Effect on Adoption of MFRS 141</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	
<b>Non-current assets</b>						
Property, plant and equipment	5,491,237	-	-	-	2,590,447	8,081,684
Biological assets	2,776,616	-	-	-	(2,776,616)	-
Other investments	2,493,727	-	41,738	-	-	2,535,465
Deferred tax assets	397,541	-	-	-	(7,925)	389,616
Other non-current assets	2,566,731	-	-	-	-	2,566,731
	<b>13,725,852</b>	<b>-</b>	<b>41,738</b>	<b>-</b>	<b>(194,094)</b>	<b>13,573,496</b>
<b>Current assets</b>						
Biological assets	41,906	-	-	-	61,445	103,351
Trade and other receivables	2,172,494	-	(20,963)	(48,737)	-	2,102,794
Contract assets	-	-	-	52,010	-	52,010
Contract costs	-	-	-	1,016	-	1,016
Property development costs	140,621	-	-	(4,289)	-	136,332
Other current assets	4,326,802	-	-	-	-	4,326,802
	<b>6,681,823</b>	<b>-</b>	<b>(20,963)</b>	<b>-</b>	<b>61,445</b>	<b>6,722,305</b>
<b>Total assets</b>	<b>20,407,675</b>	<b>-</b>	<b>20,775</b>	<b>-</b>	<b>(132,649)</b>	<b>20,295,801</b>
<b>Current liabilities</b>						
Trade and other payables	1,444,782	-	-	(54,842)	-	1,389,940
Contract liabilities	-	-	-	54,842	-	54,842
Other current liabilities	1,342,328	-	-	-	-	1,342,328
	<b>2,787,110</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,787,110</b>
<b>Non-current liabilities</b>						
Deferred tax liabilities	321,459	(73,120)	-	-	171,796	420,135
Other non-current liabilities	4,158,508	-	-	-	-	4,158,508
	<b>4,479,967</b>	<b>(73,120)</b>	<b>-</b>	<b>-</b>	<b>171,796</b>	<b>4,578,643</b>
<b>Total liabilities</b>	<b>7,267,077</b>	<b>(73,120)</b>	<b>-</b>	<b>-</b>	<b>171,796</b>	<b>7,365,753</b>
<b>Equity</b>						
Share capital	509,689	(381)	-	-	-	509,308
Treasury shares	(491,740)	-	-	-	-	(491,740)
Reserves	6,565,809	(389,085)	32,903	-	(140,133)	6,069,494
	<b>6,583,758</b>	<b>(389,466)</b>	<b>32,903</b>	<b>-</b>	<b>(140,133)</b>	<b>6,087,062</b>
Non-controlling interests	6,556,840	462,586	(12,128)	-	(164,312)	6,842,986
<b>Total equity</b>	<b>13,140,598</b>	<b>73,120</b>	<b>20,775</b>	<b>-</b>	<b>(304,445)</b>	<b>12,930,048</b>
<b>Total equity and liabilities</b>	<b>20,407,675</b>	<b>-</b>	<b>20,775</b>	<b>-</b>	<b>(132,649)</b>	<b>20,295,801</b>
Net assets per share attributable to equity holders of the Company	16.44	(0.97)	0.08	-	(0.35)	15.20

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

(Incorporated in Malaysia)

**Interim Financial Report for the third quarter ended 30 June 2019**

(The figures have not been audited)

	<b>30 September 2017</b>					
	<b>Previously Stated under FRSs</b>	<b>Effect on Adoption of MFRS 1</b>	<b>Effect on Adoption of MFRS 9</b>	<b>Effect on Adoption of MFRS 15</b>	<b>Effect on Adoption of MFRS 141</b>	<b>Restated under MFRSs</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>Non-current assets</b>						
Property, plant and equipment	5,487,466	-	-	-	2,467,137	7,954,603
Biological assets	2,725,985	-	-	-	(2,725,985)	-
Other investments	2,400,912	-	36,969	-	-	2,437,881
Deferred tax assets	453,110	-	-	(80)	(7,364)	445,666
Other non-current assets	2,497,926	-	-	-	-	2,497,926
	<b>13,565,399</b>	<b>-</b>	<b>36,969</b>	<b>(80)</b>	<b>(266,212)</b>	<b>13,336,076</b>
<b>Current assets</b>						
Inventories	1,834,008	-	-	(17,558)	-	1,816,450
Biological assets	37,806	-	-	-	80,787	118,593
Trade and other receivables	2,627,540	-	(24,467)	17,851	-	2,620,924
Contract assets	-	-	-	284	-	284
Contract costs	-	-	-	652	-	652
Property development costs	154,696	-	-	(777)	-	153,919
Other current assets	2,811,706	-	-	-	-	2,811,706
	<b>7,465,756</b>	<b>-</b>	<b>(24,467)</b>	<b>452</b>	<b>80,787</b>	<b>7,522,528</b>
<b>Total assets</b>	<b>21,031,155</b>	<b>-</b>	<b>12,502</b>	<b>372</b>	<b>(185,425)</b>	<b>20,858,604</b>
<b>Current liabilities</b>						
Trade and other payables	1,616,627	-	-	(56,099)	-	1,560,528
Contract liabilities	-	-	-	57,803	-	57,803
Other current liabilities	1,587,334	-	-	-	-	1,587,334
	<b>3,203,961</b>	<b>-</b>	<b>-</b>	<b>1,704</b>	<b>-</b>	<b>3,205,665</b>
<b>Non-current liabilities</b>						
Deferred tax liabilities	284,561	(73,302)	-	-	175,420	386,679
Other non-current liabilities	4,172,821	-	-	-	-	4,172,821
	<b>4,457,382</b>	<b>(73,302)</b>	<b>-</b>	<b>-</b>	<b>175,420</b>	<b>4,559,500</b>
<b>Total liabilities</b>	<b>7,661,343</b>	<b>(73,302)</b>	<b>-</b>	<b>1,704</b>	<b>175,420</b>	<b>7,765,165</b>
<b>Equity</b>						
Share capital	498,760	(381)	-	-	-	498,379
Treasury shares	(446,671)	-	-	-	-	(446,671)
Reserves	6,645,684	(386,346)	26,619	(522)	(167,119)	6,118,316
	<b>6,697,773</b>	<b>(386,727)</b>	<b>26,619</b>	<b>(522)</b>	<b>(167,119)</b>	<b>6,170,024</b>
Non-controlling interests	6,672,039	460,029	(14,117)	(810)	(193,726)	6,923,415
<b>Total equity</b>	<b>13,369,812</b>	<b>73,302</b>	<b>12,502</b>	<b>(1,332)</b>	<b>(360,845)</b>	<b>13,093,439</b>
<b>Total equity and liabilities</b>	<b>21,031,155</b>	<b>-</b>	<b>12,502</b>	<b>372</b>	<b>(185,425)</b>	<b>20,858,604</b>
Net assets per share attributable to equity holders of the Company	16.63	(0.96)	0.07	-	(0.41)	15.33

**Interim Financial Report for the third quarter ended 30 June 2019**

(The figures have not been audited)

**Reconciliation of Cash Flows**

	9 months ended 30 June 2018					Restated under MFRSs RM'000
	Previously Stated under FRSs RM'000	Effect on Adoption of MFRS 1 RM'000	Effect on Adoption of MFRS 9 RM'000	Effect on Adoption of MFRS 15 RM'000	Effect on Adoption of MFRS 141 RM'000	
	Profit before tax	1,078,109	(69)	(214,751)	1,273	
Adjustments for non-cash flow:						
Non-cash items	488,543	69	214,751	12	66,640	770,015
Non-operating items	34,441	-	-	-	-	34,441
Operating profit before working capital changes	1,601,093	-	-	1,285	90,999	1,693,377
Working capital changes:						
Net change in current assets	(170,963)	-	-	(9,001)	-	(179,964)
Net change in current liabilities	(169,520)	-	-	7,716	-	(161,804)
Cash generated used in operations	1,260,610	-	-	-	90,999	1,351,609
Interest received	2,574	-	-	-	-	2,574
Interest paid	(150,760)	-	-	-	-	(150,760)
Income tax paid	(316,183)	-	-	-	-	(316,183)
Retirement benefits paid	(22,682)	-	-	-	-	(22,682)
Net cash generating from operating activities	773,559	-	-	-	90,999	864,558
Net cash used in investing activities	(569,209)	-	-	-	(90,999)	(660,208)
Net cash used in investment activities	(365,078)	-	-	-	-	(365,078)
Net (decrease)/increase in cash and cash equivalents	(160,728)	-	-	-	-	(160,728)
Exchange difference	(79,191)	-	-	-	-	(79,191)
Opening cash and cash equivalents	1,631,621	-	-	-	-	1,631,621
Closing cash and cash equivalents	1,391,702	-	-	-	-	1,391,702

**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 5,227,200 shares in the Company from the open market. The average price paid for the shares repurchased was RM16.49 per share and the total consideration paid, including transaction costs, was RM86,499,690. 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 third quarter ended 30 June 2019**

(The figures have not been audited)

**A7. Dividends paid**

	<b>9 months ended 30 June</b>	
	<b>2019 RM'000</b>	<b>2018 RM'000</b>
Dividends proposed in financial year ("FY") 2018, paid in FY 2019:		
Final 40 sen per share single tier	158,548	-
Dividends proposed in FY 2017, paid in FY 2018:		
Final 45 sen per share single tier	-	180,400
	<u>158,548</u>	<u>180,400</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>Plantation</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 2019</b>						
Revenue						
External revenue	4,703,553	7,045,327	121,070	253,309	-	12,123,259
Inter-segment revenue	676,140	-	-	594,208	(1,270,348)	-
Total revenue	<u>5,379,693</u>	<u>7,045,327</u>	<u>121,070</u>	<u>847,517</u>	<u>(1,270,348)</u>	<u>12,123,259</u>
Results						
Operating results	283,018	414,183	27,065	98,572	(32,575)	790,263
Finance costs	(13,146)	(42,707)	-	(110,973)	32,575	(134,251)
Share of results of associates	1,466	897	2,190	65	-	4,618
Share of results of joint ventures	1,581	-	-	1,045	-	2,626
Segment results	<u>272,919</u>	<u>372,373</u>	<u>29,255</u>	<u>(11,291)</u>	<u>-</u>	<u>663,256</u>
Profit before taxation						<u>663,256</u>
<b>9 months ended 30 June 2018 - Restated</b>						
Revenue						
External revenue	6,274,308	8,036,920	106,144	211,667	-	14,629,039
Inter-segment revenue	628,859	-	-	663,511	(1,292,370)	-
Total revenue	<u>6,903,167</u>	<u>8,036,920</u>	<u>106,144</u>	<u>875,178</u>	<u>(1,292,370)</u>	<u>14,629,039</u>
Results						
Operating results	696,674	496,894	14,980	(151,789)	(26,154)	1,030,605
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)	-	-	5,724	-	(2,884)
Segment results	<u>679,278</u>	<u>448,567</u>	<u>16,589</u>	<u>(255,513)</u>	<u>-</u>	<u>888,921</u>
Profit before taxation						<u>888,921</u>



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

(Incorporated in Malaysia)

**Interim Financial Report for the third quarter ended 30 June 2019**

(The figures have not been audited)

## b) Segment assets

	Plantation	Manufacturing	Property Development	Investment Holding/ Others	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 30 June 2019</b>					
Operating assets	6,609,127	6,586,772	1,519,103	3,795,299	18,510,301
Associates	82,052	10,229	75,859	26,474	194,614
Joint ventures	156,348	-	-	110,920	267,268
Segment assets	<u>6,847,527</u>	<u>6,597,001</u>	<u>1,594,962</u>	<u>3,932,693</u>	<u>18,972,183</u>
Tax assets					536,275
Total assets					<u>19,508,458</u>
<b>At 30 September 2018 - Restated</b>					
Operating assets	6,430,707	6,821,135	1,478,288	4,668,886	19,399,016
Associates	72,268	9,457	73,669	30,170	185,564
Joint ventures	153,964	-	-	105,336	259,300
Segment assets	<u>6,656,939</u>	<u>6,830,592</u>	<u>1,551,957</u>	<u>4,804,392</u>	<u>19,843,880</u>
Tax assets					451,921
Total assets					<u>20,295,801</u>

## c) Segment liabilities

	Plantation	Manufacturing	Property Development	Investment Holding/ Others	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 30 June 2019</b>					
Segment liabilities	<u>1,237,687</u>	<u>2,145,949</u>	<u>120,256</u>	<u>3,153,324</u>	<u>6,657,216</u>
Tax liabilities					468,171
Dividend payable					143,896
Total liabilities					<u>7,269,283</u>
<b>At 30 September 2018 - Restated</b>					
Segment liabilities	<u>1,268,745</u>	<u>2,358,528</u>	<u>107,623</u>	<u>3,161,674</u>	<u>6,896,570</u>
Tax liabilities					469,183
Total liabilities					<u>7,365,753</u>

**A9. Material events subsequent to end of period**

On 30 July 2019, the Group, through its sub-subsidiary, KL-Kepong International Ltd ("KLKI"), subscribed for all its rights shares entitlement of 16,719,849 new ordinary shares in Synthomer PLC ("Synthomer"), being 19.68% of the new ordinary shares issued under the rights issue, at an issue price of 240 pence per share. The cost for the Group's subscription of shares amounted to GBP40.13 million which was financed by existing cash reserves and bank borrowings.

In addition to the subscription of rights issue, KLKI has also subscribed 1,125,000 new shares for which valid acceptances from the rights issue were not received by Synthomer ("Placing").

Following the completion of the rights issue and subscription in the Placing together with 700,000 shares acquired from the open market, the Group's equity held in Synthomer has increased to 20.11% and Synthomer is now an associate of the Group.

The above transactions do not have any effect on the share capital and substantial shareholders' shareholding structure of the Group. It is not expected to have any material effect on the earnings per share, net assets per share and gearing of the Group for the current financial year ending 30 September 2019.

**Interim Financial Report for the third quarter ended 30 June 2019**

(The figures have not been audited)

**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 following:

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 fulfilment of the last conditions precedent.

Prior to expiration of the extended period of the SSA on 25 December 2018, both parties have mutually agreed to extend the cut-off period for fulfilment of the conditions precedent for a further 6 months, expiring on 25 June 2019. The last conditions precedent were fulfilled on 21 June 2019 (Cut-off Date) and the disposal was completed on 28 June 2019, within 30 days from the Cut-off Date.

**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 2018.

**A12. Capital commitments**

At the end of the reporting year, the Group’s capital commitments were as follows:

	<b>At 30 June 2019 RM’000</b>	<b>At 30 September 2018 RM’000</b>
Capital expenditure		
Approved and contracted	112,901	133,494
Approved but not contracted	462,984	841,213
	<u>575,885</u>	<u>974,707</u>
Joint venture		
Share of capital commitment of a joint venture	9,611	8,641

**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>2019 RM’000</b>	<b>2018 RM’000</b>
a) Transactions with associates and joint ventures:		
Sales of goods	169,715	246,991
Purchase of goods	767,019	971,878
Service charges paid	2,053	1,722
Research and development services paid	9,916	11,084

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

(Incorporated in Malaysia)

**Interim Financial Report for the third quarter ended 30 June 2019**

(The figures have not been audited)

	<b>Cumulative Quarter</b>	
	<b>9 months ended</b>	
	<b>30 June</b>	
	<b>2019</b>	<b>2018</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	192,924	222,760
Taiko Marketing (S) Pte Ltd	2,505	1,098
Chlor-Al Chemical Pte Ltd	4,323	6,264
Siam Taiko Marketing Co Ltd	1,771	2,405
Storage tanks rental received:		
Taiko Marketing Sdn Bhd	3,092	2,987
Purchases of goods:		
Taiko Marketing Sdn Bhd	32,358	53,495
Taiko Marketing (S) Pte Ltd	22,866	21,268
Taiko Acid Works Sdn Bhd	2,116	2,413
Borneo Taiko Clay Sdn Bhd	3,262	3,645
Bukit Katho Estate Sdn Bhd	2,729	3,547
Kampar Rubber & Tin Co Sdn Bhd	3,926	5,158
Kekal & Deras Sdn Bhd	1,110	1,295
Ladang Tai Tak (Kota Tinggi) Sdn Bhd	1,886	553
Malay Rubber Plantations (M) Sdn Bhd	4,157	5,348
PT Agro Makmur Abadi	38,122	65,951
PT Bumi Karyatama Raharja	1,837	-
PT Safari Riau	13,505	26,193
Taiko Clay Marketing Sdn Bhd	1,946	1,700
Taiko Drum Industries Sdn Bhd	2,480	2,396
Aircraft operating expenses and management services paid		
Smooth Route Sdn Bhd	1,748	1,423
Supply of contract labours and engineering works:		
K7 Engineering Sdn Bhd	1,566	918
IT services:		
E-Komoditi Sdn Bhd	1,824	-
c) Transactions between subsidiaries and their non-controlling interests:		
Sales of goods:		
Mitsubishi Corporation	31,504	38,541
Mitsui & Co Ltd	202,086	265,410
Tejana Trading & Management Services Sdn Bhd	-	3,047
Purchases of goods:		
Mitsubishi Gas Chemical Singapore Pte Ltd	12,462	11,970
PT Letawa	-	2,661
PT Tanjung Bina Lestari	18,379	27,746
PT Tanjung Sarana Lestari	961,615	988,654
Tejana Trading & Management Services Sdn Bhd	-	1,361

**Interim Financial Report for the third quarter ended 30 June 2019**

(The figures have not been audited)

**B. Explanatory Notes as required by the Bursa Securities' Listing Requirements**
**B1. Detailed analysis of performance**
**3<sup>rd</sup> Quarter FY 2019 vs 3<sup>rd</sup> Quarter FY 2018**

	<u>Quarter Ended</u>		<b>Changes</b>
	<b>30 June</b>		
	<b>2019</b>	<b>2018</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>%</b>
		Restated	
Revenue	<u>3,824,675</u>	<u>4,473,120</u>	(14.5)
Segment results:			
Plantation	40,429	188,524	(78.6)
Manufacturing	126,579	127,302	(0.6)
Property development	11,014	8,259	33.4
Investment holding/Others	(96,343)	(57,158)	(68.6)
Profit before taxation	<u>81,679</u>	<u>266,927</u>	(69.4)

The Group's revenue for the current quarter was RM3,824.68 million, 14.5% lower than RM4,473.12 million in the corresponding quarter last year. The Group's profit before taxation was 69.4% lower at RM81.68 million (3Q2018: RM266.93 million). Comments on the respective business segments are as follows:

**Plantation's** profit was 78.6% lower at RM40.43 million (3Q2018: RM188.52 million) with revenue dropped 20.8% to RM1,377.97 million (3Q2018: RM1,740.34 million). The current quarter's profit was impacted by weaker CPO and PK prices, despite 2.6% higher in FFB production to 1.01 million mt and positive contributions from processing and trading operations.

**Manufacturing** reported a marginal lower profit of RM126.58 million (3Q2018: RM127.30 million) whilst revenue was 11.0% lower at RM2,330.22 million (3Q2018: RM2,617.39 million).

The Oleochemical division registered a higher current quarter's profit of RM96.29 million (3Q2018: RM86.70 million) due to better margins and increased sales volume. The unrealised loss arising from fair value changes on outstanding derivative contracts had also decreased to RM15.28 million (3Q2018 : RM49.99 million unrealised loss). The Industrial Chemical division posted a 30.5% lower profit at RM28.90 million (3Q2018: RM41.60 million) impacted by lower selling prices and higher energy cost.

**Property Development** achieved a higher profit of RM11.01 million (3Q2018: RM8.26 million) despite a decrease in revenue to RM46.46 million (3Q2018: RM50.57 million).

**Investment holdings/Others'** result accounted for foreign exchange currency gain of RM31.40 million (3Q2018: RM4.66 million loss) on translation of inter-company loans denominated in foreign currencies and a RM145.32 million impairment on an estate located in Sinoe County, Liberia during current quarter. Due to the decreased plantable land area after High Conservation Value areas are excluded on sustainability grounds, Butaw Estate will be too small in size to fully plant up and its existing planted area is no longer economically viable to operate. The Group's sub-subsidiary has thus ceased field operations work on the estate and has obtained government approval to retrench the estate workers.

**Interim Financial Report for the third quarter ended 30 June 2019**

(The figures have not been audited)

**Todate 3<sup>rd</sup> Quarter FY 2019 vs Todate 3<sup>rd</sup> Quarter FY 2018**

	<b>Todate Ended</b>		<b>Changes %</b>
	<b>30 June</b>		
	<b>2019</b>	<b>2018</b>	
	<b>RM'000</b>	<b>RM'000</b>	
		Restated	
Revenue	12,123,259	14,629,039	(17.1)
Segment results:			
Plantation	272,919	679,278	(59.8)
Manufacturing	372,373	448,567	(17.0)
Property development	29,255	16,589	76.4
Investment holding/Others	(11,291)	(255,513)	95.6
Profit before taxation	663,256	888,921	(25.4)

The Group's nine months profit before taxation was 25.4% lower at RM663.26 million (Todate 3Q2018: RM888.92 million) with a decline of 17.1% in revenue to RM12,123.26 million (Todate 3Q2018: RM14,629.04 million). Comments on the respective business segments are as follows:

**Plantation's** profit was 59.8% lower at RM272.92 million (Todate 3Q2018: RM679.28 million) with revenue dropped 25.0% to RM4,703.55 million (Todate 3Q2018: RM6,274.31 million) from weaker CPO and PK selling prices, despite a 5.5% increase in FFB production to 3.24 million mt (Todate 3Q2018: 3.07 million mt).

**Manufacturing** reported a 17.0% lower profit of RM372.37 million (Todate 3Q2018: RM448.57 million) whilst revenue was 12.3% lower at RM7,045.33 million (Todate 3Q2018: RM8,036.92 million).

The Oleochemical division registered a 17.0% lower profit of RM281.76 million (Todate 3Q2018: RM339.36 million) due to lower selling prices and decline in contribution from Europe operations owing to thin margins, despite Malaysia and China operations achieved higher profits from higher margin and sales volume. The Industrial Chemical division posted a 24.2% lower profit of RM87.0 million (Todate 3Q2018: RM114.80 million) from lower selling prices and higher energy costs, despite higher sales volume.

**Property Development's** profit rose 76.4% to RM29.26 million (Todate 3Q2018: RM16.59 million) contributed by 14.1% increase in revenue to RM121.07 million (Todate 3Q2018: RM106.14 million).

**Investment holdings/Others'** result accounted for foreign exchange currency gain of RM65.53 million (Todate 3Q2018: RM281.18 million loss) on translation of inter-company loans denominated in foreign currencies, a RM48.70 million surplus (Todate 3Q2018: RM24.20 million surplus) from government plantation land acquisition, a RM35.77 million (Todate 3Q2018: RM10.99 million) Farming sector's profit from this harvesting season with higher crop production over a larger cropped area and better yield from last year's planted crops, and a RM145.32 million (Todate 3Q2018: Nil) impairment on an estate in Liberia.

**Interim Financial Report for the third quarter ended 30 June 2019**

(The figures have not been audited)

**B2. Comparison of current quarter's results to the preceding quarter  
3<sup>rd</sup> Quarter FY 2019 vs 2<sup>nd</sup> Quarter FY 2019**

	Quarter Ended		Changes %
	30 June 2019 RM'000	31 March 2019 RM'000 Restated	
Revenue	3,824,675	4,079,585	(6.2)
Segment results:			
Plantation	40,429	104,078	(61.2)
Manufacturing	126,579	120,598	5.0
Property development	11,014	7,111	54.9
Investment holding/Others	(96,343)	(13,059)	637.8
Profit before taxation	81,679	218,728	(62.7)

For the current quarter, the Group's profit before taxation dropped 62.7% to RM81.68 million compared to RM218.73 million reported in the preceding quarter whilst revenue was slightly lower at RM3,824.68 million (2Q2019: RM4,079.59 million). Comments on the respective business segments are as follows:

**Plantation** recorded a significant decrease in profit by 61.2% to RM40.43 million (2Q2019: RM104.08 million) from lower CPO and PK sales volume, lower FFB production by 3.8% to 1.01 million mt (2Q2019: 1.05 million mt) and coupled with higher CPO production costs, despite positive contributions from processing and trading operations.

**Manufacturing's** profit was 5.0% higher at RM126.58 million (2Q2019: RM120.60 million) with 2.8% lower revenue at RM2,330.22 million (2Q2019: RM2,397.90 million).

The Oleochemical division recorded a higher profit of RM96.29 million (2Q2019: RM90.93 million) mainly contributed by Malaysia and China operations with better margins as a result of lower raw material costs. However, Europe operations' profit had decreased from lower sales volume and thin margins. The Industrial Chemical division posted marginal increase in profit at RM28.90 million (2Q2019: RM28.80 million).

**Property Development** recorded a 54.9% increase in profit to RM11.01 million (2Q2019: RM7.11 million) supported by higher revenue of RM46.46 million (2Q2019: RM34.80 million).

**Investment holdings/Others'** result accounted for foreign exchange currency gain of RM30.63 million (2Q2019: RM3.41 million loss) on translation of inter-company loans denominated in foreign currencies, a recognition of RM39.83 million (2Q2019: Nil) higher dividend income of RM39.83 million (2Q2019: Nil) from overseas investments, and a RM145.32 million impairment on an estate in Liberia amounting to RM145.32 million.

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

(Incorporated in Malaysia)

**Interim Financial Report for the third quarter ended 30 June 2019**

(The figures have not been audited)

**B3. Current year's prospects**

The Group's Plantation division profit for the financial year 2019 will be lower than the preceding year's in view of low prevailing CPO and PK prices.

The performance of the Group's Oleochemical division should be sustained with better margins from lower raw material prices. As for the Group's Industrial Chemical division, profits from both chlor-alkali and sulphuric acid businesses are projected to be satisfactory despite higher energy and raw material costs.

Overall, the Group expects a reduced profit for the financial year 2019.

**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 30 June		9 months ended 30 June	
	2019 RM'000	2018 RM'000 Restated	2019 RM'000	2018 RM'000 Restated
Current tax expenses				
Malaysian taxation	37,557	44,941	100,044	153,193
Overseas taxation	16,097	34,059	79,795	128,870
	<u>53,654</u>	<u>79,000</u>	<u>179,839</u>	<u>282,063</u>
Deferred tax				
Relating to origination and reversal of temporary differences	(20,928)	(10,352)	(22,551)	(11,479)
Relating to changes in tax rates	3	-	(968)	-
Under provision in respect of previous years	3,220	3,437	44	9,437
	<u>(17,705)</u>	<u>(6,915)</u>	<u>(23,475)</u>	<u>(2,042)</u>
(Over)/Under provision of taxation in respect of previous years				
Malaysian taxation	(15,529)	(1,108)	(15,767)	(1,326)
Overseas taxation	1,158	7,505	5,055	8,695
	<u>(14,371)</u>	<u>6,397</u>	<u>(10,712)</u>	<u>7,369</u>
	<u>21,578</u>	<u>78,482</u>	<u>145,652</u>	<u>287,390</u>

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

(Incorporated in Malaysia)

**Interim Financial Report for the third quarter ended 30 June 2019**

(The figures have not been audited)

**Reconciliation of effective taxation**

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June		9 months ended 30 June	
	2019 RM'000	2018 RM'000 Restated	2019 RM'000	2018 RM'000 Restated
Profit before taxation	81,679	266,927	663,256	888,921
Taxation at Malaysia income tax rate of 24% (FY 2018: 24%)	19,604	64,062	159,182	213,341
Effect of difference tax rates in foreign jurisdiction	(5,395)	(601)	(17,357)	(3,762)
Withholding tax on foreign dividend and interest income	5,845	9,067	19,116	15,628
Expenses not deductible for tax purposes	50,948	32,866	100,446	178,593
Tax exempt and non-taxable income	(36,051)	(38,677)	(90,994)	(115,076)
Effect of changes in tax rates on deferred tax	3	-	(968)	-
Tax incentives	(203)	(946)	(2,426)	(2,705)
Deferred tax assets/(liabilities) not recognised during the period	476	(126)	1,777	441
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(1,665)	(1,766)	(15,590)	(10,532)
Tax effect on associates' and joint ventures' results	(1,421)	753	(1,738)	(1,314)
Recognition of deferred tax assets/(liabilities) not taken up previously	-	3,320	-	(6,240)
Recognition of unabsorbed reinvestment allowance	-	-	-	-
(Over)/Under provision of previous years tax expenses	(14,371)	6,397	(10,712)	7,369
Under provision of previous years deferred tax	3,220	3,437	44	9,437
Others	588	696	4,872	2,210
<b>Tax expense</b>	<b>21,578</b>	<b>78,482</b>	<b>145,652</b>	<b>287,390</b>

**B6. Status of corporate proposals**

There were no corporate proposals announced.



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

(Incorporated in Malaysia)

**Interim Financial Report for the third quarter ended 30 June 2019**

(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 2019					
	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 7,300	34,324	Euro 308	1,448	Euro 7,608	35,772
<u>Unsecured</u>						
Bank overdraft	-	-	Euro 27,824	130,838	Euro 27,824	130,838
Revolving credit	-	-	Euro 30,000	141,069	Euro 30,000	141,069
	-	-	Rp 72,790,504	21,306	Rp 72,790,504	21,306
	-	-	Rmb 78,000	46,979	Rmb 78,000	46,979
	-	-	GBP 6,500	34,126	GBP 6,500	34,126
	-	-	-	-	-	-
Trade financing	-	-	USD 40,760	168,543	USD 40,760	168,543
	-	-	-	53,790	-	53,790
Term loans	USD 45,000	186,258	-	-	USD 45,000	186,258
	Euro 50,000	235,264	Euro 15,500	72,937	Euro 65,500	308,201
Export credit refinancing	-	-	-	20,215	-	20,215
Bankers' acceptance	-	-	-	290,676	-	290,676
Islamic medium term notes	-	3,100,000	-	-	-	3,100,000
<b>Total</b>	-	<b>3,555,846</b>	-	<b>981,927</b>	-	<b>4,537,773</b>

	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>

Exchange Rates Applied	At 30 June	
	2019	2018
USD / RM	4.1350	4.0410
Euro / RM	4.7023	4.6997
Rp1,000/RM	0.2927	-
Rmb / RM	0.6023	-
GBP/RM	5.2502	-

**Interim Financial Report for the third quarter ended 30 June 2019**

(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 2019, 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	(731,254)	17
- 1 year to 3 years	-	-
- More than 3 years	-	-
b) Commodity futures contracts:		
- Less than 1 year	(41,741)	12,300
- 1 year to 3 years	-	-
- More than 3 years	-	-

Derivative financial instruments are recognised at fair value on contract dates and are 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 2019, 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 third quarter ended 30 June 2019**

(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 2019.

An interim single tier dividend of 15 sen per share (2018: 15 sen per share) was declared by the Directors on 15 May 2019 and was paid on 8 August 2019.

b) Total dividend for the current financial year to-date is single tier dividend of 15 sen per share (2018: 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.

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>3 months ended</b>		<b>9 months ended</b>	
	<b>30 June</b>		<b>30 June</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
		Restated		Restated
Net profit for the period attributable to equity holders of the Company (RM'000)	50,826	106,665	266,798	288,431
Weighted average number of shares ('000)	397,371	401,426	397,371	401,426
Earnings per share (sen)	12.8	26.6	67.1	71.9

**B13. Audit report of preceding annual financial statements**

The auditors' report on the financial statements for the year ended 30 September 2018 was not subject to any qualifications.

**Interim Financial Report for the third quarter ended 30 June 2019**

(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	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Interest income	(17,903)	(21,595)	(57,711)	(68,287)
Dividend income	(45,347)	(38,522)	(57,021)	(44,401)
Other income	(53,207)	(5,100)	(297,411)	(222,993)
Interest expense	39,035	49,867	134,251	147,160
Depreciation and amortisation	152,251	144,048	447,642	430,659
Provision for /(Reversal of write-off) and write-off of receivables	1,703	(3,189)	5,153	(1,303)
Provision for and write-off of inventories	5,673	5,946	30,019	24,117
(Surplus)/Deficit on disposal of quoted or unquoted investment	(32)	(4,785)	1,029	(7,230)
Surplus on disposal of land	(743)	(745)	(1,927)	(1,527)
Surplus arising from government acquisition of land	(610)	(187)	(48,700)	(24,176)
Surplus on disposal of a subsidiary company	(210)	-	(210)	-
Impairment of assets	145,970	-	145,970	-
Foreign exchange (gain)/loss	(42,773)	(30,605)	(74,726)	202,486
Loss/(Gain) on derivatives	21,635	44,628	594	(24,705)
Exceptional items	-	-	-	-

By Order of the Board

GOH SWEE ENG

YAP MIOW KIEN

CHIEW CINDY

Company Secretaries

20 August 2019