

BATU KAWAN BERHAD

(6292-U)
(Incorporated in Malaysia)

**Interim Financial Report
For the first quarter ended 31 December 2015**

Interim Financial Report for the first quarter ended 31 December 2015

(The figures have not been audited)

Directors are pleased to announce the unaudited financial results of the Group for the first quarter ended 31 December 2015.

Condensed Consolidated Statement of Profit or Loss

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 December		3 months ended 31 December	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Revenue	4,450,259	3,214,547	4,450,259	3,214,547
Operating expenses	(4,157,455)	(2,902,296)	(4,157,455)	(2,902,296)
Other operating income	686,758	33,058	686,758	33,058
Finance costs	(41,632)	(29,440)	(41,632)	(29,440)
Share of results of associates	(5,454)	2,405	(5,454)	2,405
Share of results of joint ventures	6,185	-	6,185	-
Profit before taxation	938,661	318,274	938,661	318,274
Income tax expense	(88,368)	(71,472)	(88,368)	(71,472)
NET PROFIT FOR THE PERIOD	850,293	246,802	850,293	246,802
Profit attributable to:				
Owners of the Company	387,526	116,954	387,526	116,954
Non-controlling interests	462,767	129,848	462,767	129,848
	850,293	246,802	850,293	246,802
Earnings per share for profit attributable to owners of the Company (sen)				
Basic	95.4	28.6	95.4	28.6
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 2015.

Interim Financial Report for the first quarter ended 31 December 2015

(The figures have not been audited)

Condensed Consolidated Statement of Other Comprehensive Income

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 December		3 months ended 31 December	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Net profit for the period	850,293	246,802	850,293	246,802
Other comprehensive (loss)/income that will be reclassified subsequently to profit or loss				
Net change in fair value of available-for-sale investments	(130,136)	91,896	(130,136)	91,896
Realisation on fair value of available-for-sale investments	(1,378)	(704)	(1,378)	(704)
Foreign currency translation differences	(17,054)	215,359	(17,054)	215,359
Total other comprehensive (loss)/income for the period	(148,568)	306,551	(148,568)	306,551
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	701,725	553,353	701,725	553,353
Total comprehensive income attributable to:				
Owners of the Company	335,114	260,037	335,114	260,037
Non-controlling interests	366,611	293,316	366,611	293,316
	701,725	553,353	701,725	553,353

The Condensed Consolidated Statement of Other Comprehensive Income should be read in conjunction with the Annual Report for the year ended 30 September 2015.

Interim Financial Report for the first quarter ended 31 December 2015
(The figures have not been audited)

Condensed Consolidated Statement of Financial Position

	At 31 December 2015	At 30 September 2015
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	5,227,171	5,095,818
Investment property	50,888	51,120
Prepaid lease payments	317,840	296,303
Biological assets	2,540,003	2,480,204
Land held for property development	1,087,037	226,353
Goodwill on consolidation	351,834	359,064
Intangible assets	13,415	15,297
Investment in associates	151,599	160,974
Investment in joint ventures	206,418	181,169
Available-for-sale investments	1,727,767	1,836,879
Deferred tax assets	140,153	148,496
Other receivables	258,505	204,825
	12,072,630	11,056,502
Current assets		
Inventories	1,913,782	1,657,476
Biological assets	3,745	32,599
Trade and other receivables	2,623,436	2,763,098
Property development costs	72,427	59,964
Tax recoverable	35,727	38,290
Derivative financial assets	157,035	315,825
Short term funds	83,014	-
Cash and cash equivalents	2,661,712	2,696,606
	7,550,878	7,563,858
TOTAL ASSETS	19,623,508	18,620,360

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Report for the year ended 30 September 2015.

Interim Financial Report for the first quarter ended 31 December 2015
(The figures have not been audited)

Condensed Consolidated Statement of Financial Position

	At 31 December 2015	At 30 September 2015
	RM'000	RM'000
EQUITY AND LIABILITIES		
Current liabilities		
Trade and other payables	1,371,952	1,469,501
Deferred income	7,218	6,728
Tax payable	40,466	32,556
Borrowings	2,508,020	1,914,940
Derivative financial liabilities	82,961	356,479
	<u>4,010,617</u>	<u>3,780,204</u>
Net current assets	<u>3,540,261</u>	<u>3,783,654</u>
Non-current liabilities		
Provision for retirement benefits	411,902	363,079
Deferred tax liabilities	288,091	285,066
Deferred income	121,888	113,154
Borrowings	2,870,110	3,181,221
	<u>3,691,991</u>	<u>3,942,520</u>
Total liabilities	<u>7,702,608</u>	<u>7,722,724</u>
Net assets	<u>11,920,900</u>	<u>10,897,636</u>
Equity attributable to owners of the Company		
Share capital	435,951	435,951
Treasury shares	(384,663)	(382,208)
Reserves	5,889,563	5,554,449
	<u>5,940,851</u>	<u>5,608,192</u>
Non-controlling interests	5,980,049	5,289,444
Total equity	<u>11,920,900</u>	<u>10,897,636</u>
TOTAL EQUITY AND LIABILITIES	<u>19,623,508</u>	<u>18,620,360</u>
Net assets per share attributable to owners of the Company (RM)	14.63	13.80

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Report for the year ended 30 September 2015.

Interim Financial Report for the first quarter ended 31 December 2015

(The figures have not been audited)

Condensed Consolidated Statement of Changes in Equity

	← Attributable to Owners of the Company →												
	← Non-distributable →							↔ Distributable ↔				Non-controlling interests	Total equity
	Share capital	Treasury shares	Revaluation reserve	Capital reserve*	Capital redemption reserve	Exchange fluctuation reserve	Fair value reserve	General reserve	Retained earnings	Total			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000			
At 1 October 2015	435,951	(382,208)	4,810	821,732	27,743	233,463	633,402	7,035	3,826,264	5,608,192	5,289,444	10,897,636	
Total comprehensive income for the period	-	-	60	858	-	(2,757)	(49,781)	-	386,734	335,114	366,611	701,725	
Transactions with owners:													
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	-	324,800	324,800	
Share buy back	-	(2,455)	-	-	-	-	-	-	-	(2,455)	-	(2,455)	
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(806)	(806)	
	-	(2,455)	-	-	-	-	-	-	-	(2,455)	323,994	321,539	
At 31 December 2015	435,951	(384,663)	4,870	822,590	27,743	230,706	583,621	7,035	4,212,998	5,940,851	5,980,049	11,920,900	

* Included in Capital Reserve is RM490,847,000 which is distributable.

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Report for the year ended 30 September 2015.

Interim Financial Report for the first quarter ended 31 December 2015

(The figures have not been audited)

Condensed Consolidated Statement of Changes in Equity

	← Attributable to Owners of the Company →										Non-controlling interests	Total equity
	← Non-distributable →						← Distributable →					
	Share capital	Treasury shares	Revaluation reserve	Capital reserve*	Capital redemption reserve	Exchange fluctuation reserve	Fair value reserve	General reserve	Retained earnings	Total		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 October 2014	435,951	(330,723)	4,809	819,976	27,682	(195,851)	325,004	7,035	3,543,118	4,637,001	4,234,247	8,871,248
Total comprehensive income for the period	-	-	-	281	1	101,196	41,741	-	116,818	260,037	293,316	553,353
Transactions with owners:												
Share buy back	-	(26,240)	-	-	-	-	-	-	-	(26,240)	-	(26,240)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(4,466)	(4,466)
	-	(26,240)	-	-	-	-	-	-	-	(26,240)	(4,466)	(30,706)
At 31 December 2014	435,951	(356,963)	4,809	820,257	27,683	(94,655)	366,745	7,035	3,659,936	4,870,798	4,523,097	9,393,895

* Included in Capital Reserve is RM488,514,000 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 2015.

Interim Financial Report for the first quarter ended 31 December 2015

(The figures have not been audited)

Condensed Consolidated Statement of Cash Flows

	3 months ended 31 December	
	2015	2014
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	938,661	318,274
Adjustments for:		
Non-cash items	130,457	106,962
Non-operating items	(513,960)	(23,124)
Operating cash flows before changes in working capital	555,158	402,112
Changes in working capital		
Net change in current assets	(222,451)	(122,821)
Net change in current liabilities	(102,516)	(24,714)
Cash flows from operations	230,191	254,577
Interest received	264	233
Interest paid	(26,520)	(27,706)
Tax paid	(61,909)	(67,367)
Retirement benefits paid	(7,302)	(4,754)
Net cash flows from/(used in) operating activities	134,724	154,983
Cash flows from investing activities		
Purchase of property, plant and equipment	(275,554)	(130,161)
Payments of prepaid lease	(20,699)	(8,459)
Plantation development expenditure	(41,472)	(47,862)
Property development expenditure	(860,684)	(1,382)
Subscription of shares in an associate	(324,800)	-
Purchase of a joint venture	(22,191)	-
Purchase of available-for-sale investments	(39,285)	(19,984)
Purchase of intangible assets	-	(524)
Share buy back	(2,455)	(26,240)
Proceeds from sale of property, plant and equipment	422	245
Compensation from government on land acquired	23,120	2,412
Proceeds from disposal of land	821,007	-
Proceeds from disposal of available-for-sale investments	4,880	2,249
Increase in short term funds	(83,014)	-
Dividends received	34,391	15,399
Interest received	8,703	5,724
Net cash flows used in investing activities	(777,631)	(208,583)

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Report for the year ended 30 September 2015.

Interim Financial Report for the first quarter ended 31 December 2015

(The figures have not been audited)

Condensed Consolidated Statement of Cash Flows

	3 months ended 31 December	
	2015	2014
	RM'000	RM'000
Cash flows from financing activities		
Repayment of term loans	(235)	(6,476)
Drawdown of short term borrowings	314,636	70,674
Dividends paid to non-controlling interests	(806)	(4,466)
Issuance of shares to non-controlling interests	324,800	-
Increase in other receivables	(41,670)	(4,037)
Net cash flows from financing activities	596,725	55,695
Net (decrease)/increase in cash and cash equivalents	(46,182)	2,095
Effects of exchange rate changes	(10,056)	37,859
Cash and cash equivalents at 1 October	2,669,438	1,869,401
Cash and cash equivalents at 31 December	2,613,200	1,909,355
Cash and cash equivalents at 31 December is represented by:		
Cash and cash equivalents	2,661,712	1,986,789
Borrowings - Bank overdraft	(48,512)	(77,434)
	2,613,200	1,909,355

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Report for the year ended 30 September 2015.

Interim Financial Report for the first quarter ended 31 December 2015

(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 2015. 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 2015.

A3. Seasonal and cyclical operations

The Group’s operations are affected to the extent that the plantation operations are influenced by seasonal crop production, weather conditions and fluctuations in commodity prices.

A4. Unusual items

There were no items affecting the assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence.

A5. Material changes in estimates

There were no material changes in the estimates of amounts reported in prior interim period of the current and prior financial year.

A6. Issuance and repayment of debt and equity securities

There were no issuances and repayments of debt securities, share buybacks, share cancellations or resale of treasury shares for the financial year to-date except for share buybacks of 142,400 shares in the Company from the open market. The average price paid for the shares repurchased was RM17.17 per share and the total consideration paid, including transaction costs, was RM2,454,308. The shares bought back were financed by internally generated funds and borrowings and held as treasury shares.

A7. Dividends paid

No dividend has been paid during the current quarter ended 31 December 2015 (31 December 2014: Nil).

A8. Segment information

Segment information is presented in respect of the Group’s reportable segments which are based on the Group’s management and internal reporting structure.

a) Segment revenue and results

	Plantations	Manufacturing	Property Development	Investment Holding/Others	Elimination	Consolidated
	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000
3 months ended						
31 December 2015						
Revenue						
External revenue	2,454,102	1,891,951	10,269	93,937	-	4,450,259
Inter-segment revenue	241,766	-	-	15,964	(257,730)	-
Total revenue	2,695,868	1,891,951	10,269	109,901	(257,730)	4,450,259

Interim Financial Report for the first quarter ended 31 December 2015

(The figures have not been audited)

	Plantations	Manufacturing	Property Development	Investment Holding/Others	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Results						
Operating results	269,878	164,066	83	554,904	(9,369)	979,562
Finance costs	(1,527)	(9,833)	-	(39,641)	9,369	(41,632)
Share of results of associates	2,202	251	(782)	(7,125)	-	(5,454)
Share of results of joint ventures	6,364	-	-	(179)	-	6,185
Segment results	<u>276,917</u>	<u>154,484</u>	<u>(699)</u>	<u>507,959</u>	<u>-</u>	<u>938,661</u>
Profit before taxation						<u>938,661</u>
3 months ended 31 December 2014						
Revenue						
External revenue	1,601,320	1,509,331	29,920	73,976	-	3,214,547
Inter-segment revenue	200,355	-	-	16,103	(216,458)	-
Total revenue	<u>1,801,675</u>	<u>1,509,331</u>	<u>29,920</u>	<u>90,079</u>	<u>(216,458)</u>	<u>3,214,547</u>
Results						
Operating results	245,415	53,001	13,578	40,236	(6,921)	345,309
Finance costs	(1,047)	(6,854)	-	(28,460)	6,921	(29,440)
Share of results of associates	1,868	240	288	9	-	2,405
Segment results	<u>246,236</u>	<u>46,387</u>	<u>13,866</u>	<u>11,785</u>	<u>-</u>	<u>318,274</u>
Profit before taxation						<u>318,274</u>

b) Segment assets

	Plantations	Manufacturing	Property Development	Investment Holding/Others	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
At 31 December 2015					
Operating assets	6,794,767	6,895,462	1,291,729	4,107,653	19,089,611
Associates	59,688	8,376	68,691	14,844	151,599
Joint ventures	147,110	-	-	59,308	206,418
Segment assets	<u>7,001,565</u>	<u>6,903,838</u>	<u>1,360,420</u>	<u>4,181,805</u>	<u>19,447,628</u>
Tax assets					<u>175,880</u>
Total assets					<u>19,623,508</u>
At 30 September 2015					
Operating assets	6,655,171	6,945,029	450,441	4,040,790	18,091,431
Associates	61,826	8,279	68,466	22,403	160,974
Joint ventures	144,658	-	-	36,511	181,169
Segment assets	<u>6,861,655</u>	<u>6,953,308</u>	<u>518,907</u>	<u>4,099,704</u>	<u>18,433,574</u>
Tax assets					<u>186,786</u>
Total assets					<u>18,620,360</u>

Interim Financial Report for the first quarter ended 31 December 2015

(The figures have not been audited)

c) Segment liabilities

	Plantations RM'000	Manufacturing RM'000	Property Development RM'000	Investment Holding/Others RM'000	Consolidated RM'000
At 31 December 2015					
Segment liabilities	2,255,532	2,143,000	45,983	2,929,536	7,374,051
Unallocated liabilities					328,557
Total liabilities					7,702,608
At 30 September 2015					
Segment liabilities	2,177,229	2,253,946	24,744	2,949,183	7,405,102
Unallocated liabilities					317,622
Total liabilities					7,722,724

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 financial report.

A10. Changes in composition of the Group

During the current quarter, changes to the composition of the Group were:

- a) On 18 November 2015, Caruso Australia Ventures Pty Ltd ("CAV"), a wholly-owned subsidiary of the Company, had:
 - i) incorporated a wholly-owned subsidiary, Vivaldi Victoria Pty Ltd, which has an issued and paid-up capital of AUD100, in Australia. The intended principal activity is a trustee company; and
 - ii) set-up a unit trust in Australia, Vivaldi Victoria Unit Trust, with 100 units created under the trust deed and wholly subscribed by CAV. The intended principal activity is to hold land and undertake property development in Australia.

A11. Changes in contingent liabilities and contingent assets

There were no material contingent liabilities or contingent assets since the date of the last annual financial statements for the year ended 30 September 2015.

A12. Capital commitments

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

	At 31 December 2015 RM'000	At 30 September 2015 RM'000
Capital expenditure		
Approved and contracted	231,836	195,474
Approved but not contracted	907,305	947,260
	1,139,141	1,142,734
Acquisitions of shares in sub-subsidiaries		
Approved and contracted	1,314	1,268
Acquisition of land for property development		
Approved and contracted	-	784,080

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(The figures have not been audited)

A13. Significant Related Party Transactions

The following significant related party transactions of the Group have been entered into in the ordinary course of business at prices mutually agreed upon between the parties on terms not more favourable to the related party than those generally available to the public and are not detrimental to the non-controlling interests of the Company:

	Cumulative Quarter	
	3 months ended	
	31 December	
	2015	2014
	RM'000	RM'000
a) Transactions with associates and joint venture:		
Sales of finished goods	1,883	1,955
Purchase of goods	202,699	127
Service charges paid	1,167	457
Research and development services paid	2,724	2,568
b) Transactions with other related parties being companies in which persons connected with certain Directors have significant interests:		
Sales of goods:		
Taiko Marketing Sdn Bhd	67,072	58,005
Taiko Marketing (S) Pte Ltd	1,131	1,373
Chlor-Al Chemical Pte Ltd	5,013	4,412
Purchases of goods:		
Taiko Marketing Sdn Bhd	8,684	8,841
Taiko Marketing (S) Pte Ltd	15,222	4,460
Borneo Taiko Clay Sdn Bhd	1,287	1,001
Bukit Katho Estate Sdn Bhd	683	729
Kampar Rubber & Tin Co Sdn Bhd	1,937	1,964
Malay Rubber Plantations (M) Sdn Bhd	1,085	1,237
PT Agro Makmur Abadi	16,661	16,692
PT Safari Riau	6,873	7,547
PT Taiko Persada Indoprima	-	3,089
Taiko Fertiliser Marketing Sdn Bhd	17	164
Supply of contract labours and engineering works:		
K7 Engineering Sdn Bhd	1,070	515
Sales commissions charged by:		
Taiko Marketing Sdn Bhd	12	2,012
c) Transactions between subsidiaries and their non-controlling interests:		
Sales of indirect materials and finished goods to:		
Mitsubishi Corporation	58,942	22,838
Mitsui & Co Ltd	71,078	71,242
PT Eka Dura Indonesia	24,085	-
PT Tanjung Sarana Lestari	296,603	-
Tejana Trading & Management Services Sdn Bhd	304	654

Interim Financial Report for the first quarter ended 31 December 2015

(The figures have not been audited)

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

B1. Detailed analysis of performance

1st Quarter FY 2016 vs 1st Quarter FY 2015

The Group's revenue for the current quarter was RM4,450.26 million, 38% higher than RM3,214.55 million in the corresponding quarter last year as all segments, except Property Development, reported higher revenues. Group profit before tax was significantly higher at RM938.66 million (2015: RM318.27 million) after accounting for a surplus of RM485.69 million from sale of plantation land to an associate. Comments on the respective business segments are as follows:

Plantations reported a profit of RM276.92 million, 12% higher compared to last year's corresponding quarter's profit of RM246.24 million resulting from improved contributions from refineries and kernel crushing plants and higher selling prices of palm kernel and rubber.

Manufacturing's profit for this quarter was RM154.48 million, significantly higher than last year's corresponding quarter's profit of RM46.39 million due to a 25% higher revenue at RM1,891.95 million (2014: RM1,509.33 million). The oleochemical division's profit improved significantly to RM117.00 million (2014: RM28.80 million) while the chemicals division posted a profit of RM28.59 million (2014: RM16.87 million).

Property Development incurred a small loss of RM699,000 (2014: RM13.87 million profit) due to the slowdown in the property market. Revenue dropped 66% to RM10.27 million (2014: RM29.92 million).

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

1st Quarter FY 2016 vs 4th Quarter FY 2015

This quarter, Group pre-tax profit was RM938.66 million, substantially higher than the RM267.50 million reported in the preceding quarter due to recognition of RM485.69 million surplus from disposal of plantation land to an associate. Profits from all segments, except Property Development, were also higher. Plantations profit rose 50% resulting from higher selling price of palm kernel and better results from refineries and kernel crushing plants. Manufacturing's higher profit was contributed by higher revenue and unrealised gain from fair value changes on outstanding derivative contracts.

B3. Current year's prospects

The Group's Plantations performance for financial year 2016 is expected to be challenging in view of the weak economic outlook and ample supply of oilseeds which may impact the palm oil price.

Notwithstanding the current difficult business environment, the Group anticipates its oleochemical division's profit for financial year 2016 to be favourable, with additional capacities from key expansion plants coming fully on-stream together with the continuous drive for operational efficiency and productivity enhancement. As for the chemicals division, profit from the chlor-alkali business is projected to be satisfactory whilst the sulphuric acid business remains challenging due to competition.

Despite the challenges, the Group expects a satisfactory profit for financial year 2016.

B4. Variance of actual profit from forecast profit

The Group did not issue any forecast profit or profit guarantee for the quarter ended 31 December 2015.

Interim Financial Report for the first quarter ended 31 December 2015

(The figures have not been audited)

B5. Income tax expense

	Individual Quarter		Cumulative Quarter	
	3 months ended		3 months ended	
	31 December		31 December	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Current tax				
Malaysian income tax	45,688	54,064	45,688	54,064
Foreign income tax	28,301	24,066	28,301	24,066
	73,989	78,130	73,989	78,130
Deferred tax				
Relating to origination and reversal of temporary differences	14,302	(7,146)	14,302	(7,146)
(Over)/Under provision in respect of previous years	(37)	276	(37)	276
	14,265	(6,870)	14,265	(6,870)
Under/(Over) provision in respect of previous years				
Malaysian income tax	-	259	-	259
Foreign income tax	114	(47)	114	(47)
	114	212	114	212
	88,368	71,472	88,368	71,472

The effective tax rate for the current quarter and financial year to-date is lower than the statutory tax rate mainly due to non-taxable income.

B6. Status of corporate proposals

There were no corporate proposals announced.

Interim Financial Report for the first quarter ended 31 December 2015

(The figures have not been audited)

B7. Group borrowings

As at the end of the reporting period, the Group's borrowings were as follows:

	At 31 December 2015		At 30 September 2015	
	RM'000	Amount in Foreign Currency '000	RM'000	Amount in Foreign Currency '000
a) Repayable within 12 months:				
(i) Term Loans				
- Secured	956	Euro205	1,001	Euro204
	956		1,001	
- Unsecured	86,081	USD20,000	88,235	USD20,000
	93,340	Euro20,000	98,388	Euro20,000
	179,421		186,623	
	180,377		187,624	
(ii) Islamic Medium Term Notes				
- Unsecured	300,000		-	
(ii) Bank Overdraft				
- Secured	638	Euro137	-	
- Unsecured	47,874	Euro10,258	27,168	Euro5,523
	48,512		27,168	
(iii) Short Term Borrowings				
- Unsecured	699,627	USD162,818	813,493	USD184,843
	12,668	GBP2,000	26,637	GBP4,000
	181,991	Euro39,000	167,281	Euro34,000
	1,084,845		692,737	
	1,979,131		1,700,148	
Total repayable within 12 months	2,508,020		1,914,940	
b) Repayable after 12 months:				
(i) Term Loans				
- Secured	979	Euro210	1,286	Euro261
- Unsecured	140,010	Euro30,000	147,582	Euro30,000
	129,121	USD30,000	132,353	USD30,000
	269,131		279,935	
	270,110		281,221	
(ii) Islamic Medium Term Notes				
- Unsecured	2,600,000		2,900,000	
Total repayable after 12 months	2,870,110		3,181,221	
Total Group borrowings	5,378,130		5,096,161	

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(The figures have not been audited)

B8. Derivative financial instruments

The Group has entered into forward foreign exchange contracts as hedges for committed sales and purchases denominated in foreign currencies. The hedging of the foreign currencies is to minimise the exposure of the Group to fluctuations in foreign exchange on receipts and payments.

The commodity future contracts are entered into with the objective of managing and hedging the Group's exposure to the adverse price movements in the vegetable oil commodities.

As at 31 December 2015, the values and maturity analysis of the outstanding derivatives of the Group are as follows:

	Contract / Notional value Net long/(short)	Fair value Net gains/(losses)
	RM'000	RM'000
a) Forward foreign exchange contracts:		
- Less than 1 year	(814,837)	(6,997)
- 1 year to 3 years	-	-
- More than 3 years	-	-
b) Commodity futures contracts:		
- Less than 1 year	(103,428)	81,043
- 1 year to 3 years	-	-
- More than 3 years	-	-

With the adoption of FRS 139 *Financial Instruments: Recognition and Measurement*, derivative financial instruments are recognised at fair value on contract dates and subsequently re-measured at fair value through profit or loss. The resulting gain or loss from the re-measurement is recognised in profit or loss.

For the current quarter ended 31 December 2015, there have been no significant changes to the Group's exposure to credit risk, market risk and liquidity risk from the previous financial year. Since the previous financial year, there have been no changes to the Group's risk management objectives, policies and processes.

B9. Fair value changes of financial liabilities

The Group does not have any financial liabilities which are measured at fair value through profit or loss except for derivative financial instruments.

B10. Material litigation

The BKB Group is not engaged in any material litigation either as plaintiff or defendant and the Directors of BKB do not know of any proceedings, pending or threatened against the BKB Group or of any fact likely to give rise to any proceedings which might materially affect the position or business of the BKB Group.

B11. Dividend

a) The Directors do not recommend the payment of dividend for the first quarter ended 31 December 2015 (31 December 2014: Nil).

b) Total dividend for the current financial year to-date is Nil (31 December 2014: Nil).

Interim Financial Report for the first quarter ended 31 December 2015

(The figures have not been audited)

B12. Earnings Per Share
Basic earnings per share

The earnings per share is calculated by dividing the net profit for the period attributable to owners of the company by the weighted average number of shares of the Company in issue during the period.

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 December		3 months ended 31 December	
	2015	2014	2015	2014
Net profit for the period attributable to owners of the Company (RM'000)	387,526	116,954	387,526	116,954
Weighted average number of shares ('000)	406,305	408,569	406,305	408,569
Earnings per share (sen)	95.4	28.6	95.4	28.6

B13. Audit report of preceding annual financial statements

The auditors' report on the financial statements for the year ended 30 September 2015 was not subject to any qualifications.

B14. Condensed Consolidated Statement of Profit or Loss

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

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 December		3 months ended 31 December	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Interest income	(16,031)	(9,092)	(16,031)	(9,092)
Dividend income	(13,920)	(9,522)	(13,920)	(9,522)
Other income	(686,758)	(33,058)	(686,758)	(33,058)
Interest expense	41,632	29,440	41,632	29,440
Depreciation and amortisation	121,870	101,735	121,870	101,735
Write-back of receivables	(235)	(575)	(235)	(575)
Provision for and write down of inventories	7,370	10,186	7,370	10,186
Surplus on disposal of quoted or unquoted investments	(1,474)	(695)	(1,474)	(695)
Surplus on disposal of land	(487,391)	(712)	(487,391)	(712)
Surplus arising from government acquisition of land	(22,444)	(2,359)	(22,444)	(2,359)
Foreign exchange loss/(gain)	19,001	(24,631)	19,001	(24,631)
(Gain)/Loss on derivatives	(118,253)	29,479	(118,253)	29,479
Exceptional items	-	-	-	-

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(The figures have not been audited)

B15. Breakdown of realised and unrealised profits or losses

	At 31 December 2015	At 30 September 2015
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	7,491,980	6,751,335
- Unrealised	408,608	322,044
	<u>7,900,588</u>	<u>7,073,379</u>
Total share of retained profits from associates:		
- Realised	62,407	73,854
- Unrealised	230	287
	<u>62,637</u>	<u>74,141</u>
Total share of (accumulated loss)/retained profits from joint ventures:		
- Realised	(17,877)	(25,082)
- Unrealised	9,585	10,606
	<u>(8,292)</u>	<u>(14,476)</u>
Consolidation adjustments	<u>(3,741,935)</u>	<u>(3,306,780)</u>
Total group retained profits as per consolidated accounts	<u>4,212,998</u>	<u>3,826,264</u>

B16. Significant Events

On 30 December 2015, the following Sale and Purchase Agreements ("SPA") were completed and the balance purchase prices for the SPAs were fully settled:

- a) SPA between Scope Energy Sdn Bhd ("SESB"), a 60% owned subsidiary of the Kuala Lumpur Kepong Berhad ("KLK") Group, and the three wholly-owned subsidiaries of UEM Sunrise Bhd for the acquisition of 500 acres of free hold land located in the Mukim Tanjung Kupang, District of Johor Bahru, Johor; and
- b) SPA between KLK and Aura Muhibah Sdn Bhd ("AMSB"), a 40% associate of the KLK Group, for the sale of 2,500 acres of freehold land located in Mukim Senai, District of Kulai Jaya, Johor.

Following the completion of the SPAs, KLK Land Sdn Bhd, a wholly-owned subsidiary of the KLK Group, subscribed for the following redeemable preference shares ("RPS"):

- a) 487.2 million of RPS in SESB which represents 60% of the total RPS issued; and
- b) 324.8 million of RPS in AMSB which represents 40% of the total RPS issued.

By Order of the Board

CHONG SEE TECK
YAP MIOW KIEN
CHIEW CINDY
Company Secretaries

17 February 2016