

BATU KAWAN BERHAD

(6292-U)

(Incorporated in Malaysia)

**Interim Financial Report
for the Second Quarter ended 31 March 2017**

Interim Financial Report for the second quarter ended 31 March 2017

(The figures have not been audited)

Directors are pleased to announce the unaudited financial results of the Group for the second quarter ended 31 March 2017.

Condensed Consolidated Statement of Profit or Loss

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 March		6 months ended 31 March	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Revenue	5,603,935	3,814,450	11,233,855	8,264,709
Operating expenses	(5,119,352)	(3,604,170)	(10,355,287)	(7,761,625)
Other operating income	59	102,005	168,498	788,763
Finance costs	(47,922)	(43,678)	(94,947)	(85,310)
Share of results of associates	4,358	1,508	6,528	(3,946)
Share of results of joint ventures	(3,377)	(1,627)	(7,143)	4,558
Profit before taxation	437,701	268,488	951,504	1,207,149
Income tax expense	(102,552)	(62,761)	(206,837)	(151,129)
NET PROFIT FOR THE PERIOD	335,149	205,727	744,667	1,056,020
Profit attributable to:				
Equity holders of the Company	163,315	94,435	360,858	481,961
Non-controlling interests	171,834	111,292	383,809	574,059
	335,149	205,727	744,667	1,056,020
Earnings per share for profit attributable to equity holders of the Company (sen)				
Basic	40.3	23.3	89.1	118.7
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 2016.

Interim Financial Report for the second quarter ended 31 March 2017

(The figures have not been audited)

Condensed Consolidated Statement of Other Comprehensive Income

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 March		6 months ended 31 March	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Net profit for the period	335,149	205,727	744,667	1,056,020
Other comprehensive income/(loss) that will be reclassified subsequently to profit or loss				
Net change in fair value of available-for-sale investments	383,590	41,956	446,942	(88,180)
Realisation on fair value of available-for-sale investments	-	(348)	1,041	(1,726)
Currency translation differences	(115)	(393,181)	309,601	(410,235)
	383,475	(351,573)	757,584	(500,141)
Other comprehensive loss that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	(12)	-	(1,115)	-
Total other comprehensive income/(loss) for the period	383,463	(351,573)	756,469	(500,141)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	718,612	(145,846)	1,501,136	555,879
Total comprehensive income/(loss) attributable to:				
Equity holders of the Company	347,988	(77,039)	723,021	258,075
Non-controlling interests	370,624	(68,807)	778,115	297,804
	718,612	(145,846)	1,501,136	555,879

The Condensed Consolidated Statement of Other Comprehensive Income should be read in conjunction with the Annual Report for the year ended 30 September 2016.

Interim Financial Report for the second quarter ended 31 March 2017

(The figures have not been audited)

Condensed Consolidated Statement of Financial Position

	At 31 March 2017	At 30 September 2016
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	5,500,470	5,337,156
Investment property	49,727	50,191
Prepaid lease payments	325,791	319,539
Biological assets	2,772,746	2,644,794
Land held for property development	1,138,924	1,130,312
Goodwill on consolidation	357,264	349,930
Intangible assets	13,715	15,076
Investment in associates	169,482	170,733
Investment in joint ventures	259,962	251,412
Available-for-sale investments	2,386,518	1,694,341
Deferred tax assets	484,778	467,715
Other receivables	267,416	237,505
	13,726,793	12,668,704
Current assets		
Inventories	2,354,838	1,950,696
Biological assets	5,934	43,697
Trade and other receivables	2,573,878	2,271,993
Property development costs	77,317	83,463
Tax recoverable	42,793	59,588
Derivative financial assets	156,138	119,454
Short term funds	523,120	1,068,716
Cash and cash equivalents	2,163,323	1,548,905
	7,897,341	7,146,512
TOTAL ASSETS	21,624,134	19,815,216

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Report for the year ended 30 September 2016.

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

Condensed Consolidated Statement of Financial Position

	At 31 March 2017	At 30 September 2016
	RM'000	RM'000
EQUITY AND LIABILITIES		
Current liabilities		
Trade and other payables	1,518,841	1,400,801
Deferred income	6,970	6,328
Tax payable	134,598	75,101
Borrowings	2,031,415	1,572,222
Derivative financial liabilities	151,921	218,786
	<u>3,843,745</u>	<u>3,273,238</u>
Net current assets	4,053,596	3,873,274
Non-current liabilities		
Provision for retirement benefits	522,020	503,650
Deferred tax liabilities	281,834	281,174
Deferred income	114,552	118,665
Borrowings	3,581,339	3,467,808
	<u>4,499,745</u>	<u>4,371,297</u>
Total liabilities	8,343,490	7,644,535
Net assets	13,280,644	12,170,681
Equity attributable to owners of the Company		
Share capital	468,420	435,951
Treasury shares	(424,811)	(403,272)
Reserves	6,575,913	6,047,130
	<u>6,619,522</u>	<u>6,079,809</u>
Non-controlling interests	6,661,122	6,090,872
Total equity	13,280,644	12,170,681
TOTAL EQUITY AND LIABILITIES	21,624,134	19,815,216
Net assets per share attributable to equity holders of the Company (RM)	16.38	15.01

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Report for the year ended 30 September 2016.

Interim Financial Report for the second quarter ended 31 March 2017

(The figures have not been audited)

Condensed Consolidated Statement of Changes in Equity

	← Attributable to equity holders of the Company →										Non-controlling interests	Total equity
	← Non-distributable →					↔ Distributable ↔						
	Share capital	Treasury shares	Revaluation reserve	Capital reserve*	Capital redemption reserve	Exchange fluctuation reserve	Fair value reserve	General reserve	Retained earnings	Total		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 October 2016	435,951	(403,272)	4,722	823,254	28,752	208,133	560,878	7,035	4,414,356	6,079,809	6,090,872	12,170,681
Total comprehensive income for the period	-	-	32	2,312	3,596	150,172	212,307	-	354,602	723,021	778,115	1,501,136
Transactions with owners:												
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	-	13,171	13,171
Share buy back	-	(21,539)	-	-	-	-	-	-	-	(21,539)	-	(21,539)
Dividend paid	-	-	-	-	-	-	-	-	(161,890)	(161,890)	-	(161,890)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(220,915)	(220,915)
	-	(21,539)	-	-	-	-	-	-	(161,890)	(183,429)	(207,744)	(391,173)
Reclassification of capital redemption reserve to share capital pursuant to Section 618(2) of the Companies Act 2016	32,469	-	-	-	(32,348)	-	-	-	-	121	(121)	-
At 31 March 2017	468,420	(424,811)	4,754	825,566	-	358,305	773,185	7,035	4,607,068	6,619,522	6,661,122	13,280,644

* Included in Capital Reserve is RM493,824,000 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 2016.

Interim Financial Report for the second quarter ended 31 March 2017

(The figures have not been audited)

Condensed Consolidated Statement of Changes in Equity

	← Attributable to equity holders of the Company →										Non-controlling interests	Total equity
	← Non-distributable →						← Distributable →					
	Share capital	Treasury shares	Revaluation reserve	Capital reserve*	Capital redemption reserve	Exchange fluctuation reserve	Fair value reserve	General reserve	Retained earnings	Total		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 October 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/(loss) for the period	-	-	24	755	231	(190,116)	(33,658)	-	480,839	258,075	297,804	555,879
Transactions with owners:												
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	-	324,800	324,800
Share buy back	-	(12,681)	-	-	-	-	-	-	-	(12,681)	-	(12,681)
Dividend paid	-	-	-	-	-	-	-	-	(142,017)	(142,017)	-	(142,017)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(192,691)	(192,691)
	-	(12,681)	-	-	-	-	-	-	(142,017)	(154,698)	132,109	(22,589)
At 31 March 2016	435,951	(394,889)	4,834	822,487	27,974	43,347	599,744	7,035	4,165,086	5,711,569	5,719,357	11,430,926

* Included in Capital Reserve is RM490,745,000 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 2016.

Interim Financial Report for the second quarter ended 31 March 2017

(The figures have not been audited)

Condensed Consolidated Statement of Cash Flows

	6 months ended 31 March	
	2017	2016
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	951,504	1,207,149
Adjustments for:		
Non-cash items	294,040	263,203
Non-operating items	(99,431)	(568,554)
Operating cash flows before changes in working capital	1,146,113	901,798
Changes in working capital		
Net change in current assets	(592,045)	121,920
Net change in current liabilities	94,044	(271,775)
Cash flows from operations	648,112	751,943
Interest received	3,221	1,467
Interest paid	(99,676)	(86,116)
Tax paid	(127,456)	(122,497)
Retirement benefits paid	(18,500)	(13,554)
Net cash flows generated from operating activities	405,701	531,243
Cash flows from investing activities		
Purchase of property, plant and equipment	(300,352)	(407,423)
Payments of prepaid lease	(1,960)	(20,309)
Plantation development expenditure	(73,776)	(82,411)
Property development expenditure	(10,731)	(895,128)
Subscription of shares in associates	-	(324,873)
Subscription of shares in joint ventures	-	(76,447)
Purchase of available-for-sale investments	(330,933)	(38,682)
Purchase of intangible assets	(36)	(291)
Share buy back	(21,539)	(12,681)
Proceeds from sale of property, plant and equipment	11,574	1,681
Compensation from government on land acquired	-	41,832
Proceeds from disposal of land	-	825,135
Proceeds from disposal of available-for-sale investments	103,159	5,454
Decrease/(Increase) in short term funds	557,840	(43,457)
Dividends received	38,579	49,856
Interest received	23,656	20,325
Repayment from joint ventures	-	25,341
Loan to other receivables	(975)	-
Net cash flows used in investing activities	(5,494)	(932,078)

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Report for the year ended 30 September 2016.

Interim Financial Report for the second quarter ended 31 March 2017

(The figures have not been audited)

Condensed Consolidated Statement of Cash Flows

	6 months ended 31 March	
	2017	2016
	RM'000	RM'000
Cash flows from financing activities		
Repayment of Islamic Medium Term Notes	(300,000)	-
Redemption of redeemable preference shares from non-controlling interests	784	-
Term loans received	107,632	9,786
Repayment of term loans	(90,564)	(717)
Drawdown/(Repayment) of short term borrowings	776,777	(109,322)
Dividend paid	(161,890)	(142,017)
Dividends paid to non-controlling interests	(220,915)	(192,691)
Issuance of shares to non-controlling interests	13,171	324,800
Decrease/(Increase) in other receivables	12,178	(4,707)
Net cash flows generated from/(used in) financing activities	137,173	(114,868)
Net increase/(decrease) in cash and cash equivalents	537,380	(515,703)
Effects of exchange rate changes	35,072	(97,879)
Cash and cash equivalents at 1 October	1,508,195	2,669,438
Cash and cash equivalents at 31 March	2,080,647	2,055,856
Cash and cash equivalents at 31 March is represented by:		
Cash and cash equivalents	2,163,323	2,097,260
Borrowings - Bank overdraft	(82,676)	(41,404)
	2,080,647	2,055,856

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Report for the year ended 30 September 2016.

Interim Financial Report for the second quarter ended 31 March 2017

(The figures have not been audited)

Notes to Interim Financial Report

A. Explanatory Notes as required by Financial Reporting Standard (“FRS”) 134

A1. Statement of compliance

The interim financial report is unaudited and has been prepared in compliance with Financial Reporting Standard (“FRS”) 134 *Interim Financial Reporting*, issued by the Malaysian Accounting Standards Board and paragraph 9.22 of the Bursa Malaysia Securities Berhad’s (“Bursa Securities”) Main Market Listing Requirements.

A2. Accounting policies

The Interim Financial Report should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 September 2016. 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 2016 except for the ad except for the adoption of the following FRS and amendments to FRSs:

FRS and amendments to FRSs effective for annual periods beginning on or after 1 January 2016

- FRS 14 *Regulatory Deferral Accounts*
- Amendments to FRS 5 *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to FRS 7 *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to FRS 10 *Consolidated Financial Statements*, FRS 12 *Disclosure of Interests in Other Entities* and FRS 128 *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to FRS 11 *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to FRS 101 *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to FRS 116 *Property, Plant and Equipment* and FRS 138 *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to FRS 119 *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to FRS 127 *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to FRS 134 *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

The application of the above FRS and amendments to FRSs has no significant effect to the financial statements of the Group.

A3. Seasonal and cyclical operations

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

A4. Unusual items

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

A5. Material changes in estimates

There were no 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 1,134,000 shares in the Company from the open market. The average price paid for the shares repurchased was RM18.93 per share and the total consideration paid, including transaction costs, was RM21,538,761. The shares bought back were financed by internally generated funds and borrowings and held as treasury shares.

Interim Financial Report for the second quarter ended 31 March 2017

(The figures have not been audited)

A7. Dividends paid

	6 months ended 31 March	
	2017 RM'000	2016 RM'000
Dividends proposed in financial year ("FY") 2016, paid in FY 2017:		
Final 40 sen per share single tier	161,890	-
Dividends proposed in FY 2015, paid in FY 2016:		
Final 35 sen per share single tier	-	142,017
	161,890	142,017

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 RM'000	Manufacturing RM'000	Property Development RM'000	Investment Holding/Others RM'000	Elimination RM'000	Consolidated RM'000
6 months ended 31 March 2017						
Revenue						
External revenue	5,809,259	5,169,187	83,082	172,327	-	11,233,855
Inter-segment revenue	926,210	-	-	58,407	(984,617)	-
Total revenue	6,735,469	5,169,187	83,082	230,734	(984,617)	11,233,855
Results						
Operating results	806,573	169,364	16,396	73,184	(18,451)	1,047,066
Finance costs	(5,654)	(33,311)	-	(74,433)	18,451	(94,947)
Share of results of associates	5,584	943	703	(702)	-	6,528
Share of results of joint ventures	(7,825)	-	-	682	-	(7,143)
Segment results	798,678	136,996	17,099	(1,269)	-	951,504
Profit before taxation						951,504
6 months ended 31 March 2016						
Revenue						
External revenue	4,283,830	3,824,530	25,914	130,435	-	8,264,709
Inter-segment revenue	418,694	-	-	111,434	(530,128)	-
Total revenue	4,702,524	3,824,530	25,914	241,869	(530,128)	8,264,709
Results						
Operating results	403,358	300,494	2,420	604,323	(18,748)	1,291,847
Finance costs	(3,053)	(19,770)	-	(81,235)	18,748	(85,310)
Share of results of associates	1,710	(15)	1,834	(7,475)	-	(3,946)
Share of results of joint ventures	5,763	-	-	(1,205)	-	4,558
Segment results	407,778	280,709	4,254	514,408	-	1,207,149
Profit before taxation						1,207,149

Interim Financial Report for the second quarter ended 31 March 2017

(The figures have not been audited)

b) Segment assets

	Plantations	Manufacturing	Property Development	Investment Holding/Others	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
At 31 March 2017					
Operating assets	6,865,753	7,880,343	1,364,876	4,556,147	20,667,119
Associates	59,024	8,088	71,155	31,215	169,482
Joint ventures	165,943	-	-	94,019	259,962
Segment assets	<u>7,090,720</u>	<u>7,888,431</u>	<u>1,436,031</u>	<u>4,681,381</u>	<u>21,096,563</u>
Tax assets					527,571
Total assets					<u>21,624,134</u>
At 30 September 2016					
Operating assets	6,413,914	7,099,082	1,321,245	4,031,527	18,865,768
Associates	62,602	6,421	70,452	31,258	170,733
Joint ventures	163,472	-	-	87,940	251,412
Segment assets	<u>6,639,988</u>	<u>7,105,503</u>	<u>1,391,697</u>	<u>4,150,725</u>	<u>19,287,913</u>
Tax assets					527,303
Total assets					<u>19,815,216</u>

c) Segment liabilities

	Plantations	Manufacturing	Property Development	Investment Holding/Others	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
At 31 March 2017					
Segment liabilities	1,483,051	3,080,429	75,605	3,287,973	7,927,058
Unallocated liabilities					416,432
Total liabilities					<u>8,343,490</u>
At 30 September 2016					
Segment liabilities	1,321,434	2,501,801	43,487	3,421,538	7,288,260
Unallocated liabilities					356,275
Total liabilities					<u>7,644,535</u>

A9. Material events subsequent to end of period

In the interval between the end of the reporting period and the date of this report, no material events have arisen which have not been reflected in the interim report.

A10. Changes in composition of the Group

There were no changes in the composition of the Group arising from business combinations, acquisition or disposal of subsidiaries and long term investments, restructurings and discontinued operations during the current quarter under review.

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 2016.

Interim Financial Report for the second quarter ended 31 March 2017

(The figures have not been audited)

A12. Capital commitments

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

	At 31 March 2017	At 30 September 2016
	RM'000	RM'000
Capital expenditure		
Approved and contracted	194,668	255,875
Approved but not contracted	385,026	639,613
	579,694	895,488
Acquisition of shares in a sub-subsiary		
Approved and contracted	1,400	1,336

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 6 months ended 31 March	
	2017	2016
	RM'000	RM'000
a) Transactions with associates and joint ventures:		
Sales of finished goods	2,169	6,276
Purchase of goods	762,026	389,383
Service charges paid	973	2,702
Research and development services paid	7,633	7,021

Interim Financial Report for the second quarter ended 31 March 2017

(The figures have not been audited)

		Cumulative Quarter	
		6 months ended	
		31 March	
		2017	2016
		RM'000	RM'000
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	126,833	130,366
	Taiko Marketing (S) Pte Ltd	2,360	2,048
	Chlor-Al Chemical Pte Ltd	4,611	9,461
	Siam Taiko Marketing Co Ltd	1,678	1,624
	Purchases of goods:		
	Taiko Marketing Sdn Bhd	18,726	17,947
	Taiko Marketing (S) Pte Ltd	12,103	22,356
	Taiko Acid Works Sdn Bhd	3,840	10,227
	Borneo Taiko Clay Sdn Bhd	2,420	2,299
	Bukit Katho Estate Sdn Bhd	2,454	1,342
	Kampar Rubber & Tin Co Sdn Bhd	4,109	3,597
	Ladang Tai Tak (Kota Tinggi) Sdn Bhd	568	1,145
	Malay Rubber Plantations (M) Sdn Bhd	3,965	2,001
	PT Agro Makmur Abadi	46,099	26,745
	PT Bumi Karyatama Raharja	-	1,121
	PT Safari Riau	23,796	11,366
	Taiko Clay Marketing Sdn Bhd	1,229	751
	Taiko Drum Industries Sdn Bhd	1,800	1,651
	Taiko Fertiliser Marketing Sdn Bhd	-	16
	Storage tanks rental received:		
	Taiko Marketing Sdn Bhd	1,830	1,504
	Supply of contract labours and engineering works:		
	K7 Engineering Sdn Bhd	1,452	2,238
	Sales commissions charged by:		
	Taiko Marketing Sdn Bhd	13	26
c)	Transactions between subsidiaries and their non-controlling interests:		
	Sales of goods:		
	Mitsubishi Corporation	39,376	123,398
	Mitsui & Co Ltd	197,400	143,654
	Tejana Trading & Management Services Sdn Bhd	5,852	1,007
	Purchases of goods:		
	PT Eka Dura Indonesia	-	23,836
	PT Letawa	-	31,541
	PT Tanjung Bina Lestari	103,444	-
	PT Tanjung Sarana Lestari	822,290	629,951

Interim Financial Report for the second quarter ended 31 March 2017

(The figures have not been audited)

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

B1. Detailed analysis of performance

2nd Quarter FY 2017 vs 2nd Quarter FY 2016

The Group's revenue for the current quarter was RM5,603.94 million, 47% higher than RM3,814.45 million in the corresponding quarter last year due to higher revenues from Plantations, Manufacturing and Property Development. Group profit before tax was significantly higher at RM437.70 million (2016: RM268.49 million). Comments on the respective business segments are as follows:

Plantations reported a profit of RM368.45 million, substantially higher compared to last year's corresponding quarter's profit of RM130.86 million resulting from higher CPO and palm kernel selling prices and increased FFB production.

Manufacturing's profit this quarter dropped 34% to RM83.22 million from last year's corresponding quarter's profit of RM126.23 million, despite revenue rose 42% to RM2,742.40 million (2016: RM1,932.58 million). The oleochemical division's profit dropped 50% to RM47.13 million (2016: RM94.28 million) due to higher raw material costs resulting in lower margins while the chemicals division posted a higher profit of RM31.08 million (2016: RM26.00 million) from higher sales volumes at higher prices.

Property Development registered a lower profit of RM1.21 million (2016: RM4.95 million) despite revenue was higher at RM22.88 million (2016: RM15.65 million).

Todate 2nd Quarter FY 2017 vs Todate 2nd Quarter FY 2016

For the first half financial year 2017, Group revenue was RM11,233.86 million, 36% higher than RM8,264.71 million in the corresponding period last year as Plantations, Manufacturing and Property Development reported higher revenues. Group profit before tax was lower at RM951.50 million (2016: RM1,207.15 million which included a RM485.56 million surplus from sale of plantation land to an associate). Comments on the business segments are as follows:

Plantations reported a profit of RM798.68 million, almost doubled of last year's corresponding period profit of RM407.78 million due to higher CPO and palm kernel selling prices and higher FFB production.

Manufacturing's profit decreased 51% to RM137.00 million (2016: RM280.71 million) despite revenue was 35% higher at RM5,169.19 million (2016: RM3,824.53 million). The oleochemical division recorded a lower profit of RM65.49 million (2016: RM211.28 million) due to lower margins while the chemicals division posted a higher profit of RM60.10 million (2016: RM54.59 million) from higher sales volumes at higher prices.

Property Development posted a higher profit at RM17.10 million (2016: RM4.25 million) generated from a higher revenue of RM83.08 million (2016: RM25.91 million).

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

2nd Quarter FY 2017 vs 1st Quarter FY 2017

This quarter, Group pre-tax profit was RM437.70 million, 15% lower than the RM513.80 million reported in the preceding quarter due to lower profits from Plantations and Property Development. Plantations' profit dropped 14% due to lower FFB production and higher production costs while Property Development reported lower profit from lower revenue. However, profit from Manufacturing rose 55% due to unrealised gain from the fair value changes on outstanding derivative contracts.

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(The figures have not been audited)

B3. Current year's prospects

The Group's Plantations performance for current financial year is expected to be better in view of the results for the half year already achieved and committed forward sales.

The profitability of the Group's oleochemical business is expected to be challenging though its business performance is anticipated to recover in the 2nd half of the financial year. As for the chemicals division, profit from the chlor-alkali business is projected to be favourable while the sulphuric acid business has been restructured to remain competitive.

Overall, the Group anticipates a satisfactory profit for financial year 2017.

B4. Variance of actual profit from forecast profit

The Group did not issue any forecast profit or profit guarantee during the current financial year to-date.

B5. Income tax expense

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 March		6 months ended 31 March	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Current tax				
Malaysian taxation	48,629	29,575	97,673	75,263
Overseas taxation	55,938	30,372	105,303	58,673
	104,567	59,947	202,976	133,936
Deferred tax				
Relating to origination and reversal of temporary differences	(2,408)	1,661	2,320	15,963
Relating to changes in tax rates		548		548
Under/(Over) provision in respect of previous years	545	(380)	247	(417)
	(1,863)	1,829	2,567	16,094
Under/(Over) provision in respect of previous years				
Malaysian taxation	(39)	113	2,225	113
Overseas taxation	(113)	872	(931)	986
	(152)	985	1,294	1,099
	102,552	62,761	206,837	151,129

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.

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(The figures have not been audited)

B7. Group borrowings

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

	At 31 March 2017		At 30 September 2016	
	RM'000	Amount in Foreign Currency '000	RM'000	Amount in Foreign Currency '000
a) Repayable within 12 months:				
(i) Term Loans				
- Secured	10,113	Euro2,144	7,899	Euro1,697
- Unsecured	-		82,459	USD20,000
	<u>10,113</u>		<u>90,358</u>	
(ii) Islamic Medium Term Notes				
- Unsecured	-		300,000	
(ii) Bank Overdraft				
- Unsecured	82,142	Euro17,413	40,710	Euro8,747
	534	CHF121	-	
	<u>82,676</u>		<u>40,710</u>	
(iii) Short Term Borrowings				
- Unsecured	494,504	USD111,702	313,248	USD75,682
	240,587	Euro51,000	107,040	Euro23,000
	166,755	GBP30,000	-	
	32,160	Rmb50,000	-	
	<u>1,004,620</u>		<u>720,866</u>	
	<u>1,938,626</u>		<u>1,141,154</u>	
Total repayable within 12 months	<u>2,031,415</u>		<u>1,572,222</u>	
b) Repayable after 12 months:				
(i) Term Loans				
- Secured	24,161	Euro5,122	11,424	Euro2,455
- Unsecured	235,850	Euro50,000	232,695	Euro50,000
	221,328	USD50,000	123,689	USD30,000
	<u>457,178</u>		<u>356,384</u>	
	<u>481,339</u>		<u>367,808</u>	
(ii) Islamic Medium Term Notes				
- Unsecured	3,100,000		3,100,000	
Total repayable after 12 months	<u>3,581,339</u>		<u>3,467,808</u>	
Total Group borrowings	<u>5,612,754</u>		<u>5,040,030</u>	

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.

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(The figures have not been audited)

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 March 2017, the values and maturity analysis of the outstanding derivatives of the Group are as follows:

	Contract / Notional value Net long/(short)	Fair value Net gains/(losses)
	RM'000	RM'000
a) Forward foreign exchange contracts:		
- Less than 1 year	(1,327,233)	3,589
- 1 year to 3 years	-	-
- More than 3 years	-	-
b) Commodity futures contracts:		
- Less than 1 year	(51,779)	628
- 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 March 2017, there have been no significant changes to the Group's exposure to credit risk, market risk and liquidity risk from the previous financial year. Since the previous financial year, there have been no changes to the Group's risk management objectives, policies and processes.

B9. Fair value changes of financial liabilities

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

B10. Material litigation

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

B11. Dividend

- a) An interim single tier dividend of 15 sen per share has been authorised by the Directors in respect of the financial year ending 30 September 2017 (2016: single tier dividend of 15 sen per share) and will be paid to the shareholders on 10 August 2017. The entitlement date for the dividend shall be 19 July 2017.

A depositor with Bursa Malaysia Depository Sdn Bhd shall qualify for the entitlement to the dividend only in respect of:

- (i) Securities deposited into their securities account before 12.30 p.m. on 17 July 2017 in respect of securities which are exempted from mandatory deposit;
- (ii) Securities transferred into their securities account before 4.00 p.m. on 19 July 2017 in respect of transfers; and
- (iii) Securities bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

- b) Total dividend for the current financial year to-date is single tier dividend of 15 sen per share (2016: single tier dividend of 15 sen per share).

Interim Financial Report for the second quarter ended 31 March 2017

(The figures have not been audited)

B12. Earnings Per Share
Basic earnings per share

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

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 March		6 months ended 31 March	
	2017	2016	2017	2016
Net profit for the period attributable to equity holders of the Company (RM'000)	163,315	94,435	360,858	481,961
Weighted average number of shares ('000)	404,826	406,040	404,826	406,040
Earnings per share (sen)	40.3	23.3	89.1	118.7

B13. Audit report of preceding annual financial statements

The auditors' report on the financial statements for the year ended 30 September 2016 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 and (crediting) the following items:

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 March		6 months ended 31 March	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Interest income	(23,405)	(15,530)	(38,926)	(31,561)
Dividend income	(6,681)	(15,645)	(21,026)	(29,565)
Other income	(59)	(102,005)	(168,498)	(788,763)
Interest expense	47,922	43,678	94,947	85,310
Depreciation and amortisation	134,006	124,652	266,232	246,522
Provision for and write-off/(Reversal of write-off) of receivables	(248)	207	4,526	(28)
Provision for and write-off of inventories	5,883	4,549	10,159	11,919
Deficit/(Surplus) on disposal of quoted or unquoted investments	1	(321)	2,089	(1,795)
Surplus on disposal of land	(443)	(4,185)	(4,611)	(491,576)
Surplus arising from government acquisition of land	-	(18,555)	-	(40,999)
Impairment of value in an associate	(902)	-	1,230	-
Foreign exchange loss/(gain)	29,426	100,161	(4,265)	119,162
(Gain)/Loss on derivatives	(49,255)	6,457	4,013	(111,796)
Exceptional items	-	-	-	-

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(The figures have not been audited)

B15. Breakdown of realised and unrealised profits or losses

	At 31 March 2017	At 30 September 2016
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	7,869,889	7,618,338
- Unrealised	735,442	621,229
	<u>8,605,331</u>	<u>8,239,567</u>
Total share of retained profits from associates:		
- Realised	73,180	67,927
- Unrealised	961	238
	<u>74,141</u>	<u>68,165</u>
Total share of (accumulated loss)/retained profits from joint ventures:		
- Realised	(42,779)	(24,561)
- Unrealised	13,545	10,214
	<u>(29,234)</u>	<u>(14,347)</u>
Consolidation adjustments	<u>(4,043,170)</u>	<u>(3,879,029)</u>
Total group retained profits as per consolidated accounts	<u>4,607,068</u>	<u>4,414,356</u>

By Order of the Board

CHONG SEE TECK
YAP MIOW KIEN
CHIEW CINDY
Company Secretaries

22 May 2017