

BATU KAWAN BERHAD

(6292-U)

(Incorporated in Malaysia)

**Interim Financial Report
for the Third Quarter ended 30 June 2017**

Interim Financial Report for the third quarter ended 30 June 2017

(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 2017.

Condensed Consolidated Statement of Profit or Loss

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June		9 months ended 30 June	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Revenue	5,012,875	4,043,453	16,246,730	12,308,162
Operating expenses	(4,723,921)	(3,678,503)	(15,079,208)	(11,440,128)
Other operating income	10,160	30,836	178,658	819,599
Finance costs	(49,577)	(45,820)	(144,524)	(131,130)
Share of results of associates	1,388	(213)	7,916	(4,159)
Share of results of joint ventures	(2,895)	7,752	(10,038)	12,310
Profit before taxation	248,030	357,505	1,199,534	1,564,654
Income tax expense	(93,336)	(59,189)	(300,173)	(210,318)
NET PROFIT FOR THE PERIOD	154,694	298,316	899,361	1,354,336
Profit attributable to:				
Equity holders of the Company	80,779	148,473	441,637	630,434
Non-controlling interests	73,915	149,843	457,724	723,902
	154,694	298,316	899,361	1,354,336
Earnings per share for profit attributable to equity holders of the Company (sen)				
Basic	20.0	36.6	109.2	155.3
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 third quarter ended 30 June 2017

(The figures have not been audited)

Condensed Consolidated Statement of Other Comprehensive Income

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June		9 months ended 30 June	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Net profit for the period	154,694	298,316	899,361	1,354,336
Other comprehensive (loss)/income that will be reclassified subsequently to profit or loss				
Net change in fair value of available-for-sale investments	46,713	(225,018)	493,655	(313,198)
Realisation on fair value of available-for-sale investments	(4,028)	-	(2,987)	(1,726)
Currency translation differences	(110,758)	128,396	198,843	(281,839)
	(68,073)	(96,622)	689,511	(596,763)
Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	4	-	(1,111)	-
Total other comprehensive (loss)/income for the period	(68,069)	(96,622)	688,400	(596,763)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	86,625	201,694	1,587,761	757,573
Total comprehensive income attributable to:				
Equity holders of the Company	47,074	102,421	770,095	360,496
Non-controlling interests	39,551	99,273	817,666	397,077
	86,625	201,694	1,587,761	757,573

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 third quarter ended 30 June 2017

(The figures have not been audited)

Condensed Consolidated Statement of Financial Position

	At 30 June 2017	At 30 September 2016
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	5,507,227	5,337,156
Investment property	49,495	50,191
Prepaid lease payments	320,037	319,539
Biological assets	2,733,423	2,644,794
Land held for property development	1,142,249	1,130,312
Goodwill on consolidation	358,487	349,930
Intangible assets	14,251	15,076
Investment in associates	171,421	170,733
Investment in joint ventures	248,680	251,412
Available-for-sale investments	2,703,814	1,694,341
Deferred tax assets	472,279	467,715
Other receivables	241,050	237,505
	<u>13,962,413</u>	<u>12,668,704</u>
Current assets		
Inventories	2,002,402	1,950,696
Biological assets	29,275	43,697
Trade and other receivables	2,636,440	2,271,993
Property development costs	84,760	83,463
Tax recoverable	40,933	59,588
Derivative financial assets	74,255	119,454
Short term funds	672,524	1,068,716
Cash and cash equivalents	1,782,835	1,548,905
	<u>7,323,424</u>	<u>7,146,512</u>
TOTAL ASSETS	<u>21,285,837</u>	<u>19,815,216</u>

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 third quarter ended 30 June 2017

(The figures have not been audited)

Condensed Consolidated Statement of Financial Position

	At 30 June 2017	At 30 September 2016
	RM'000	RM'000
EQUITY AND LIABILITIES		
Current liabilities		
Trade and other payables	1,488,280	1,400,801
Deferred income	7,514	6,328
Tax payable	105,677	75,101
Borrowings	1,762,816	1,572,222
Derivative financial liabilities	65,753	218,786
Dividend payable	145,848	-
	<u>3,575,888</u>	<u>3,273,238</u>
Net current assets	<u>3,747,536</u>	<u>3,873,274</u>
Non-current liabilities		
Provision for retirement benefits	538,809	503,650
Deferred tax liabilities	284,618	281,174
Deferred income	112,407	118,665
Borrowings	3,582,698	3,467,808
	<u>4,518,532</u>	<u>4,371,297</u>
Total liabilities	<u>8,094,420</u>	<u>7,644,535</u>
Net assets	<u>13,191,417</u>	<u>12,170,681</u>
Equity attributable to owners of the Company		
Share capital	474,683	435,951
Treasury shares	(437,498)	(403,272)
Reserves	6,556,236	6,047,130
	<u>6,593,421</u>	<u>6,079,809</u>
Non-controlling interests	6,597,996	6,090,872
Total equity	<u>13,191,417</u>	<u>12,170,681</u>
TOTAL EQUITY AND LIABILITIES	<u>21,285,837</u>	<u>19,815,216</u>

Net assets per share attributable to equity holders of the Company (RM) 16.35 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 third quarter ended 30 June 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	-	-	11	2,343	2,431	94,304	234,560	-	436,446	770,095	817,666	1,587,761
Transactions with owners:												
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	-	13,171	13,171
Redemption of redeemable preference shares	7,428	-	-	-	-	-	-	-	(7,428)	-	-	-
Share buy back	-	(34,226)	-	-	-	-	-	-	-	(34,226)	-	(34,226)
Dividend paid	-	-	-	-	-	-	-	-	(161,890)	(161,890)	-	(161,890)
Dividend payable	-	-	-	-	-	-	-	-	(60,488)	(60,488)	(85,360)	(145,848)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(238,232)	(238,232)
	7,428	(34,226)	-	-	-	-	-	-	(229,806)	(256,604)	(310,421)	(567,025)
Reclassification of capital redemption reserve to share capital pursuant to Section 618(2) of the Companies Act 2016	31,304	-	-	-	(31,183)	-	-	-	-	121	(121)	-
At 30 June 2017	474,683	(437,498)	4,733	825,597	-	302,437	795,438	7,035	4,620,996	6,593,421	6,597,996	13,191,417

* Included in Capital Reserve is RM493,854,000 which is distributable.

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

Interim Financial Report for the third quarter ended 30 June 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	-	-	45	961	464	(127,150)	(142,796)	-	628,972	360,496	397,077	757,573
Transactions with owners:												
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	-	324,800	324,800
Share buy back	-	(17,234)	-	-	-	-	-	-	-	(17,234)	-	(17,234)
Dividend paid	-	-	-	-	-	-	-	-	(142,017)	(142,017)	-	(142,017)
Dividend payable	-	-	-	-	-	-	-	-	(60,811)	(60,811)	(85,360)	(146,171)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(192,691)	(192,691)
	-	(17,234)	-	-	-	-	-	-	(202,828)	(220,062)	46,749	(173,313)
At 30 June 2016	435,951	(399,442)	4,855	822,693	28,207	106,313	490,606	7,035	4,252,408	5,748,626	5,733,270	11,481,896

* Included in Capital Reserve is RM490,950,000 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 third quarter ended 30 June 2017

(The figures have not been audited)

Condensed Consolidated Statement of Cash Flows

	9 months ended 30 June	
	2017	2016
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	1,199,534	1,564,654
Adjustments for:		
Non-cash items	459,530	411,396
Non-operating items	(106,579)	(607,725)
Operating cash flows before changes in working capital	1,552,485	1,368,325
Changes in working capital		
Net change in current assets	(239,281)	62,693
Net change in current liabilities	(20,946)	(120,975)
Cash flows from operations	1,292,258	1,310,043
Interest received	4,356	2,326
Interest paid	(136,316)	(115,070)
Tax paid	(242,280)	(194,293)
Retirement benefits paid	(26,219)	(19,501)
Net cash flows generated from operating activities	891,799	983,505
Cash flows from investing activities		
Purchase of property, plant and equipment	(422,989)	(569,151)
Payments of prepaid lease	(1,763)	(23,669)
Plantation development expenditure	(103,304)	(129,367)
Property development expenditure	(14,244)	(901,227)
Subscription of shares in associates	-	(325,055)
Subscription of shares in joint ventures	-	(82,050)
Purchase of available-for-sale investments	(659,387)	(50,062)
Purchase of intangible assets	(37)	(291)
Share buy back	(34,226)	(17,234)
Proceeds from disposal of property, plant and equipment	12,728	4,520
Compensation from government on land acquired	7,011	41,727
Proceeds from disposal of land	-	825,135
Proceeds from disposal of available-for-sale investments	170,983	21,607
Decrease/(Increase) in short term funds	402,571	(675,642)
Dividends received	50,294	61,015
Interest received	37,510	30,076
Repayment from joint ventures	-	25,400
Loan to other receivables	(18,312)	-
Net cash flows used in investing activities	(573,165)	(1,764,268)

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 third quarter ended 30 June 2017

(The figures have not been audited)

Condensed Consolidated Statement of Cash Flows

	9 months ended 30 June	
	2017	2016
	RM'000	RM'000
Cash flows from financing activities		
Issuance of Islamic Medium Term Notes	-	500,000
Repayment of Islamic Medium Term Notes	(300,000)	-
Redemption of redeemable preference shares from non-controlling interests	1,440	-
Term loans received	105,723	20,142
Repayment of term loans	(90,816)	(1,757)
Drawdown/(Repayment) of short term borrowings	474,344	(337,813)
Dividend paid	(161,890)	(142,017)
Dividends paid to non-controlling interests	(238,232)	(192,691)
Issuance of shares to non-controlling interests	13,171	324,800
Decrease/(Increase) in other receivables	12,298	(7,126)
Net cash flows (used in)/generated from financing activities	(183,962)	163,538
Net increase/(decrease) in cash and cash equivalents	134,672	(617,225)
Effects of exchange rate changes	17,506	(65,781)
Cash and cash equivalents at 1 October	1,508,195	2,669,438
Cash and cash equivalents at 30 June	1,660,373	1,986,432
Cash and cash equivalents at 30 June is represented by:		
Cash and cash equivalents	1,782,835	2,005,084
Borrowings - Bank overdraft	(122,462)	(18,652)
	1,660,373	1,986,432

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 third quarter ended 30 June 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 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 1,805,300 shares in the Company from the open market. The average price paid for the shares repurchased was RM18.89 per share and the total consideration paid, including transaction costs, was RM34,225,901. The shares bought back were financed by internally generated funds and borrowings and held as treasury shares.

Interim Financial Report for the third quarter ended 30 June 2017

(The figures have not been audited)

A7. Dividends paid

	9 months ended 30 June	
	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
	<u>161,890</u>	<u>142,017</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

	Plantations RM'000	Manufacturing RM'000	Property Development RM'000	Investment Holding/Others RM'000	Elimination RM'000	Consolidated RM'000
9 months ended 30 June 2017						
Revenue						
External revenue	8,237,059	7,674,893	97,096	237,682	-	16,246,730
Inter-segment revenue	1,217,298	-	-	332,717	(1,550,015)	-
Total revenue	<u>9,454,357</u>	<u>7,674,893</u>	<u>97,096</u>	<u>570,399</u>	<u>(1,550,015)</u>	<u>16,246,730</u>
Results						
Operating results	1,048,009	207,082	18,141	103,586	(30,638)	1,346,180
Finance costs	(10,010)	(51,449)	-	(113,703)	30,638	(144,524)
Share of results of associates	6,416	574	1,419	(493)	-	7,916
Share of results of joint ventures	(10,704)	-	-	666	-	(10,038)
Segment results	<u>1,033,711</u>	<u>156,207</u>	<u>19,560</u>	<u>(9,944)</u>	<u>-</u>	<u>1,199,534</u>
Profit before taxation						<u>1,199,534</u>
9 months ended 30 June 2016						
Revenue						
External revenue	6,195,711	5,877,384	50,123	184,944	-	12,308,162
Inter-segment revenue	675,459	-	-	51,268	(726,727)	-
Total revenue	<u>6,871,170</u>	<u>5,877,384</u>	<u>50,123</u>	<u>236,212</u>	<u>(726,727)</u>	<u>12,308,162</u>
Results						
Operating results	617,352	462,376	6,710	629,217	(28,022)	1,687,633
Finance costs	(8,397)	(39,860)	-	(110,895)	28,022	(131,130)
Share of results of associates	2,366	(1,214)	2,671	(7,982)	-	(4,159)
Share of results of joint ventures	8,088	-	-	4,222	-	12,310
Segment results	<u>619,409</u>	<u>421,302</u>	<u>9,381</u>	<u>514,562</u>	<u>-</u>	<u>1,564,654</u>
Profit before taxation						<u>1,564,654</u>

Interim Financial Report for the third quarter ended 30 June 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 30 June 2017					
Operating assets	6,661,648	7,717,884	1,360,189	4,612,803	20,352,524
Associates	60,397	8,416	71,872	30,736	171,421
Joint ventures	158,145	-	-	90,535	248,680
Segment assets	<u>6,880,190</u>	<u>7,726,300</u>	<u>1,432,061</u>	<u>4,734,074</u>	<u>20,772,625</u>
Tax assets					513,212
Total assets					<u>21,285,837</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 30 June 2017					
Segment liabilities	1,527,414	2,934,821	67,884	3,174,006	7,704,125
Unallocated liabilities					390,295
Total liabilities					<u>8,094,420</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 third quarter ended 30 June 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 30 June 2017 RM'000	At 30 September 2016 RM'000
Capital expenditure		
Approved and contracted	178,570	255,875
Approved but not contracted	273,439	639,613
	<u>452,009</u>	<u>895,488</u>
Acquisition of shares in a sub-subsiidiary		
Approved and contracted	1,358	1,336
	<u>1,358</u>	<u>1,336</u>

A13. Significant Related Party Transactions

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

	Cumulative Quarter 9 months ended 30 June	
	2017 RM'000	2016 RM'000
a) Transactions with associates and joint ventures:		
Sales of finished goods	5,098	13,155
Purchase of goods	959,485	383,150
Service charges paid	1,939	3,536
Research and development services paid	10,433	9,902
	<u>976,945</u>	<u>410,743</u>

Interim Financial Report for the third quarter ended 30 June 2017

(The figures have not been audited)

		Cumulative Quarter	
		9 months ended	
		30 June	
		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	196,317	193,501
	Taiko Marketing (S) Pte Ltd	2,309	3,695
	Chlor-AI Chemical Pte Ltd	6,554	13,782
	Siam Taiko Marketing Co Ltd	2,752	2,520
	Purchases of goods:		
	Taiko Marketing Sdn Bhd	29,152	24,963
	Taiko Marketing (S) Pte Ltd	24,216	26,457
	Taiko Acid Works Sdn Bhd	3,800	10,299
	Borneo Taiko Clay Sdn Bhd	3,446	3,560
	Bukit Katho Estate Sdn Bhd	3,562	2,175
	Kampar Rubber & Tin Co Sdn Bhd	5,754	5,551
	Kekal & Deras Sdn Bhd	1,493	942
	Ladang Tai Tak (Kota Tinggi) Sdn Bhd	568	2,245
	Malay Rubber Plantations (M) Sdn Bhd	6,268	3,530
	PT Agro Makmur Abadi	67,469	38,665
	PT Bumi Karyatama Raharja	-	1,399
	PT Safari Riau	30,999	17,786
	Taiko Clay Marketing Sdn Bhd	1,822	1,245
	Taiko Drum Industries Sdn Bhd	1,980	2,657
	Taiko Fertiliser Marketing Sdn Bhd	-	16
	Freight income:		
	Taiko Marketing Sdn Bhd	1,017	917
	Chlor-AI Chemical Pte Ltd	178	108
	Storage tanks rental received:		
	Taiko Marketing Sdn Bhd	2,758	2,227
	Aircraft operational expense and management services paid:		
	Smooth Route Sdn Bhd	1,390	999
	Supply of contract labours and engineering works:		
	K7 Engineering Sdn Bhd	1,970	2,724
	Sales commissions charged by:		
	Taiko Marketing Sdn Bhd	50	43
		<hr/>	<hr/>
c)	Transactions between subsidiaries and their non-controlling interests:		
	Sales of goods:		
	Mitsubishi Corporation	52,745	121,129
	Mitsui & Co Ltd	328,834	219,444
	Tejana Trading & Management Services Sdn Bhd	9,333	2,336
	Purchases of goods:		
	PT Eka Dura Indonesia	-	23,398
	PT Letawa	-	44,273
	PT Tanjung Bina Lestari	188,822	-
	PT Tanjung Sarana Lestari	1,251,870	932,219
		<hr/>	<hr/>

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(The figures have not been audited)

B. Explanatory Notes as required by the Bursa Securities' Listing Requirements**B1. Detailed analysis of performance****3rd Quarter FY 2017 vs 3rd Quarter FY 2016**

The Group's revenue for the current quarter was RM5,012.87 million, 24% higher than RM4,043.45 million in the corresponding quarter last year due to higher revenues from Plantations and Manufacturing. However, Group profit before tax was 31% lower at RM248.03 million (2016: RM357.51 million). Comments on the respective business segments are as follows:

Plantations reported a profit of RM235.03 million increased 11% from last year's corresponding quarter profit of RM211.63 million resulting from higher CPO and palm kernel selling prices and increased FFB production.

Manufacturing's profit this quarter was substantially lower at RM19.21 million compared to last year's corresponding quarter's profit of RM140.59 million, despite revenue rose 22% to RM2,505.71 million (2016: RM2,052.85 million). The oleochemical division reported a loss of RM26.10 million (2016: RM99.47 million profit) due to higher raw material costs resulting in lower margins and a RM60.33 million stocks write-down. The chemicals division posted a higher profit of RM41.08 million (2016: RM37.23 million) from higher sales volumes at higher prices.

Property Development registered a lower profit of RM2.46 million (2016: RM5.13 million) as revenue dropped 42% to RM14.01 million (2016: RM24.21 million).

Todate 3rd Quarter FY 2017 vs Totate 3rd Quarter FY 2016

For the current 9 months period, Group revenue was RM16,246.73 million, 32% higher than RM12,308.16 million in the corresponding period last year as Plantations, Manufacturing and Property Development reported higher revenues. Group profit before tax was lower at RM1,199.53 million (2016: RM1,564.65 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 RM1,033.71 million, substantially higher than last year's corresponding period profit of RM619.41 million due to higher CPO and palm kernel selling prices and higher FFB production.

Manufacturing's profit was 63% lower at RM156.21 million (2016: RM421.30 million) despite revenue rose 31% to RM7,674.89 million (2016: RM5,877.38 million). The oleochemical division recorded a substantially lower profit of RM39.39 million (2016: RM310.75 million) due to lower margins caused by higher raw materials costs and stocks write-down of RM60.33 million in the 3rd quarter. The chemicals division posted a higher profit of RM101.18 million (2016: RM91.82 million) from higher sales volumes at higher prices.

Property Development posted a higher profit at RM19.56 million (2016: RM9.38 million) generated from a higher revenue of RM97.10 million (2016: RM50.12 million).

B2. Comparison of current quarter's results to the preceding quarter**3rd Quarter FY 2017 vs 2nd Quarter FY 2017**

This quarter, Group pre-tax profit was RM248.03 million, 43% lower than the RM437.70 million reported in the preceding quarter due to lower profits from Plantations and Manufacturing. Plantations' profit dropped 36% due to lower CPO and palm kernel selling prices. Manufacturing reported a substantially lower profit mainly due to the RM60.33 million stocks write-down.

Interim Financial Report for the third quarter ended 30 June 2017

(The figures have not been audited)

B3. Current year's prospects

The Group's Plantations profit for current financial year is expected to be higher in view of the prevailing CPO price, forecasted higher FFB production and the to-date 9 months results already achieved.

Profitability of the Group's oleochemical business will be lower in view of stocks write-down, challenging and difficult market environment. As for the Chemicals division, profit from the chlor-alkali business is projected to be higher due to better prices while the restructured sulphuric acid business should contribute a modest profit.

Overall, the Group expects 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		9 months ended	
	30 June		30 June	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Current tax				
Malaysian taxation	56,112	44,014	153,785	119,277
Overseas taxation	35,617	13,859	140,920	72,532
	<u>91,729</u>	<u>57,873</u>	<u>294,705</u>	<u>191,809</u>
Deferred tax				
Relating to origination and reversal of temporary differences	7,452	8,991	9,772	24,954
Relating to changes in tax rates	-	(6)	-	542
Over provision in respect of previous years	(3,294)	(10,754)	(3,047)	(11,171)
	<u>4,158</u>	<u>(1,769)</u>	<u>6,725</u>	<u>14,325</u>
(Over)/Under provision in respect of previous years				
Malaysian taxation	(4,434)	25	(2,209)	138
Overseas taxation	1,883	3,060	952	4,046
	<u>(2,551)</u>	<u>3,085</u>	<u>(1,257)</u>	<u>4,184</u>
	<u>93,336</u>	<u>59,189</u>	<u>300,173</u>	<u>210,318</u>

B6. Status of corporate proposals

There were no corporate proposals announced.

Interim Financial Report for the third quarter ended 30 June 2017

(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 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	10,293	Euro2,097	7,899	Euro1,697
- Unsecured	-		82,459	USD20,000
	<u>10,293</u>		<u>90,358</u>	
(ii) Islamic Medium Term Notes				
- Unsecured	-		300,000	
(ii) Bank Overdraft				
- Unsecured	122,462	Euro25,954	40,710	Euro8,747
(iii) Short Term Borrowings				
- Unsecured	552,003	USD128,552	313,248	USD75,682
	211,013	Euro43,000	107,040	Euro23,000
	77,275	Rmb122,000	-	
	789,770		720,866	
	<u>1,630,061</u>		<u>1,141,154</u>	
Total repayable within 12 months	<u>1,762,816</u>		<u>1,572,222</u>	
b) Repayable after 12 months:				
(i) Term Loans				
- Secured	22,683	Euro4,622	11,424	Euro2,455
- Unsecured	245,380	Euro50,000	232,695	Euro50,000
	214,635	USD50,000	123,689	USD30,000
	460,015		356,384	
	<u>482,698</u>		<u>367,808</u>	
(ii) Islamic Medium Term Notes				
- Unsecured	3,100,000		3,100,000	
Total repayable after 12 months	<u>3,582,698</u>		<u>3,467,808</u>	
Total Group borrowings	<u>5,345,514</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.

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.

Interim Financial Report for the third quarter ended 30 June 2017

(The figures have not been audited)

As at 30 June 2017, the values and maturity analysis of the outstanding derivatives of the Group are as follows:

	Contract / Notional value Net long/(short) RM'000	Fair value Net gains/(losses) RM'000
a) Forward foreign exchange contracts:		
- Less than 1 year	(1,265,495)	9,169
- 1 year to 3 years	-	-
- More than 3 years	-	-
b) Commodity futures contracts:		
- Less than 1 year	(243,047)	(667)
- 1 year to 3 years	-	-
- More than 3 years	-	-

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

For the current quarter ended 30 June 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) The Directors do not recommend the payment of any dividend for the quarter ended 30 June 2017.

An interim single tier dividend of 15 sen per share (2016: 15 sen per share) was declared by the Directors on 22 May 2017 and was paid on 10 August 2017.

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 third quarter ended 30 June 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		9 months ended	
	30 June		30 June	
	2017	2016	2017	2016
Net profit for the period attributable to equity holders of the Company (RM'000)	80,779	148,473	441,637	630,434
Weighted average number of shares ('000)	404,449	405,874	404,449	405,874
Earnings per share (sen)	20.0	36.6	109.2	155.3

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		9 months ended	
	30 June		30 June	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Interest income	(24,204)	(15,594)	(63,130)	(47,155)
Dividend income	(36,842)	(33,366)	(57,868)	(62,931)
Other income	(10,160)	(30,836)	(178,658)	(815,599)
Interest expense	49,577	45,820	144,524	131,130
Depreciation and amortisation	122,915	127,295	389,147	373,817
Provision for and write-off/(Reversal of write-off) of receivables	810	(67)	5,336	(95)
Provision for and write-off of inventories	40,147	(752)	50,306	11,167
Surplus on disposal of quoted or unquoted investments	(5,519)	(5,711)	(3,430)	(7,506)
Surplus on disposal of land	(218)	(230)	(4,829)	(491,806)
(Surplus)/Deficit arising from government acquisition of land	(4,892)	105	(4,892)	(40,894)
Impairment of value in an associate	(20)	-	1,210	-
Impairment of property, plant and equipment	-	8,143	-	8,143
Impairment of goodwill	-	1,369	-	1,369
Impairment of available-for-sale investments	31,932	-	31,932	-
Foreign exchange loss/(gain)	4,531	(70,147)	266	49,015
(Gain)/Loss on derivatives	(2,276)	14,335	1,737	(97,891)
Exceptional items	-	-	-	-

Interim Financial Report for the third quarter ended 30 June 2017

(The figures have not been audited)

B15. Breakdown of realised and unrealised profits or losses

	At 30 June 2017	At 30 September 2016
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	7,930,242	7,618,338
- Unrealised	645,230	621,229
	<u>8,575,472</u>	<u>8,239,567</u>
Total share of retained profits from associates:		
- Realised	74,586	67,927
- Unrealised	944	238
	<u>75,530</u>	<u>68,165</u>
Total share of (accumulated loss)/retained profits from joint ventures:		
- Realised	(46,586)	(24,561)
- Unrealised	14,458	10,214
	<u>(32,128)</u>	<u>(14,347)</u>
Consolidation adjustments	<u>(3,997,878)</u>	<u>(3,879,029)</u>
Total group retained profits as per consolidated accounts	<u>4,620,996</u>	<u>4,414,356</u>

By Order of the Board

CHONG SEE TECK
YAP MIOW KIEN
CHIEW CINDY
Company Secretaries

15 August 2017