

BATU KAWAN BERHAD

(6292-U)

(Incorporated in Malaysia)

**Interim Financial Report
for the Fourth Quarter ended 30 September 2017**

Interim Financial Report for the year ended 30 September 2017

(The figures have not been audited)

Directors are pleased to announce the unaudited financial results of the Group for the year ended 30 September 2017.

Condensed Consolidated Statement of Profit or Loss

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 September		Year ended 30 September	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Revenue	5,301,592	4,661,089	21,548,322	16,969,251
Operating expenses	(4,845,024)	(4,440,252)	(19,924,232)	(15,880,380)
Other operating income	6,378	86,549	185,036	906,148
Finance costs	(45,598)	(47,022)	(190,122)	(178,152)
Share of results of associates	5,074	1,972	12,990	(2,187)
Share of results of joint ventures	175	(4,404)	(9,863)	7,906
Profit before taxation	422,597	257,932	1,622,131	1,822,586
Income tax expense	(123,235)	164,627	(423,408)	(45,691)
NET PROFIT FOR THE PERIOD/YEAR	299,362	422,559	1,198,723	1,776,895
Profit attributable to:				
Equity holders of the Company	145,009	194,734	586,646	825,168
Non-controlling interests	154,353	227,825	612,077	951,727
	299,362	422,559	1,198,723	1,776,895
Earnings per share for profit attributable to equity holders of the Company (sen)				
Basic	35.9	48.0	145.2	203.4
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 year ended 30 September 2017

(The figures have not been audited)

Condensed Consolidated Statement of Other Comprehensive Income

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 September		Year ended 30 September	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Net profit for the period/year	299,362	422,559	1,198,723	1,776,895
Other comprehensive (loss)/income that will be reclassified subsequently to profit or loss				
Net change in fair value of available-for-sale investments	47,564	(76,378)	541,219	(164,558)
Realisation on fair value of available-for-sale investments	(2,251)	-	(5,238)	(1,726)
Currency translation differences	(84,033)	333,531	114,810	(76,704)
	(38,720)	257,153	650,791	(242,988)
Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	28,767	(61,581)	27,657	(61,581)
Total other comprehensive (loss)/income for the period/year	(9,953)	195,572	678,448	(304,569)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR	289,409	618,131	1,877,171	1,472,326
Total comprehensive income attributable to:				
Equity holders of the Company	143,267	142,735	913,363	699,126
Non-controlling interests	146,142	475,396	963,808	773,200
	289,409	618,131	1,877,171	1,472,326

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 year ended 30 September 2017

(The figures have not been audited)

Condensed Consolidated Statement of Financial Position

	At 30 September 2017	At 30 September 2016
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	5,487,466	5,337,156
Investment property	49,263	50,191
Prepaid lease payments	321,985	319,539
Biological assets	2,725,985	2,644,794
Land held for property development	1,091,471	1,130,312
Goodwill on consolidation	352,949	349,930
Intangible assets	15,325	15,076
Investment in associates	177,680	170,733
Investment in joint ventures	251,737	251,412
Available-for-sale investments	2,641,030	1,694,341
Deferred tax assets	453,110	467,715
Other receivables	237,516	237,505
	13,805,517	12,668,704
Current assets		
Inventories	1,834,008	1,950,696
Biological assets	37,806	43,697
Trade and other receivables	2,627,622	2,271,993
Property development costs	154,696	83,463
Tax recoverable	39,582	59,588
Available-for-sale investments	87,025	-
Derivative financial assets	110,748	119,454
Short term funds	578,489	1,068,716
Cash and cash equivalents	1,755,744	1,548,905
	7,225,720	7,146,512
TOTAL ASSETS	21,031,237	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 year ended 30 September 2017
(The figures have not been audited)

Condensed Consolidated Statement of Financial Position

	At 30 September 2017	At 30 September 2016
	RM'000	RM'000
EQUITY AND LIABILITIES		
Current liabilities		
Trade and other payables	1,616,710	1,400,801
Deferred income	7,808	6,328
Tax payable	99,287	75,101
Borrowings	1,375,595	1,572,222
Derivative financial liabilities	104,643	218,786
	<u>3,204,043</u>	<u>3,273,238</u>
Net current assets	<u>4,021,677</u>	<u>3,873,274</u>
Non-current liabilities		
Provision for retirement benefits	488,288	503,650
Deferred tax liabilities	284,561	281,174
Deferred income	117,365	118,665
Borrowings	3,567,168	3,467,808
	<u>4,457,382</u>	<u>4,371,297</u>
Total liabilities	<u>7,661,425</u>	<u>7,644,535</u>
Net assets	<u>13,369,812</u>	<u>12,170,681</u>
Equity attributable to owners of the Company		
Share capital	498,760	435,951
Treasury shares	(446,671)	(403,272)
Reserves	6,649,222	6,047,130
	<u>6,701,311</u>	<u>6,079,809</u>
Non-controlling interests	6,668,501	6,090,872
Total equity	<u>13,369,812</u>	<u>12,170,681</u>
TOTAL EQUITY AND LIABILITIES	<u>21,031,237</u>	<u>19,815,216</u>
Net assets per share attributable to equity holders of the Company (RM)	16.63	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 year ended 30 September 2017

(The figures have not been audited)

Condensed Consolidated Statement of Changes in Equity

	← Attributable to equity holders 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 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 (loss)/ income for the year	-	-	(6)	2,653	2,431	53,247	260,299	-	594,739	913,363	963,808	1,877,171	
Transactions with owners:													
Effect of changes in shareholdings	-	-	-	-	-	-	-	-	(26,205)	(26,205)	(61,928)	(88,133)	
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	-	13,171	13,171	
Redemption of redeemable preference shares	31,505	-	-	-	-	-	-	-	(31,505)	-	-	-	
Share buy back	-	(43,399)	-	-	-	-	-	-	-	(43,399)	-	(43,399)	
Dividend paid	-	-	-	-	-	-	-	-	(222,378)	(222,378)	-	(222,378)	
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(337,301)	(337,301)	
	31,505	(43,399)	-	-	-	-	-	-	(280,088)	(291,982)	(386,058)	(678,040)	
Reclassification of capital redemption reserve to share capital pursuant to Section 618(2) of the Companies Act 2016	31,304	-	-	-	(31,183)	-	-	-	-	121	(121)	-	
At 30 September 2017	498,760	(446,671)	4,716	825,907	-	261,380	821,177	7,035	4,729,007	6,701,311	6,668,501	13,369,812	

* Included in Capital Reserve is RM494,164,000 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 year ended 30 September 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 (loss)/income for the year	-	-	(88)	1,522	1,009	(25,330)	(72,524)	-	794,537	699,126	773,200	1,472,326
Transactions with owners:												
Effect of changes in shareholdings in a joint venture	-	-	-	-	-	-	-	-	(3,622)	(3,622)	(4,156)	(7,778)
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	-	324,800	324,800
Share buy back	-	(21,064)	-	-	-	-	-	-	-	(21,064)	-	(21,064)
Dividend paid	-	-	-	-	-	-	-	-	(202,823)	(202,823)	-	(202,823)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(292,416)	(292,416)
	-	(21,064)	-	-	-	-	-	-	(206,445)	(227,509)	28,228	(199,281)
At 30 September 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

* Included in Capital Reserve is RM491,511,000 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 year ended 30 September 2017

(The figures have not been audited)

Condensed Consolidated Statement of Cash Flows

	Year ended 30 September	
	2017	2016
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	1,622,131	1,822,586
Adjustments for:		
Non-cash items	609,474	543,709
Non-operating items	(95,423)	(506,474)
Operating cash flows before changes in working capital	2,136,182	1,859,821
Changes in working capital		
Net change in current assets	(197,787)	105,002
Net change in current liabilities	208,593	(56,662)
Cash flows from operations	2,146,988	1,908,161
Interest received	5,549	1,120
Interest paid	(194,104)	(175,796)
Tax paid	(369,947)	(303,493)
Retirement benefits paid	(32,880)	(32,390)
Net cash flows generated from operating activities	1,555,606	1,397,602
Cash flows from investing activities		
Purchase of property, plant and equipment	(550,919)	(737,375)
Payments of prepaid lease	(8,702)	(27,315)
Plantation development expenditure	(151,823)	(173,281)
Property development expenditure	(17,129)	(903,959)
Purchase of available-for-sale investments	(798,932)	(54,187)
Purchase of additional shares in subsidiary	(88,133)	-
Purchase of intangible assets	(1,426)	(5,333)
Subscription of shares in associates	-	(325,055)
Subscription of shares in joint ventures	(2,068)	(82,134)
Proceeds from disposal of property, plant and equipment	13,564	8,089
Compensation from government on land acquired	7,011	41,553
Proceeds from disposal of available-for-sale investments	341,493	21,978
Decrease/(Increase) in short term funds	493,293	(1,068,716)
Dividends received	88,157	91,917
Interest received	53,956	41,677
(Advance to)/Repayment from joint ventures	(4,136)	17,098
Loan to other receivables	(20,580)	(47,170)
Proceeds from disposal of land	-	831,421
Net cash flows used in investing activities	(646,374)	(2,370,792)

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 year ended 30 September 2017

(The figures have not been audited)

Condensed Consolidated Statement of Cash Flows

	Year ended 30 September	
	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	116,249	20,943
Repayment of term loans	(91,855)	(3,784)
Drawdown/(Repayment) of short term borrowings	58,510	(497,700)
Dividend paid	(222,378)	(202,823)
Dividends paid to non-controlling interests	(337,301)	(292,416)
Share buy back	(43,399)	(21,064)
Issuance of shares to non-controlling interests	13,171	324,800
Decrease/(Increase) in other receivables	22,864	(6,488)
Net cash flows used in financing activities	(782,699)	(178,532)
Net increase/(decrease) in cash and cash equivalents	126,533	(1,151,722)
Effects of exchange rate changes	(3,108)	(9,521)
Cash and cash equivalents at 1 October	1,508,195	2,669,438
Cash and cash equivalents at 30 September	1,631,620	1,508,195
Cash and cash equivalents at 30 September is represented by:		
Cash and cash equivalents	1,755,744	1,548,905
Borrowings - Bank overdraft	(124,124)	(40,710)
	1,631,620	1,508,195

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 year ended 30 September 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 2,287,300 shares in the Company from the open market. The average price paid for the shares repurchased was RM18.91 per share and the total consideration paid, including transaction costs, was RM43,399,171. The shares bought back were financed by internally generated funds and borrowings, and held as treasury shares.

Interim Financial Report for the year ended 30 September 2017

(The figures have not been audited)

A7. Dividends paid

	Year ended 30 September	
	2017	2016
	RM'000	RM'000
Interim 15 sen per share single tier (2016: 15 sen per share single tier)	60,488	60,806
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
	222,378	202,823

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
Year ended 30 September 2017						
Revenue						
External revenue	10,765,551	10,345,242	141,521	296,008	-	21,548,322
Inter-segment revenue	1,391,807	-	-	392,546	(1,784,353)	-
Total revenue	12,157,358	10,345,242	141,521	688,554	(1,784,353)	21,548,322
Results						
Operating results	1,347,189	337,577	39,469	126,631	(41,740)	1,809,126
Finance costs	(12,565)	(67,330)	-	(151,967)	41,740	(190,122)
Share of results of associates	10,652	1,334	1,027	(23)	-	12,990
Share of results of joint ventures	(15,450)	-	-	5,587	-	(9,863)
Segment results	1,329,826	271,581	40,496	(19,772)	-	1,622,131
Profit before taxation						1,622,131
Year ended 30 September 2016						
Revenue						
External revenue	8,477,713	8,148,758	110,693	232,087	-	16,969,251
Inter-segment revenue	951,341	-	-	83,150	(1,034,491)	-
Total revenue	9,429,054	8,148,758	110,693	315,237	(1,034,491)	16,969,251
Results						
Operating results	843,210	485,778	25,225	678,229	(37,423)	1,995,019
Finance costs	(11,041)	(53,228)	-	(151,306)	37,423	(178,152)
Share of results of associates	4,985	(2,146)	3,407	(8,433)	-	(2,187)
Share of results of joint ventures	4,425	-	-	3,481	-	7,906
Segment results	841,579	430,404	28,632	521,971	-	1,822,586
Profit before taxation						1,822,586

Interim Financial Report for the year ended 30 September 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 September 2017					
Operating assets	6,717,621	7,449,366	1,385,280	4,556,861	20,109,128
Associates	65,845	9,058	71,479	31,298	177,680
Joint ventures	150,556	-	-	101,181	251,737
Segment assets	<u>6,934,022</u>	<u>7,458,424</u>	<u>1,456,759</u>	<u>4,689,340</u>	<u>20,538,545</u>
Tax assets					492,692
Total assets					<u>21,031,237</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 September 2017					
Segment liabilities	1,528,012	2,559,900	67,139	3,122,526	7,277,577
Unallocated liabilities					383,848
Total liabilities					<u>7,661,425</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 review except for the increase in shareholding in Malay-Sino Chemical Industries Sendirian Berhad to 98.2% from 86.4%.

Subsequent to the year end, there was an increase in shareholding in Kuala Lumpur Kepong Berhad to 47.03% from 46.56%.

Interim Financial Report for the year ended 30 September 2017

(The figures have not been audited)

A11. Changes in contingent liabilities and contingent assets

A KLK Group subsidiary, involved in commodity trading ("Trading Co") has issued Letters Of Indemnity (the "LOIs") to vessel owners in respect of the shipment and discharge of various cargoes sold on a cost and freight basis for an approximate total of USD11.68 million. These LOIs were issued by the Trading Co after receiving from its buyer letters of indemnity in respect of the said shipment and discharge of cargoes. Disputes have arisen between the vessel owners and cargo interests in relation to the discharge of the cargoes. The Trading Co will strenuously defend any proceedings that may be commenced in relation to this matter. In these circumstances, management is unable, at this juncture, to estimate the quantum of liability and costs which may arise in respect of the LOIs. The Trading Co reserves its rights to bring claims and seek recourse against the buyer in respect of the letters of indemnity issued by the buyer.

A12. Capital commitments

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

	At 30 September 2017 RM'000	At 30 September 2016 RM'000
Capital expenditure		
Approved and contracted	149,163	255,875
Approved but not contracted	550,456	639,613
	699,619	895,488
Acquisition of shares in a sub-subsiary		
Approved and contracted	1,322	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 Year ended 30 September	
	2017 RM'000	2016 RM'000
a) Transactions with associates and joint ventures:		
Sales of finished goods	7,951	18,171
Sales of electricity	693	1,082
Purchase of goods	1,278,632	874,566
Service charges paid	2,524	2,414
Research and development services paid	14,435	13,218
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	270,504	252,680
Taiko Marketing (S) Pte Ltd	2,807	4,939
Chlor-Al Chemical Pte Ltd	8,982	16,897
Siam Taiko Marketing Co Ltd	3,611	3,592

Interim Financial Report for the year ended 30 September 2017

(The figures have not been audited)

	Cumulative Quarter	
	Year ended 30 September	
	2017	2016
	RM'000	RM'000
b) Transactions with companies in which certain Directors are common directors and/or have direct or deemed interest: (contd.)		
Purchases of goods:		
Taiko Marketing Sdn Bhd	43,327	34,211
Taiko Marketing (S) Pte Ltd	24,216	33,577
Taiko Acid Works Sdn Bhd	4,963	11,073
Borneo Taiko Clay Sdn Bhd	4,494	4,776
Bukit Katho Estate Sdn Bhd	4,894	3,336
Kampar Rubber & Tin Co Sdn Bhd	7,933	7,531
Kekal & Deras Sdn Bhd	1,998	1,312
Ladang Tai Tak (Kota Tinggi) Sdn Bhd	568	2,153
Malay Rubber Plantations (M) Sdn Bhd	8,521	5,042
PT Agro Makmur Abadi	81,734	53,334
PT Bumi Karyatama Raharja	-	1,931
PT Safari Riau	41,735	28,350
Taiko Clay Marketing Sdn Bhd	2,426	1,663
Taiko Drum Industries Sdn Bhd	2,715	3,638
Freight income earned:		
Taiko Marketing Sdn Bhd	1,381	1,151
Chlor-Al Chemical Pte Ltd	252	140
Storage tanks rental received:		
Taiko Marketing Sdn Bhd	3,709	3,077
Management fees paid:		
Farming Management Services Pty Ltd	2,284	1,832
Aircraft operational expenses and management services paid:		
Smooth Route Sdn Bhd	1,789	1,641
Supply of contract labours and engineering works:		
K7 Engineering Sdn Bhd	2,946	3,436
Yeow Brothers Engineering Sdn Bhd	1,394	-
Sales commissions charged by:		
Taiko Marketing Sdn Bhd	63	59
c) Transactions between subsidiaries and their non-controlling interests:		
Sales of goods:		
Mitsubishi Corporation	70,036	195,152
Mitsui & Co Ltd	418,796	314,023
Tejana Trading & Management Services Sdn Bhd	10,760	4,830
Purchases of goods:		
Mitsubishi Gas Chemical Singapore Pte Ltd	3,217	-
PT Eka Dura Indonesia	-	23,243
PT Letawa	-	43,980
PT Tanjung Bina Lestari	205,883	-
PT Tanjung Sarana Lestari	1,648,180	1,220,434
Tejana Trading & Management Services Sdn Bhd	5,007	-

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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****4th Quarter FY 2017 vs 4th Quarter FY 2016**

The Group's revenue for the current quarter was RM5,301.59 million, 14% higher than RM4,661.09 million in the corresponding quarter last year due to higher revenues from Plantations and Manufacturing. Group profit before tax increased 64% to RM422.60 million (2016: RM257.93 million). Comments on the respective business segments are as follows:

Plantations reported a profit of RM295.44 million increased 33% from last year's corresponding quarter profit of RM222.17 million resulting from higher CPO selling price, increased FFB production and contributions from processing and trading operations.

Manufacturing's profit this quarter was substantially higher at RM115.37 million compared to last year's corresponding quarter's profit of RM9.10 million. The oleochemical division reported a higher profit of RM76.15 million (2016: RM11.35 million loss) due to higher sales volume and higher selling prices offsetting a RM30.94 million impairment of an under-performing oleochemical plant. Last year's corresponding quarter results was impacted by a RM79.11 million unrealised loss from the fair value changes on outstanding derivative contracts. The chemicals division posted a higher profit of RM36.36 million (2016: RM15.30 million) from higher sales volumes at higher prices.

Property Development registered a 9% higher profit of RM20.94 million (2016: RM19.25 million) from favourable housing products sales mix despite a 27% lower revenue at RM44.43 million (2016: RM60.57 million).

Todate 4th Quarter FY 2017 vs Todate 4th Quarter FY 2016

For the financial year under review, Group revenue was RM21,548.32 million, 27% higher than last financial year's RM16,969.25 million as all segments reported higher revenues. However, Group profit before tax was lower at RM1,622.13 million (2016: RM1,822.59 million). Included in last financial year's result was a RM489.33 million surplus from sale of plantation land to an associate. Comments on the business segments are as follows:

Plantations reported a profit of RM1,329.15 million, substantially higher than last financial year's profit of RM841.58 million due to higher CPO and palm kernel selling prices and higher FFB production mitigating the lower contributions from processing and trading operations.

Manufacturing's profit was 37% lower at RM271.58 million (2016: RM430.40 million) despite revenue rose 27% to RM10,345.24 million (2016: RM8,148.76 million). The oleochemical division recorded a substantially lower profit of RM115.54 million (2016: RM299.40 million) due to lower margins caused by higher raw materials costs, a RM60.33 million stocks write-down and a RM30.94 million impairment of an under-performing oleochemical plant. The chemicals division posted a higher profit of RM137.54 million (2016: RM107.12 million) from higher sales volumes at higher prices.

Property Development posted a higher profit at RM40.50 million (2016: RM28.63 million) generated from a higher revenue of RM141.52 million (2016: RM110.69 million).

B2. Comparison of current quarter's results to the preceding quarter**4th Quarter FY 2017 vs 3rd Quarter FY 2017**

This quarter, Group profit before tax was RM422.60 million, 70% higher than the RM248.03 million reported in the preceding quarter due to higher profits from all segments. Plantations' profit increased 26% to RM295.44 million (3QFY2017: RM235.03 million) increase in FFB production and drop in production cost despite lower CPO and palm kernel selling prices. Manufacturing reported a substantially higher profit of RM115.37 million (Q3FY2017: RM19.2 million) due to higher sales volume and improved margins mitigating a RM30.94 million impairment of an under-performing oleochemical plant. The previous quarter's results were impacted by stocks write-down due to sharp drop in CPKO price.

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(The figures have not been audited)

B3. Current year's prospects

The Group's Plantations profit for financial year 2018 is expected to be satisfactory due to projected strong recovery in FFB production and couple with an environment of ample supply of oilseeds that may affect palm oil prices.

Profitability of the Group's oleochemical business should improve despite a competitive environment from industry's excess capacities. For the Chemicals division, profit from the chlor-alkali business is sustainable albeit lower than financial year 2017 in anticipation of lower prices and projected higher energy cost.

Overall, the Group expects a better profit for financial year 2018.

B4. Variance of actual profit from forecast profit

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

B5. Income tax expense

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 September		Year ended 30 September	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Current tax				
Malaysian taxation	71,502	48,849	225,287	168,126
Overseas taxation	42,691	45,443	183,611	117,975
	114,193	94,292	408,898	286,101
Deferred tax				
Relating to origination and reversal of temporary differences	(718)	(20,330)	9,054	4,624
Relating to changes in tax rates	-	(7)	-	535
Relating to revaluation of biological assets	-	(283,157)	-	(283,157)
(Over)/Under provision in respect of previous years	(414)	2,420	(3,461)	(8,751)
	(1,132)	(301,074)	5,593	(286,749)
Final tax on revaluation of biological assets	-	34,445	-	34,445
Under provision in respect of previous years				
Malaysian taxation	3,702	74	1,493	212
Overseas taxation	6,472	7,636	7,424	11,682
	10,174	7,710	8,917	11,894
	123,235	(164,627)	423,408	45,691

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(The figures have not been audited)

Reconciliation of effective taxation

	Individual Quarter		Cumulative Quarter	
	3 months ended		Year ended	
	30 September		30 September	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	422,597	257,932	1,622,131	1,822,586
Taxation at Malaysia income tax rate of 24% (2016: 24%)	101,423	59,672	389,311	435,189
Effect of difference tax rates in foreign jurisdictions	(13,478)	(738)	(6,658)	(11,402)
Withholding tax on foreign dividend and interest income	9,017	9,900	36,625	23,565
Expenses not deductible for tax purposes	56,351	17,517	99,296	63,727
Tax exempt and non-taxable income	(27,080)	(31,610)	(102,706)	(228,052)
Effect of reduction in Malaysia income tax rate on incremental chargeable income	(1,655)	-	(1,655)	-
Tax incentives	(543)	(5,140)	(4,066)	(7,675)
Deferred tax assets not recognised during the period/year	3,338	13,539	23,611	15,710
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	2,601	313	(3,797)	(11,303)
Tax effect of associates' and joint ventures' results	(1,222)	391	(731)	(1,915)
Recognition of deferred tax assets not taken up previously	(11,170)	(304)	(11,436)	(333)
Under provision of expense in respect of previous years	10,174	7,710	8,917	11,894
(Over)/Under provision of deferred tax in respect of previous years	(414)	2,420	(3,461)	(8,751)
Final tax paid on revaluation of biological assets	-	34,445	-	34,445
Deferred tax assets arising from revaluation of biological assets	-	(283,157)	-	(283,157)
Tax rate differences on revaluation of biological assets	-	9,420	-	9,420
Effect of changes in tax rate on deferred tax	-	(7)	-	535
Recognition of current year unabsorbed reinvestment allowance	(4,153)	-	(4,153)	-
Others	46	1,002	4,311	3,794
Tax expense	123,235	(164,627)	423,408	45,691

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/year, the Group's borrowings were as follows:

	At 30 September 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	11,739	Euro2,355	7,899	Euro1,697
- Unsecured	24,923	USD5,000	82,459	USD20,000
	<u>36,662</u>		<u>90,358</u>	
(ii) Islamic Medium Term Notes				
- Unsecured	-		300,000	
(iii) Bank Overdraft				
- Unsecured	124,124	Euro24,902	40,710	Euro8,747
(iv) Short Term Borrowings				
- Unsecured	421,031	USD75,682	313,248	USD75,682
	164,492	Euro23,000	107,040	Euro23,000
	53,441	Rmb84,000	-	
	<u>575,845</u>		<u>720,866</u>	
	<u>1,214,809</u>		<u>1,141,154</u>	
Total repayable within 12 months	<u>1,375,595</u>		<u>1,572,222</u>	
b) Repayable after 12 months:				
(i) Term Loans				
- Secured	31,104	Euro6,240	11,424	Euro2,455
- Unsecured	224,307	Euro45,000	232,695	Euro50,000
	211,757	USD50,000	123,689	USD30,000
	<u>436,064</u>		<u>356,384</u>	
	<u>467,168</u>		<u>367,808</u>	
(ii) Islamic Medium Term Notes				
- Unsecured	3,100,000		3,100,000	
Total repayable after 12 months	<u>3,567,168</u>		<u>3,467,808</u>	
Total Group borrowings	<u>4,942,763</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 year ended 30 September 2017

(The figures have not been audited)

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

	Contract / Notional value Net (short)/long	Fair value Net gains/(losses)
	RM'000	RM'000
a) Forward foreign exchange contracts:		
- Less than 1 year	(986,720)	16,158
- 1 year to 3 years	-	-
- More than 3 years	-	-
b) Commodity futures contracts:		
- Less than 1 year	51,459	(10,001)
- 1 year to 3 years	-	-
- More than 3 years	-	-

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

For the current quarter ended 30 September 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) A final single tier dividend of 45 sen per share has been recommended by the Directors in respect of the financial year ended 30 September 2017 (year ended 30 September 2016: single tier dividend of 40 sen per share) and subject to the shareholders' approval at the forthcoming Annual General Meeting, will be paid on 15 March 2018 to shareholders registered in the Company's Register as at 21 February 2018.

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

- (i) Securities deposited into the Depositor's Securities Account before 12.30 p.m. on 19 February 2018, in respect of securities which are exempted from mandatory deposit;
- (ii) Securities transferred into the Depositor's Securities Account before 4.00 p.m. on 21 February 2018, in respect of transfers; and
- (iii) Securities bought on Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the Rules of Bursa Securities.

- b) The total dividend for the current financial year to-date is single tier dividend of 60 sen per share (2016: single tier dividend of 55 sen per share).

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(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/year attributable to equity holders of the Company by the weighted average number of shares of the Company in issue during the period/year.

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 September		Year ended 30 September	
	2017	2016	2017	2016
Net profit for the period/year attributable to equity holders of the Company (RM'000)	145,009	194,734	586,646	825,168
Weighted average number of shares ('000)	404,102	405,726	404,102	405,726
Earnings per share (sen)	35.9	48.0	145.2	203.4

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/year is arrived at after charging and (crediting) the following items:

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 September		Year ended 30 September	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Interest income	(22,504)	(15,841)	(85,634)	(62,996)
Dividend income	(19,594)	(23,742)	(77,462)	(86,673)
Other income	(6,378)	(86,549)	(185,036)	(906,148)
Interest expense	45,598	47,022	190,122	178,152
Depreciation and amortisation	122,503	111,226	511,650	485,043
Provision for and write-off/(reversal of write-off) of receivables	2,580	(2,140)	7,916	(2,235)
(Reversal of write off)/provision for and write-off of inventories	(27,921)	(4,870)	22,385	6,297
Surplus on disposal of quoted or unquoted investments	(8,123)	(251)	(11,553)	(7,757)
Surplus on disposal of land	(782)	(4,736)	(5,611)	(496,542)
(Surplus)/Deficit arising from government acquisition of land	-	193	(4,892)	(40,701)
Impairment of leasehold land	38	(47)	38	8,096
Impairment of property, plant and equipment	30,940	4,068	30,940	4,068
Impairment of goodwill	-	-	-	1,369
Impairment of available-for-sale investments	693	1,548	32,625	1,548
Impairment of value in an associate	21	2,021	1,231	2,021
Foreign exchange loss/(gain)	1,390	(52,559)	1,656	(3,544)
Loss on derivatives	18,738	135,606	20,475	37,715
Exceptional items	-	-	-	-

Interim Financial Report for the year ended 30 September 2017

(The figures have not been audited)

B15. Breakdown of realised and unrealised profits or losses

	At 30 September 2017 RM'000	At 30 September 2016 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	8,276,554	7,618,338
- Unrealised	543,730	621,229
	<u>8,820,284</u>	<u>8,239,567</u>
Total share of retained profits from associates:		
- Realised	79,874	67,927
- Unrealised	730	238
	<u>80,604</u>	<u>68,165</u>
Total share of (accumulated loss)/retained profits from joint ventures:		
- Realised	(47,924)	(24,561)
- Unrealised	15,971	10,214
	<u>(31,953)</u>	<u>(14,347)</u>
Consolidation adjustments	<u>(4,139,928)</u>	<u>(3,879,029)</u>
Total group retained profits as per consolidated accounts	<u>4,729,007</u>	<u>4,414,356</u>

By Order of the Board

CHONG SEE TECK
YAP MIOW KIEN
CHIEW CINDY
Company Secretaries

22 November 2017