

# **BATU KAWAN BERHAD**

(6292-U)  
(Incorporated in Malaysia)

**Interim Financial Report  
for the Second Quarter ended 31 March 2018**

**Interim Financial Report for the second quarter ended 31 March 2018**

(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 2018.

**Condensed Consolidated Statement of Profit or Loss**

	Individual Quarter			Cumulative Quarter		
	3 months ended		+ / (-)	6 months ended		+ / (-)
	31 March			31 March		
2018	2017	%	2018	2017	%	
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	4,829,718	5,603,935	(13.8)	10,171,364	11,233,855	(9.5)
Operating expenses	(4,541,521)	(5,119,352)	(11.3)	(9,459,807)	(10,355,287)	(8.6)
Other operating income	82,851	59	-	186,328	168,498	10.6
Finance costs	(49,532)	(47,922)	3.4	(97,292)	(94,947)	2.5
Share of results of associates	2,374	4,358	(45.5)	5,284	6,528	(19.1)
Share of results of joint ventures	(1,445)	(3,377)	(57.2)	3,328	(7,143)	146.6
<b>Profit before taxation</b>	<b>322,445</b>	<b>437,701</b>	<b>(26.3)</b>	<b>809,205</b>	<b>951,504</b>	<b>(15.0)</b>
Income tax expense	(91,664)	(102,552)	(10.6)	(201,269)	(206,837)	(2.7)
<b>NET PROFIT FOR THE PERIOD</b>	<b>230,781</b>	<b>335,149</b>	<b>(31.1)</b>	<b>607,936</b>	<b>744,667</b>	<b>(18.4)</b>
Profit attributable to:						
Equity holders of the Company	109,752	163,315	(32.8)	287,651	360,858	(20.3)
Non-controlling interests	121,029	171,834	(29.6)	320,285	383,809	(16.6)
	230,781	335,149	(31.1)	607,936	744,667	(18.4)
Earnings per share for profit attributable to equity holders of the Company (sen)						
Basic	27.3	40.3		71.6	89.1	
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 2017.

**Interim Financial Report for the second quarter ended 31 March 2018**

(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	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<b>Net profit for the period</b>	<b>230,781</b>	<b>335,149</b>	<b>607,936</b>	<b>744,667</b>
Other comprehensive (loss)/income that will be reclassified subsequently to profit or loss				
Currency translation differences	(284,799)	(115)	(579,284)	309,601
Net change in fair value of available-for-sale investments	(73,078)	383,590	(113,262)	446,942
Realisation on fair value of available-for-sale investments	(355)	-	(3,170)	1,041
	(358,232)	383,475	(695,716)	757,584
Other comprehensive loss that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	-	(12)	-	(1,115)
<b>Total other comprehensive (loss)/income for the period</b>	<b>(358,232)</b>	<b>383,463</b>	<b>(695,716)</b>	<b>756,469</b>
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD</b>	<b>(127,451)</b>	<b>718,612</b>	<b>(87,780)</b>	<b>1,501,136</b>
Total comprehensive (loss)/income attributable to:				
Equity holders of the Company	(67,826)	347,988	(56,222)	723,021
Non-controlling interests	(59,625)	370,624	(31,558)	778,115
	<b>(127,451)</b>	<b>718,612</b>	<b>(87,780)</b>	<b>1,501,136</b>

The Condensed Consolidated Statement of Other Comprehensive Income should be read in conjunction with the Annual Report for the year ended 30 September 2017.

**Interim Financial Report for the second quarter ended 31 March 2018**  
(The figures have not been audited)

**Condensed Consolidated Statement of Financial Position**

	<b>At 31 March 2018</b>	<b>At 30 September 2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant & equipment	5,441,814	5,487,466
Investment property	61,761	49,263
Prepaid lease payments	302,221	321,985
Biological assets	2,562,540	2,725,985
Land held for property development	1,093,936	1,091,471
Goodwill on consolidation	338,117	352,949
Intangible assets	22,696	15,325
Investment in associates	184,850	177,680
Investment in joint ventures	232,993	251,737
Available-for-sale investments	2,260,866	2,400,912
Other receivables	210,424	237,516
Deferred tax assets	414,169	453,110
	<b>13,126,387</b>	<b>13,565,399</b>
<b>Current assets</b>		
Inventories	2,435,889	1,834,008
Biological assets	8,186	37,806
Trade and other receivables	2,495,326	2,627,540
Tax recoverable	39,207	39,582
Property development costs	163,927	154,696
Available-for-sale investments	218,036	327,143
Derivative financial assets	86,824	110,748
Short term funds	778,239	578,489
Cash and cash equivalents	1,357,266	1,755,744
	<b>7,582,900</b>	<b>7,465,756</b>
<b>TOTAL ASSETS</b>	<b>20,709,287</b>	<b>21,031,155</b>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Report for the year ended 30 September 2017.

**Interim Financial Report for the second quarter ended 31 March 2018**  
(The figures have not been audited)

**Condensed Consolidated Statement of Financial Position**

	<b>At 31 March 2018</b>	<b>At 30 September 2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	1,393,036	1,616,627
Deferred income	7,552	7,808
Borrowings	1,905,698	1,375,596
Tax payable	83,020	99,287
Derivative financial liabilities	18,758	104,643
	<u>3,408,064</u>	<u>3,203,961</u>
<b>Net current assets</b>	<b><u>4,174,836</u></b>	<b><u>4,261,795</u></b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	304,892	284,561
Deferred income	117,432	117,365
Provision for retirement benefits	469,622	488,288
Borrowings	3,689,447	3,567,168
	<u>4,581,393</u>	<u>4,457,382</u>
<b>Total liabilities</b>	<b><u>7,989,457</u></b>	<b><u>7,661,343</u></b>
<b>Net assets</b>	<b><u>12,719,830</u></b>	<b><u>13,369,812</u></b>
<b>Equity attributable to owners of the Company</b>		
Share capital	503,771	498,760
Treasury shares	(486,101)	(446,671)
Reserves	6,340,709	6,645,684
	<u>6,358,379</u>	<u>6,697,773</u>
Non-controlling interests	6,361,451	6,672,039
<b>Total equity</b>	<b><u>12,719,830</u></b>	<b><u>13,369,812</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>20,709,287</u></b>	<b><u>21,031,155</u></b>
Net assets per share attributable to equity holders of the Company (RM)	15.87	16.63

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Report for the year ended 30 September 2017.

**Interim Financial Report for the second quarter ended 31 March 2018**

(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*	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	
<b>At 1 October 2017</b>	498,760	(446,671)	4,716	825,907	261,380	821,177	7,035	4,725,469	6,697,773	6,672,039	13,369,812
Total comprehensive (loss)/income for the period	-	-	(71)	78	(287,515)	(55,997)	-	287,283	(56,222)	(31,558)	(87,780)
Transactions with owners:											
Effect of changes in shareholdings	-	-	-	-	-	-	-	(63,342)	(63,342)	(56,975)	(120,317)
Redemption of redeemable preference shares	5,011	-	-	-	-	-	-	(5,011)	-	-	-
Share buy back	-	(39,430)	-	-	-	-	-	-	(39,430)	-	(39,430)
Dividend paid	-	-	-	-	-	-	-	(180,400)	(180,400)	-	(180,400)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(222,055)	(222,055)
	5,011	(39,430)	-	-	-	-	-	(248,753)	(283,172)	(279,030)	(562,202)
<b>At 31 March 2018</b>	503,771	(486,101)	4,645	825,985	(26,135)	765,180	7,035	4,763,999	6,358,379	6,361,451	12,719,830

\* Included in Capital Reserve is RM494,242,000 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 2017.

**Interim Financial Report for the second quarter ended 31 March 2018**

(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	
<b>At 1 October 2016</b>	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)	-
<b>At 31 March 2017</b>	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 2017.

**Interim Financial Report for the second quarter ended 31 March 2018**

(The figures have not been audited)

## Condensed Consolidated Statement of Cash Flows

	6 months ended 31 March	
	2018	2017
	RM'000	RM'000
<b>Cash flows from operating activities</b>		
Profit before taxation	809,205	951,504
Adjustments for:		
Non-cash items	278,688	294,040
Non-operating items	54,147	(99,431)
Operating cash flows before changes in working capital	1,142,040	1,146,113
Changes in working capital		
Net change in current assets	(599,972)	(592,045)
Net change in current liabilities	(247,880)	94,044
Cash flows from operations	294,188	648,112
Interest received	2,044	3,221
Interest paid	(108,132)	(99,676)
Tax paid	(203,509)	(127,456)
Retirement benefits paid	(13,888)	(18,500)
<b>Net cash flows (used in)/generated from operating activities</b>	<b>(29,297)</b>	<b>405,701</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(199,881)	(300,352)
Payments of prepaid lease	(106)	(1,960)
Plantation development expenditure	(45,515)	(73,776)
Property development expenditure	(2,465)	(10,731)
Purchase of investment properties	(2,279)	-
Purchase of shares in a subsidiary, net of cash acquired	(171,759)	-
Purchase of additional shares in a subsidiary	(120,317)	-
Purchase of available-for-sale investments	(319,540)	(330,933)
Purchase of intangible assets	-	(36)
Proceeds from sale of property, plant and equipment	2,519	11,574
Compensation from government on land acquired	25,359	-
Proceeds from disposal of available-for-sale investments	421,786	103,159
(Increase)/Decrease in short term funds	(216,767)	557,840
Dividends received	28,005	38,579
Interest received	32,865	23,656
Loan to joint ventures	(3,145)	-
Loan to other receivables	(8,035)	(975)
<b>Net cash flows (used in)/generated from investing activities</b>	<b>(579,275)</b>	<b>16,045</b>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Report for the year ended 30 September 2017.



**Interim Financial Report for the second quarter ended 31 March 2018**

(The figures have not been audited)

**Condensed Consolidated Statement of Cash Flows**

	<b>6 months ended 31 March</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from financing activities</b>		
Term loans received	198,801	107,632
Repayment of term loans	(6,225)	(90,564)
Repayment of Islamic Medium Term Notes	-	(300,000)
Drawdown of short term borrowings	536,596	776,777
Dividend paid	(180,400)	(161,890)
Dividends paid to non-controlling interests	(222,055)	(220,915)
Share buy back	(39,430)	(21,539)
Redemption of redeemable preference shares from non-controlling interests	-	784
Issuance of shares to non-controlling interests	-	13,171
Decrease in other receivables	9,095	12,178
<b>Net cash flows generated from financing activities</b>	<b>296,382</b>	<b>115,634</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(312,190)</b>	<b>537,380</b>
Effects of exchange rate changes	(86,279)	35,072
Cash and cash equivalents at 1 October	1,631,621	1,508,195
<b>Cash and cash equivalents at 31 March</b>	<b>1,233,152</b>	<b>2,080,647</b>
Cash and cash equivalents at 31 March is represented by:		
Cash and cash equivalents	1,357,266	2,163,323
Borrowings - Bank overdraft	(124,114)	(82,676)
	<b>1,233,152</b>	<b>2,080,647</b>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Report for the year ended 30 September 2017.

**Interim Financial Report for the second quarter ended 31 March 2018**

(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 2017. 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 2017 except for the adoption of the following FRSs:

***Amendments to FRSs effective for annual periods beginning on or after 1 January 2017***

- Amendments to FRS 12 *Disclosure of Interests in Other Entities (Annual Improvements to FRS Standards 2014-2016 Cycle)*
- Amendments to FRS 107 *Statement of Cash Flows – Disclosure Initiative*
- Amendments to FRS 112 *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

The application of the above 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 significant changes in the amounts of estimates reported in prior interim periods or prior financial years that have a material effect in the current interim period.

**A6. Issuance and repayment of debt and equity securities**

There were no issuances and repayments of debt securities, share buybacks, share cancellations or resale of treasury shares for the financial year to-date except for share buybacks of 1,983,100 shares in the Company from the open market. The average price paid for the shares repurchased was RM19.81 per share and the total consideration paid, including transaction costs, was RM39,429,718. 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 2018**

(The figures have not been audited)

**A7. Dividends paid**

	<b>6 months ended 31 March</b>	
	<b>2018 RM'000</b>	<b>2017 RM'000</b>
Dividends proposed in financial year ("FY") 2017, paid in FY 2018:		
Final 45 sen per share single tier	180,400	-
Dividends proposed in FY 2016, paid in FY 2017:		
Final 40 sen per share single tier	-	161,890
	<u>180,400</u>	<u>161,890</u>

**A8. Segment information**

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

## a) Segment revenue and results

	<b>Plantations RM'000</b>	<b>Manufacturing RM'000</b>	<b>Property Development RM'000</b>	<b>Investment Holding/Others RM'000</b>	<b>Elimination RM'000</b>	<b>Consolidated RM'000</b>
<b>6 months ended 31 March 2018</b>						
Revenue						
External revenue	4,550,923	5,417,992	55,576	146,873	-	10,171,364
Inter-segment revenue	270,628	-	-	484,882	(755,510)	-
Total revenue	<u>4,821,551</u>	<u>5,417,992</u>	<u>55,576</u>	<u>631,755</u>	<u>(755,510)</u>	<u>10,171,364</u>
Results						
Operating results	472,539	357,707	7,169	77,686	(17,216)	897,885
Finance costs	(8,822)	(31,819)	-	(73,867)	17,216	(97,292)
Share of results of associates	2,812	795	1,161	516	-	5,284
Share of results of joint ventures	(2,882)	-	-	6,210	-	3,328
Segment results	<u>463,647</u>	<u>326,683</u>	<u>8,330</u>	<u>10,545</u>	<u>-</u>	<u>809,205</u>
Profit before taxation						<u>809,205</u>
<b>6 months ended 31 March 2017</b>						
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	<u>6,735,469</u>	<u>5,169,187</u>	<u>83,082</u>	<u>230,734</u>	<u>(984,617)</u>	<u>11,233,855</u>
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 a joint venture	(7,825)	-	-	682	-	(7,143)
Segment results	<u>798,678</u>	<u>136,996</u>	<u>17,099</u>	<u>(1,269)</u>	<u>-</u>	<u>951,504</u>
Profit before taxation						<u>951,504</u>

**Interim Financial Report for the second quarter ended 31 March 2018**

(The figures have not been audited)

## b) Segment assets

	<b>Plantations</b>	<b>Manufacturing</b>	<b>Property Development</b>	<b>Investment Holding/Others</b>	<b>Consolidated</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>At 31 March 2018</b>					
Operating assets	6,387,643	7,882,690	1,412,551	4,155,184	19,838,068
Associates	74,372	9,272	72,640	28,566	184,850
Joint ventures	134,587	-	-	98,406	232,993
Segment assets	<u>6,596,602</u>	<u>7,891,962</u>	<u>1,485,191</u>	<u>4,282,156</u>	<u>20,255,911</u>
Tax assets					453,376
Total assets					<u>20,709,287</u>
<b>At 30 September 2017</b>					
Operating assets	6,717,622	7,449,282	1,385,280	4,556,862	20,109,046
Associates	65,845	9,058	71,479	31,298	177,680
Joint ventures	150,556	-	-	101,181	251,737
Segment assets	<u>6,934,023</u>	<u>7,458,340</u>	<u>1,456,759</u>	<u>4,689,341</u>	<u>20,538,463</u>
Tax assets					492,692
Total assets					<u>21,031,155</u>

## c) Segment liabilities

	<b>Plantations</b>	<b>Manufacturing</b>	<b>Property Development</b>	<b>Investment Holding/Others</b>	<b>Consolidated</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>At 31 March 2018</b>					
Segment liabilities	1,444,500	2,971,174	69,396	3,116,475	7,601,545
Tax liabilities					387,912
Total liabilities					<u>7,989,457</u>
<b>At 30 September 2017</b>					
Segment liabilities	1,528,013	2,559,816	67,139	3,122,527	7,277,495
Tax liabilities					383,848
Total liabilities					<u>7,661,343</u>

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

On 25 April 2018, KLK Group entered into a Share Purchase Agreement (“SPA”) with PT REA Kaltim Plantations to acquire 95% equity interest in PT Putra Bongan Jaya (“PBJ”) (herein referred to as “the Proposed Acquisition”) for cash consideration of USD76.00 million, which shall be subject to adjustments to PBJ’s working capital and other balance sheet items upon Completion.

The Proposed Acquisition is expected to be completed in the 3<sup>rd</sup> quarter of 2018, subject to the fulfillment of all conditions precedent in the SPA. On completion, PBJ will be a sub-subsidiary of the Group.

PBJ is a company incorporated in Indonesia and is principally involved in establishment and operations of palm oil plantations and participation in the crude vegetables oil industry.

The Proposed Acquisition represents a unique opportunity for KLK Group to acquire a company with brownfield oil palm plantation. Further, the Proposed Acquisition is in the ordinary course of business of the Group and is also in line with KLK Group’s business direction to expand its plantation land bank.

**Interim Financial Report for the second quarter ended 31 March 2018**

(The figures have not been audited)

The Proposed Acquisition will not have any effect on the share capital and shareholding of the Group's substantial shareholders nor have any material effect on the net assets, earnings and gearing of the Group for the financial year ending 30 September 2018.

**A10. Changes in composition of the Group**

(a) On 19 January 2018, Kolb Distribution AG, a wholly-owned subsidiary of KLK Group incorporated a new wholly-owned company namely KLK Chemicals Holding Netherlands B.V. ("KLKCHN") in the Netherlands, which has a total issued capital of Euro25.00 million comprising 25,000 shares of Euro1,000 each and is currently non-operational. The intended principal activity of KLKCHN is investment holdings.

(b) The proposed acquisition of Elementis Specialties Netherlands B.V. ("ESN") together with its surfactant chemical assets and business in Delden, the Netherlands by the KLK Group's wholly-owned subsidiary, Kolb Distribution AG was completed on 28 February 2018. Following the completion, ESN is now a subsidiary of the KLK Group.

**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 2017.

**A12. Capital commitments**

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

	<b>At 31 March 2018</b>	<b>At 30 September 2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Capital expenditure		
Approved and contracted	128,043	149,163
Approved but not contracted	406,708	550,456
	<u>534,751</u>	<u>699,619</u>
Acquisition of shares in a sub-subsidiary		
Approved and contracted	<u>1,183</u>	<u>1,322</u>
Joint venture		
Share of capital commitment of the joint ventures	<u>8,200</u>	<u>-</u>

**Interim Financial Report for the second quarter ended 31 March 2018**

(The figures have not been audited)

**A13. Significant Related Party Transactions**

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

	<b>Cumulative Quarter</b>	
	<b>6 months ended</b>	
	<b>31 March</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
a) Transactions with associates and joint venture:		
Sales of goods	200,748	2,169
Purchase of goods	732,517	762,026
Service charges paid	1,309	973
Research and development services paid	7,140	7,633
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	146,398	126,833
Taiko Marketing (S) Pte Ltd	799	2,360
Chlor-Al Chemical Pte Ltd	4,347	4,611
Siam Taiko Marketing Co Ltd	1,798	1,678
Storage tanks rental received:		
Taiko Marketing Sdn Bhd	2,035	1,830
Purchases of goods:		
Taiko Marketing Sdn Bhd	36,764	18,726
Taiko Marketing (S) Pte Ltd	17,786	12,103
Taiko Acid Works Sdn Bhd	1,771	3,840
Borneo Taiko Clay Sdn Bhd	2,507	2,420
Bukit Katho Estate Sdn Bhd	2,610	2,454
Kampar Rubber & Tin Co Sdn Bhd	3,590	4,109
Ladang Tai Tak (Kota Tinggi) Sdn Bhd	553	568
Malay Rubber Plantations (M) Sdn Bhd	3,789	3,965
PT Agro Makmur Abadi	41,721	46,099
PT Safari Riau	18,124	23,796
Taiko Clay Marketing Sdn Bhd	1,162	1,229
Taiko Drum Industries Sdn Bhd	1,650	1,800
Supply of contract labours and engineering works:		
K7 Engineering Sdn Bhd	607	1,452
c) Transactions between subsidiaries and their non-controlling interests:		
Sales of goods:		
Mitsubishi Corporation	25,407	39,376
Mitsui & Co Ltd	203,563	197,400
Tejana Trading & Management Services Sdn Bhd	1,766	5,852
Purchases of goods:		
Mitsubishi Gas Chemical Singapore Pte Ltd	4,199	-
PT Letawa	2,681	-
PT Tanjung Bina Lestari	27,963	103,444
PT Tanjung Sarana Lestari	659,055	822,290
Tejana Trading & Management Services Sdn Bhd	1,361	-

**Interim Financial Report for the second quarter ended 31 March 2018**

(The figures have not been audited)

**A14. Proposed Acquisition of a Subsidiary**

On 26 March 2018, the Company via its wholly-owned sub-subsidiary, KL-Kepong Plantation Holdings Sdn Bhd entered into a Shareholders Agreement (“SHA”) with PT Perindustrian Sawit Synergy (“PSS”), PT Indonesia Synergy (“IPS”) and Al Hakim Hanafiah (“AHH”) to subscribe for 165,000 shares for a total cash consideration of Rp165.0 billion (“Proposed Transaction”). IPS and AHH will subscribe 44,000 shares and 11,000 shares for total cash consideration of Rp44.00 billion and Rp11.00 billion respectively.

The purpose of PSS, which is set out in the SHA, is to build, own and operate an integrated oil palm refinery complex which comprises of a new oil palm refinery plant and a new palm kernel crushing plant in East Kalimantan, Indonesia.

The Proposed Transaction will not have any material effect of the Company’s share capital, the shareholdings of the Company’s substantial shareholders, the net assets and the gearing of the Group nor the earnings of the Group for the financial year ending 30 September 2018.

**A15. Proposed Disposal of a Subsidiary**

On 26 March 2018, a subsidiary of the Company entered into a Sale of Shares Agreement (“SSA”) with a related party to dispose its wholly-owned subsidiary, See Sen Bulking Installation Sdn Bhd (“SSBI”), for a cash consideration of RM1.29 million. The cash consideration will be adjusted based on SSBI’s net realisable assets for the month end immediately preceding the date of fulfillment of the last of the conditions precedent. The disposal is yet to be completed pending fulfillment of conditions precedent.

**Interim Financial Report for the second quarter ended 31 March 2018**

(The figures have not been audited)

**Explanatory Notes as required by the Bursa Securities' Listing Requirements**
**B1. Detailed analysis of performance  
2<sup>nd</sup> Quarter FY 2018 vs 2<sup>nd</sup> Quarter FY 2017**

	Quarter Ended		Changes %
	31 March		
	2018 RM'000	2017 RM'000	
Revenue	4,829,718	5,603,935	(13.9)
Segment results:			
Plantations	187,615	368,449	(49.1)
Manufacturing	148,628	83,219	78.6
Property development	6,598	1,207	446.7
Investment holding/Others	(20,396)	(15,174)	(34.4)
Profit before taxation	322,445	437,701	(26.3)

The Group's revenue for the current quarter was RM4,829.72 million, 13.9% lower than RM5,603.94 million in the corresponding quarter last year. Group profit before tax was lower at RM322.45 million (2Q2017: RM437.70 million). Comments on the respective business segments are as follows:

**Plantations** profit was substantially lower by 49.1% at RM187.62 million (2Q2017: RM368.45 million). Despite the 6.4% improvement in FFB production to 987,692 mt and the reduction cost of CPO production, the result was affected by decline in average selling price of CPO and PK realised as shown below:

	Quarter Ended		Changes %
	31 March		
	2018 RM	2017 RM	
Crude Palm Oil (RM/mt ex-mill)	2,392	2,998	(20.2)
Palm Kernel (RM/mt ex-mill)	2,073	3,090	(32.9)

The profit was further affected by increase in net unrealised foreign exchange translation loss to RM35.65 million (2Q2017: RM3.85 million loss) on loans advanced and bank borrowings to Indonesian subsidiaries.

**Manufacturing's** profit reported higher profit of RM148.63 million, 78.6% higher than last year corresponding quarter's profit of RM83.22 million supported by increase in sales volume. However, revenue was only marginally higher at RM2,787.22 million (2Q2017: RM2,742.40 million) owing to drop in selling prices in oleochemical division.

The oleochemical division registered a sharp improvement of 137.3% in the current quarter's profit to RM111.85 million (2Q2017: RM47.13 million) aided by favourable margins due to lower cost of raw materials. The results of this division had also recognised an unrealised gain of RM21.30 million arising from the fair value changes on outstanding derivative contracts. Chemical division posted a 21.1% higher profit of RM37.64 million (2Q2017: RM31.07 million) from higher sales volume at higher selling price.

**Property Development's** profit registered a much higher profit of RM6.60 million (2Q2017: RM1.21 million) in line with 64.7% increase in revenue to RM37.69 million (2Q2017: RM22.88 million).



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(The figures have not been audited)

**Investment holdings/Others** reported a 34.4% higher loss of RM20.40 million (2Q2017: RM15.17 million loss) mainly due to net unrealised foreign exchange translation loss of RM6.65 million (2Q2017: RM900,000 unrealised gain) arising from strengthening of Ringgit Malaysia.

**Todate 2<sup>nd</sup> Quarter FY2018 vs Totate 2<sup>nd</sup> Quarter FY2017**

	Totate Ended		Changes %
	31 March		
	2018 RM'000	2017 RM'000	
Revenue	10,171,364	11,233,855	(9.5)
Segment results:			
Plantations	463,647	798,678	(41.9)
Manufacturing	326,683	136,996	138.5
Property development	8,330	17,099	(51.3)
Investment holding/Others	10,545	(1,269)	931.0
Profit before taxation	809,205	951,504	(15.0)

The Group for the half year under review posted a 15.0% drop in the profit to RM809.21 million (Totate 2Q2017: RM951.50 million) with a decrease of 9.5% on revenue to RM10,171.36 million (Totate 2Q2017: RM11,233.86 million). Comments on the respective business segments are as follows:

**Plantations** profit recorded a sharp decline of 41.9% to RM463.65 million (Totate 2Q2017: RM798.68 million) due to weaker realised CPO and PK selling prices, as shown below:

	Totate Ended		Changes %
	31 March		
	2018 RM	2017 RM	
Crude Palm Oil (RM/mt ex-mill)	2,483	2,848	(12.8)
Palm Kernel (RM/mt ex-mill)	2,277	2,858	(20.3)

The profit was further affected by lower sales volume of CPO and net unrealised foreign exchange translation loss to RM65.36 million (Totate 2Q2017: RM40.52 million) on loans advanced and bank borrowings to Indonesian subsidiaries.

**Manufacturing** reported a substantial rise in the half year profit to RM326.68 million, 138.5% higher than last year todate's profit of RM137.00 million with revenue rose 4.8% to RM5,417.99 million (Totate 2Q2017: RM5,169.19 million).

The oleochemical division's profit was significantly higher at RM252.95 million (Totate 2Q2017: RM65.49 million) aided by an unrealised gain of RM46.67 million (Totate 2Q2017: RM4.16 million unrealised gain) arising from the fair value changes on outstanding derivatives contracts. The improved profit margin from now stabilised raw material cost and higher sales volume also contributed to the higher profit. The chemical division posted a 23.0% higher profit of RM73.94 million (Totate 2Q2017: RM60.10 million) from higher sales volume at higher selling price.

**Property Development** segment recorded a decrease in profit of 51.3% to RM8.33 million (Totate 2Q2017: RM17.10 million) on the back of a 33.1% decline in revenue to RM55.58 million (Totate 2Q2017: RM83.08 million).

**Interim Financial Report for the second quarter ended 31 March 2018**

(The figures have not been audited)

**Investment holdings/Others'** profit increased by 931.0% to RM10.55 million (Todate 2Q2017: RM1.27 million loss) was contributed by RM24.77 million surplus arising from government acquisition of land.

**B2. Comparison of current quarter's results to the preceding quarter  
2<sup>nd</sup> Quarter FY 2018 vs 1<sup>st</sup> Quarter FY 2018**

	Quarter Ended		Changes %
	31 March 2018	31 December 2017	
	RM'000	RM'000	
Revenue	4,829,718	5,341,646	(9.6)
Segment results:			
Plantations	187,615	276,032	(32.0)
Manufacturing	148,628	178,055	(16.5)
Property development	6,598	1,732	281.0
Investment holding/Others	(20,396)	30,941	165.9
Profit before taxation	322,445	486,760	(33.8)

For the current quarter, Group pre-tax profit decreased 33.8% to RM322.45 million compared to RM486.76 million reported in the preceding quarter whilst revenue was lower at RM4,829.72 million (1Q2018: RM5,341.65 million).

**Plantations** recorded a lower profit of RM187.62 million (1Q2018: RM276.03 million) resulting from decrease in FFB production by 6.1% to 987,692 mt on top of lower CPO and PK selling prices realised as follows:

	Quarter Ended		Changes %
	31 March 2018	31 December 2017	
	RM	RM	
Crude Palm Oil (RM/mt ex-mill)	2,392	2,573	(7.0)
Palm Kernel (RM/mt ex-mill)	2,073	2,475	(16.3)

The profit was further affected by negative contribution from processing and trading operations as well as higher net unrealised foreign exchange translation loss of RM35.66 million (1Q2018: RM29.70 million loss) on loans advanced and bank borrowings to the Indonesian subsidiaries.

**Manufacturing's** profit slipped 16.5% to RM148.63 million (1Q2018: RM178.06 million) despite the increase of 5.9% in revenue to RM2,787.22 million (1Q2018: RM2,630.77 million).

The oleochemical division's profit shrunk 20.7% to RM111.85 million (1Q2018: profit RM141.11 million). However, the current quarter's profit benefitted from the unrealised gain from the fair value changes on outstanding derivatives contracts amounting to RM21.30 million albeit lower than the preceding quarter's unrealised gain of RM25.90 million. Chemicals division had reported an increase in profit by 3.9% to RM37.64 million (1Q2018: RM36.24 million) due to higher sales volume at higher selling price.

**Property** segment's profit rose sharply to RM6.60 million (1Q2018: RM1.73 million), in tandem with the increase in revenue to RM37.69 million (1Q2018: profit RM17.88 million)

**Investment holdings/Others'** profit posted a substantial 165.9% decrease to RM20.40 million loss (1Q2018: RM30.94 profit) affected by drop in farming's profit to RM8.00 million loss (1Q2018: RM31.90 million profit) due to decline in yield and crop production.

**Interim Financial Report for the second quarter ended 31 March 2018**

(The figures have not been audited)

**B3. Current year's prospects**

CPO prices are expected to remain at current level which is still lower than last year's. Hence, plantations profit will be lower.

Oleochemical operations are performing better than last year with higher capacity utilisations and improved operational efficiencies, despite margin pressure from increasing competition and foreign currency fluctuations.

As for Chemicals division, profit from the chlor-alkali business is expected to be satisfactory from favourable selling prices and lower imported raw materials costs with the appreciation of Ringgit Malaysia. The restructured sulphuric acid business is doing well, despite challenges from imported smelter acid.

Overall, the Group anticipates a satisfactory result for the financial year.

**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	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Current tax				
Malaysian taxation	47,951	48,629	101,026	97,673
Overseas taxation	38,214	55,938	94,811	105,303
	86,165	104,567	195,837	202,976
Deferred tax				
Relating to origination and reversal of temporary differences	1,219	(2,408)	(770)	2,320
Relating to revaluation of biological assets	(771)	-	(771)	-
Under provision in respect of previous years	3,904	545	6,000	247
	4,352	(1,863)	4,459	2,567
Under/(Over) provision in respect of previous years				
Malaysian taxation	-	(39)	(217)	2,225
Overseas taxation	1,147	(113)	1,190	(931)
	1,147	(152)	973	1,294
	91,664	102,552	201,269	206,837

**Interim Financial Report for the second quarter ended 31 March 2018**

(The figures have not been audited)

**Reconciliation of effective taxation**

	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	31 March		31 March	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	322,445	437,701	809,205	951,504
Taxation at Malaysia income tax rate of 24% (FY 2017: 24%)	77,387	105,047	194,209	228,360
Effect of difference tax rates	217	486	(3,165)	6,778
Withholding tax on foreign dividend and interest income	3,506	8,364	6,561	12,504
Expenses not deductible for tax purposes	27,242	(278)	51,430	22,761
Tax exempt and non-taxable income	(14,641)	(11,843)	(34,670)	(54,851)
Effect of reduction in Malaysia income tax rate on incremental chargeable income	(1)	-	-	-
Tax incentives	(784)	(23)	(1,759)	(1,894)
Deferred tax assets not recognised during the period	782	791	567	3,480
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	389	(2,141)	(8,765)	(14,383)
Tax effect of associates' and joint ventures' results	(235)	148	(2,067)	148
Recognition of deferred tax assets not taken up previously	(6,224)	-	(6,240)	(337)
Recognition of unabsorbed reinvestment allowance	(1,841)	-	(3,320)	-
Under/(Over) provision of expense in respect of previous years	1,147	(152)	973	1,294
Under provision of deferred tax in respect of previous years	3,904	545	6,000	247
Others	816	1,608	1,515	2,730
Tax expense	91,664	102,552	201,269	206,837

**B6. Status of corporate proposals**

There were no corporate proposals announced.

**Interim Financial Report for the second quarter ended 31 March 2018**

(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 2018					
	Long Term		Short Term		Total Borrowings	
	Foreign Denomination	RM Denomination	Foreign Denomination	RM Denomination	Foreign Denomination	RM Denomination
	'000	RM'000	'000	RM'000	'000	RM'000
<u>Secured</u>						
Term Loans	Euro 8,165	38,891	Euro 2,623	12,495	Euro 10,788	51,386
<u>Unsecured</u>						
Bank overdraft	-	-	Euro 26,057	124,114	Euro 26,057	124,114
Revolving credit	-	-	USD 19,210	74,248	USD 19,210	74,248
			Euro 38,000	181,002	Euro 38,000	181,002
Trade financing	-	-	USD 151,860	586,938	USD 151,860	586,938
Term loans	USD 50,000	193,203	-	-	USD 50,000	193,203
	Euro 75,000	357,353	Euro 14,000	66,718	Euro 89,000	424,071
Export credit refinancing	-	-	-	280,094	-	280,094
Bankers' acceptance	-	-	-	580,089	-	580,089
Islamic medium term notes	-	3,100,000	-	-	-	3,100,000
<b>Total</b>	-	<b>3,689,447</b>	-	<b>1,905,698</b>	-	<b>5,595,145</b>

	At 31 March 2017					
	Long Term		Short Term		Total Borrowings	
	Foreign Denomination	RM Denomination	Foreign Denomination	RM Denomination	Foreign Denomination	RM Denomination
	'000	RM'000	'000	RM'000	'000	RM'000
<u>Secured</u>						
Term Loans	Euro 5,122	24,161	Euro 2,144	10,113	Euro 7,266	34,274
<u>Unsecured</u>						
Bank overdraft	-	-	CHF 121	534	CHF 121	534
			Euro 17,413	82,142	Euro 17,413	82,142
Revolving credit	-	-	USD 35,000	154,945	USD 35,000	154,945
			Euro 51,000	240,587	Euro 51,000	240,587
			GBP 30,000	166,755	GBP 30,000	166,755
			Rmb 50,000	32,160	Rmb 50,000	32,160
Trade financing	-	-	USD 76,702	339,559	USD 76,702	339,559
Term loans	USD 50,000	221,328	-	-	USD 50,000	221,328
	Euro 50,000	235,850	-	-	Euro 50,000	235,850
Export credit refinancing	-	-	-	305,023	-	305,023
Bankers' acceptance	-	-	-	699,597	-	699,597
Islamic medium term notes	-	3,100,000	-	-	-	3,100,000
<b>Total</b>		<b>3,581,339</b>		<b>2,031,415</b>		<b>5,612,754</b>

	At 31 March	
	2018	2017
<u>Exchange Rates Applied</u>		
USD / RM	3.8650	4.4270
Euro / RM	4.7632	4.7170
GBP / RM	-	5.5585
Rmb / RM	-	0.6432
CHF / RM	-	4.4142

**Interim Financial Report for the second quarter ended 31 March 2018**

(The figures have not been audited)

**B8. Derivative financial instruments**

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

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

As at 31 March 2018, the values and maturity analysis of the outstanding derivatives of the Group are as follows:

	<b>Contract / Notional value Net long/(short)</b>	<b>Fair value Net gains/(losses)</b>
	<b>RM'000</b>	<b>RM'000</b>
a) Forward foreign exchange contracts:		
- Less than 1 year	(1,280,375)	49,772
- 1 year to 3 years	-	-
- More than 3 years	-	-
b) Commodity futures contracts:		
- Less than 1 year	(217,040)	18,260
- 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 2018, 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.

**Interim Financial Report for the second quarter ended 31 March 2018**

(The figures have not been audited)

**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 2018 (2017: single tier dividend of 15 sen per share) and will be paid to the shareholders on 9 August 2018. The entitlement date for the dividend shall be 18 July 2018.

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

- (i) Securities deposited into the Depositor's Securities Account before 12.30 p.m. on 16 July 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 18 July 2018 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 (2017: single tier dividend of 15 sen per share).

**B12. Earnings Per Share***Basic earnings per share*

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

	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	31 March		31 March	
	2018	2017	2018	2017
Net profit for the period attributable to equity holders of the Company (RM'000)	109,752	163,315	287,651	360,858
Weighted average number of shares ('000)	401,772	404,826	401,772	404,826
Earnings per share (sen)	27.3	40.3	71.6	89.1

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

The auditors' report on the financial statements for the year ended 30 September 2017 was not subject to any qualifications.

**Interim Financial Report for the second quarter ended 31 March 2018**

(The figures have not been audited)

**B14. Condensed Consolidated Statement of Profit or Loss**

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

	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	31 March		31 March	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Interest income	(23,249)	(23,405)	(46,691)	(38,926)
Dividend income	(2,583)	(6,681)	(5,880)	(21,026)
Other income	(82,851)	(59)	(186,328)	(168,498)
Interest expense	49,532	47,922	97,292	94,947
Depreciation and amortisation	128,892	134,006	258,648	266,232
Provision for/(Reversal of write-off) and write-off of receivables	771	(248)	715	4,526
Provision for and write-off of inventories	3,382	5,883	18,171	10,159
(Surplus)/Deficit on disposal of quoted or unquoted investments	132	1	(2,445)	2,089
Surplus on disposal of land	(547)	(443)	(782)	(4,611)
Surplus arising from government acquisition of land	(10,365)	-	(23,989)	-
Impairment of property, plant and equipment	-	-	-	-
Impairment of value in an associate	-	(902)	-	1,230
Foreign exchange loss/(gain)	23,809	29,426	52,264	(4,265)
(Gain)/Loss on derivatives	(37,371)	(49,255)	(69,240)	4,013
Exceptional items	-	-	-	-

By Order of the Board

CHONG SEE TECK  
YAP MIOW KIEN  
CHIEW CINDY  
Company Secretaries

16 May 2018