

**BATU KAWAN BERHAD** (6292-U)  
ANNUAL REPORT FOR THE YEAR ENDED 30 SEPTEMBER

**2018**

# BATU KAWAN BERHAD

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# BATU KAWAN BERHAD

## Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Fifty-Fourth Annual General Meeting of Batu Kawan Berhad (“BKB” or “Company”) will be held at WEIL Hotel, Ballroom 1, Level 6, 292 Jalan Sultan Idris Shah, 30000 Ipoh, Perak Darul Ridzuan, Malaysia on Tuesday, 19 February 2019 at 2.30 p.m. for the following purposes:

### AGENDA

1. To receive the Audited Financial Statements for the year ended 30 September 2018 and the Directors’ and Auditors’ Reports thereon. *(Please refer Note 1)*
2. To re-elect the following Directors who retire in accordance with the Company’s Constitution:  
  
Tan Sri Dato’ Seri Lee Oi Hian (Ordinary Resolution 1)  
Mr. Quah Chek Tin (Ordinary Resolution 2)  
Dr. Tunku Alina Binti Raja Muhd Alias (Ordinary Resolution 3)
3. To approve the Directors’ fees for the year ended 30 September 2018 amounting to RM962,863 (2017: RM704,808). *(Please refer Note 2)* (Ordinary Resolution 4)
4. To approve the payment of Directors’ benefits (other than Directors’ fees) to Non-Executive Directors for the period from the Fifty-Fourth Annual General Meeting to the Fifty-Fifth Annual General Meeting of the Company to be held in 2020. *(Please refer Note 3)* (Ordinary Resolution 5)
5. To appoint Messrs BDO as Auditors of the Company in place of the retiring Auditors, Messrs KPMG PLT and to authorise the Directors to fix the remuneration of Messrs BDO. *(Please refer Note 4)* (Ordinary Resolution 6)
6. As SPECIAL BUSINESS, to consider and, if thought fit, pass the following resolutions:
  - (a) **PROPOSED RENEWAL OF AUTHORITY TO BUY BACK ITS OWN SHARES BY THE COMPANY** (Ordinary Resolution 7)  
  
“THAT authority be given to the Company to buy back an aggregate number of shares in the Company (“Authority to Buy Back Shares”) as may be determined by the Directors from time to time through Bursa Malaysia Securities Berhad upon such terms and conditions as the Directors may deem fit and expedient in the best interest of the Company provided that at the time of purchase, the aggregate number of shares purchased pursuant to this resolution does not exceed ten percent (10%) of the total issued and paid-up share capital of the Company and that the maximum funds to be allocated for the Authority to Buy Back Shares shall not exceed the latest audited retained profits of the Company;

# BATU KAWAN BERHAD

## Notice of Annual General Meeting (Continued)

THAT the shares purchased by the Company pursuant to Authority to Buy Back Shares may be dealt with by the Directors in all or any of the following manner:

- (i) distribute the shares as share dividends to the shareholders; or
- (ii) resell the shares or any of the shares on Bursa Malaysia Securities Berhad; or
- (iii) transfer the shares or any of the shares for the purposes of or under an employees' share scheme; or
- (iv) transfer the shares or any of the shares as purchase consideration; or
- (v) cancel the shares or any of the shares; or
- (vi) sell, transfer or otherwise use the shares for such other purposes as allowed by the Companies Act 2016.

AND THAT the Directors be and are hereby empowered to do all such acts and things to give full effect to the Authority to Buy Back Shares with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities AND THAT such authority shall commence upon passing of this ordinary resolution and will expire at the conclusion of the next Annual General Meeting of the Company following the passing of this ordinary resolution or the expiry of the period within which the next Annual General Meeting is required by law to be held (unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting) but not so as to prejudice the completion of a purchase by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the guidelines issued by Bursa Malaysia Securities Berhad or any other relevant authority.”

(b) **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

(Ordinary Resolution 8)

“THAT subject to the Companies Act 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into all arrangements and/or transactions as set out in Appendix II of the Circular to Shareholders dated 31 December 2018 involving the interests of Directors, major shareholders or persons connected with Directors or major shareholders (“Related Parties”) of the Company and/or its subsidiaries provided that such arrangements and/or transactions are:

- (i) recurrent transactions of a revenue or trading nature;
- (ii) necessary for the Group's day-to-day operations;
- (iii) carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public; and
- (iv) are not to the detriment of minority shareholders

(“Mandate”).

# BATU KAWAN BERHAD

## Notice of Annual General Meeting (Continued)

THAT such authority shall commence upon the passing of this ordinary resolution and shall continue to be in force until:

- (i) the conclusion of the next Annual General Meeting of the Company following the Annual General Meeting at which such Mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or
- (ii) the expiration of the period within which the next Annual General Meeting after the date it is required to be held pursuant to Section 340(1) of the Companies Act 2016 but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016; or
- (iii) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is earlier.

AND THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Mandate.”

- (c) **PROPOSED RENEWAL OF THE AUTHORITY FOR DIRECTORS TO ALLOT AND ISSUE NEW ORDINARY SHARES IN THE COMPANY (“BKB SHARES”) IN RELATION TO THE DIVIDEND REINVESTMENT PLAN THAT PROVIDES THE SHAREHOLDERS OF THE COMPANY THE OPTION TO ELECT TO REINVEST THEIR CASH DIVIDEND ENTITLEMENTS IN NEW BKB SHARES (“DIVIDEND REINVESTMENT PLAN”)**

(Ordinary Resolution 9)

“THAT pursuant to the Dividend Reinvestment Plan (“DRP”) approved by the shareholders at the Annual General Meeting held on 13 February 2018 and subject to the approval of the relevant authorities (if any), approval be and is hereby given to the Company to allot and issue such number of BKB Shares pursuant to the DRP until the conclusion of the next Annual General Meeting, upon such terms and conditions and to such persons as the Directors may, in their absolute discretion, deem fit and in the best interest of the Company PROVIDED THAT the issue price of the said BKB Shares shall be fixed by the Directors at not more than ten percent (10%) discount to the adjusted five (5)-day volume weighted average market price (“VWAMP”) of BKB Shares immediately prior to the price-fixing date, of which the VWAMP shall be adjusted ex-dividend before applying the aforementioned discount in fixing the issue price;

AND THAT the Directors be and are hereby authorised to do all such acts and enter into all such transactions, arrangements and documents as may be necessary or expedient in order to give full effect to the DRP with full power to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed or agreed to by any relevant authorities or consequent upon the implementation of the said conditions, modifications, variations and/or amendments, as they, in their absolute discretion, deem fit and in the best interest of the Company.”

# BATU KAWAN BERHAD

## Notice of Annual General Meeting (Continued)

7. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016.

By Order of the Board  
**CHONG SEE TECK**  
**YAP MIOW KIEN**  
**CHIEW CINDY**  
(Company Secretaries)

Ipoh,  
Perak Darul Ridzuan,  
Malaysia.

31 December 2018

### NOTES:

(1) **Audited Financial Statements**

This item is meant for discussion only as under Section 340(1) of the Companies Act 2016, the Audited Financial Statements are to be laid at the Annual General Meeting and do not require a formal approval of the shareholders. Hence, this matter will not be put forward for voting.

(2) **Payment of Directors' Fees to the Non-Executive Directors**

Having considered that the Non-Executive Directors' fees had been held constant over the past three (3) years and the Board Committees' fees had remained unchanged for more than seven (7) years, the Board had, at its meeting held in November 2018, approved the Remuneration Committee's recommendation for a proposed revision to the fees in accordance with the remuneration structure as follows:

	<b>Board (RM per annum)</b>	<b>Audit and Risk Committee (RM per annum)</b>	<b>Other Board Committees (RM per annum)</b>
Non-Executive Chairman	195,000	30,000	20,000
Non-Executive Director/Member	130,000	25,000	15,000

The payment of the Non-Executive Directors' fees in respect of the financial year ended 30 September 2018 will only be made if the proposed Ordinary Resolution 4 has been passed at the Fifty-Fourth Annual General Meeting.

(3) **Payment of Directors' Benefits (excluding Directors' fees)**

The Company is seeking shareholders' approval for the following payment of benefits to its Non-Executive Directors pursuant to Section 230 of the Companies Act 2016 for the period from the Fifty-Fourth Annual General Meeting to the Fifty-Fifth Annual General Meeting of the Company to be held in 2020:

<b>Type of Benefit/Allowance</b>	<b>Amount</b>
Meeting Allowance (Board and Committees)	RM2,000 per meeting
Overseas Travelling Allowance	RM1,000 per day
Other Benefits	Business travel, medical, insurance coverage, and other claimables and reimbursables for the purpose of enabling the Directors to perform their duties.

(4) **Appointment of Auditors**

The Company's existing Auditors, Messrs KPMG PLT, were re-appointed as the Auditors of the Company at the Fifty-Third Annual General Meeting of the Company held on 13 February 2018 to hold office until the conclusion of the forthcoming Annual General Meeting.

Ordinary Resolution 6 proposed under Item 5 of the Agenda, if passed, will effect the appointment of Messrs BDO as the Auditors of the Company in place of the retiring Auditors, Messrs KPMG PLT. Messrs BDO shall hold office until the conclusion of the next Annual General Meeting of the Company at a remuneration to be agreed between the Directors and Messrs BDO.

# BATU KAWAN BERHAD

## Notice of Annual General Meeting (Continued)

(5) **Voting by Poll**

Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in this Notice shall be put to vote by poll.

(6) **Appointment of Proxy**

- (a) A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may, but need not be a member of the Company. A member shall not be entitled to appoint more than two (2) proxies to attend at the same meeting. Where a member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
- (b) Where the proxy form is executed by a corporation, it must be either under the hand of its officer or attorney duly authorised.
- (c) If a member having appointed a proxy to attend a general meeting attends such meeting in person, the appointment of such proxy shall be null and void in respect of such meeting and his proxy shall not be entitled to attend such meeting.
- (d) Where a member of the Company is an exempt authorised nominee, as defined under the Securities Industry (Central Depositories) Act 1991, who holds shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- (e) Where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
- (f) The instrument appointing a proxy and the power of attorney or other authority (if any), to be valid, must be deposited at the Registered Office of the Company at Bangunan Mayban Trust Ipoh, Level 9, No. 28, Jalan Tun Sambanthan, 30000 Ipoh, Perak Darul Ridzuan, Malaysia not less than twenty-four (24) hours before the time appointed for the taking of the poll.

(7) **Members Entitled to Attend**

Only members whose names appear on the General Meeting Record of Depositors or Register of Members as at 11 February 2019 shall be entitled to attend or appoint proxies in his stead or in the case of a corporation, a duly authorised representative to attend, speak and vote in his stead.

(8) **Proposed Renewal of Authority to Buy Back Shares**

Ordinary Resolution 7 proposed under Item 6(a) of the Agenda, if passed, will empower the Directors to buy back the Company's own shares. This authority will expire at the next Annual General Meeting of the Company unless earlier revoked or varied by ordinary resolution of the Company at a general meeting.

(9) **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transaction of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")**

Ordinary Resolution 8 proposed under Item 6(b) of the Agenda, if passed, will allow the Group to enter into Recurrent Related Party Transactions of a Revenue or Trading Nature in the ordinary course of business made on normal commercial terms not more favourable to the related parties than those generally available to the public, and are not to the detriment of the minority shareholders.

By obtaining the approval for the Proposed Shareholders' Mandate and the renewal of the same on an annual basis, the necessity to convene separate general meetings from time to time to seek shareholders' approval as and when such Recurrent Related Party Transactions occur is avoided which would reduce substantial administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising the corporate objectives of the Group or adversely affecting the business opportunities available to the Group.

(10) **Proposed Renewal of Authority for Directors to Allot and Issue New BKB Shares in relation to the Dividend Reinvestment Plan**

The shareholders had, at the Fifty-Third Annual General Meeting held on 13 February 2018, approved the authority for the Directors to allot and issue BKB Shares in relation to the Dividend Reinvestment Plan ("DRP") and such authority will expire at the conclusion of the forthcoming Annual General Meeting.

Ordinary Resolution 9 proposed under Item 6(c) of the Agenda, if passed, will give authority to the Directors to allot and issue BKB Shares pursuant to the DRP in respect of any dividends to be declared, and such authority shall expire at the conclusion of the next Annual General Meeting of the Company.

For Ordinary Resolutions 7, 8 and 9 mentioned above, further information is set out in the Circular to Shareholders of the Company which is despatched together with the Company's 2018 Annual Report.

# BATU KAWAN BERHAD

## Notis Mesyuarat Agung Tahunan

**NOTIS DENGAN INI DIBERIKAN** bahawa Mesyuarat Agung Tahunan Batu Kawan Berhad (“BKB” atau “Syarikat”) yang Kelima Puluh Empat akan diadakan di WEIL Hotel, Ballroom 1, Level 6, 292 Jalan Sultan Idris Shah, 30000 Ipoh, Perak Darul Ridzuan, Malaysia pada hari Selasa, 19 Februari 2019 pada pukul 2.30 petang untuk tujuan-tujuan berikut:

### AGENDA

1. Untuk menerima Penyata Kewangan yang telah diaudit bagi tahun berakhir 30 September 2018 berserta Laporan Pengarah dan Juruaudit yang berkaitan dengannya. *(Sila Rujuk Nota 1)*
2. Untuk memilih semula para Pengarah berikut yang akan bersara menurut Perlembagaan Syarikat:  

Tan Sri Dato' Seri Lee Oi Hian	(Resolusi Biasa 1)
Encik Quah Chek Tin	(Resolusi Biasa 2)
Dr. Tunku Alina Binti Raja Muhd Alias	(Resolusi Biasa 3)
3. Untuk meluluskan bayaran fi para Pengarah berjumlah RM962,863 bagi tahun berakhir 30 September 2018 (2017: RM704,808). *(Sila rujuk Nota 2)* (Resolusi Biasa 4)
4. Untuk meluluskan bayaran faedah para Pengarah (tidak termasuk fi para Pengarah) kepada Pengarah Bukan Eksekutif bagi tempoh dari Mesyuarat Agung Tahunan Syarikat yang Kelima Puluh Empat sehingga Mesyuarat Agung Tahunan Syarikat yang Kelima Puluh Lima yang akan diadakan pada tahun 2020. *(Sila rujuk Nota 3)* (Resolusi Biasa 5)
5. Untuk melantik Tetuan BDO sebagai Juruaudit Syarikat sebagai ganti kepada Juruaudit yang bersara, Tetuan KPMG PLT dan memberi kuasa kepada para Pengarah untuk menetapkan saraan Tetuan BDO. *(Sila Rujuk Nota 4)* (Resolusi Biasa 6)
6. Sebagai URUSAN KHAS, untuk mempertimbangkan dan sekiranya difikirkan sesuai meluluskan resolusi-resolusi berikut:
  - (a) **CADANGAN PEMBAHARUAN KUASA UNTUK MEMBELI BALIK SYER SYARIKAT** (Resolusi Biasa 7)  

“BAHAWA kuasa diberikan kepada Syarikat untuk membeli balik agregat syer Syarikat (“Cadangan Memberi Kuasa Membeli Balik Syer”) dengan jumlah syer ditentukan oleh para Pengarah dari masa ke semasa melalui Bursa Malaysia Securities Berhad berdasarkan terma dan syarat yang dianggap sesuai dan wajar oleh para Pengarah demi kepentingan Syarikat tertakluk kepada syarat bahawa pada masa pembelian, bilangan agregat syer yang boleh dibeli oleh Syarikat melalui resolusi ini adalah tidak melebihi sepuluh peratus (10%) daripada jumlah modal syer terbitan dan berbayar Syarikat dan dana maksima yang diperuntukkan untuk Cadangan Memberi Kuasa Membeli Balik Syer tidak melebihi jumlah keuntungan terkumpul Syarikat yang terkini dan telah diaudit;



# BATU KAWAN BERHAD

## Notis Mesyuarat Agung Tahunan (Sambungan)

BAHAWA syer yang dibeli oleh Syarikat menurut Cadangan Memberi Kuasa Membeli Balik Syer boleh diuruskan oleh para Pengarah mengikut semua atau mana-mana cara yang berikut:

- (i) membahagikan syer tersebut sebagai dividen kepada pemegang syer; atau
- (ii) menjual semula syer tersebut atau mana-mana bahagian daripada syer itu melalui Bursa Malaysia Securities Berhad; atau
- (iii) memindah milik syer tersebut atau mana-mana bahagian daripada syer itu bagi tujuan atau di bawah pelaksanaan skim syer pekerja; atau
- (iv) memindah milik syer tersebut atau mana-mana bahagian daripada syer itu sebagai balasan pembelian; atau
- (v) membatalkan syer tersebut atau mana-mana bahagian daripada syer itu; atau
- (vi) menjual, memindah milik atau selainnya menggunakan syer itu bagi lain-lain tujuan sepertimana yang dibenarkan oleh Akta Syarikat 2016.

DAN BAHAWA para Pengarah adalah dan dengan ini diberi kuasa untuk melaksanakan segala tindakan dan perkara yang berkaitan bagi memberi kesan sepenuhnya kepada Cadangan Memberi Kuasa Membeli Balik Syer untuk menyetujui dan mematuhi sebarang syarat, pengubahsuaian, penilaian semula, variasi dan/atau pindaan (jika ada) yang dikuatkuasakan oleh pihak berkuasa berkaitan; DAN BAHAWA kuasa tersebut akan bermula pada masa resolusi biasa ini diluluskan dan akan tamat pada penutupan Mesyuarat Agung Tahunan Syarikat yang berikutnya, berikutan dengan kelulusan resolusi biasa ini atau penamatan tempoh di mana Mesyuarat Agung Tahunan yang berikutnya kelulusan resolusi biasa ini atau penamatan tempoh di mana Mesyuarat Agung Tahunan yang berikutnya sepatutnya diadakan mengikut syarat undang-undang (melainkan dibatalkan atau diubah melalui resolusi biasa para pemegang syer Syarikat dalam mesyuarat agung), namun tidak menjejaskan penyempurnaan pembelian oleh Syarikat sebelum tarikh tamat yang dinyatakan dan, dalam apa jua keadaan, menurut peruntukan garis panduan yang dikeluarkan oleh Bursa Malaysia Securities Berhad atau pihak berkuasa lain yang berkenaan.”

- (b) **CADANGAN PEMBAHARUAN MANDAT PARA PEMEGANG SYER UNTUK MELULUSKAN TRANSAKSI DAGANGAN SERING BERULANG DENGAN PIHAK-PIHAK YANG BERKAITAN**

(Resolusi Biasa 8)

“BAHAWA, tertakluk kepada Akta Syarikat 2016 dan Keperluan Penyenaraian Pasaran Utama Bursa Malaysia Securities Berhad, kelulusan diberikan kepada Syarikat dan/atau syarikat subsidiarinya untuk mementerai perjanjian bagi transaksi dengan pihak-pihak yang berkaitan seperti yang tertera di Appendix II dalam Surat Pekeliling Syarikat kepada para pemegang syer yang bertarikh 31 Disember 2018 yang melibatkan kepentingan para Pengarah atau pemegang syer utama atau pihak-pihak yang berkaitan dengan para Pengarah atau para pemegang syer utama (“Pihak-pihak Berkaitan”) Syarikat dan/atau subsidiari-subsidiarinya sekiranya transaksi-transaksi tersebut adalah:

- (i) sering berulang dan bersifat perdagangan;
- (ii) merupakan keperluan untuk urusan perniagaan harian;
- (iii) dilaksanakan secara perniagaan biasa seumpama transaksi dijalankan dengan pihak umum dan tidak memberikan kelebihan kepada pihak-pihak berkaitan; dan
- (iv) tidak merugikan atau menjejaskan kepentingan para pemegang syer minoriti

(“Mandat”).

# BATU KAWAN BERHAD

## Notis Mesyuarat Agung Tahunan (Sambungan)

DAN BAHAWA, Mandat tersebut akan berkuatkuasa selepas kelulusan resolusi biasa ini dan akan berkuatkuasa sehingga:

- (i) penamatan Mesyuarat Agung Tahunan Syarikat berikutnya selepas Mesyuarat Agung Tahunan pada mana Mandat tersebut diluluskan bila mana ia akan luput, melainkan resolusi diluluskan untuk memperbaharui Mandat, diperolehi dalam mesyuarat tersebut; atau
- (ii) tamatnya tempoh bilamasa Mesyuarat Agung Tahunan perlu diadakan mengikut Seksyen 340(1) Akta Syarikat 2016 tetapi tidak dilanjutkan kepada lanjutan yang dibenarkan dibawah Seksyen 340(4) Akta Syarikat 2016 tersebut; atau
- (iii) dimansuhkan atau diubah oleh resolusi biasa baru yang diluluskan oleh para pemegang syer dalam mesyuarat agung;

yang mana lebih terdahulu.

DAN BAHAWA, para Pengarah Syarikat dengan ini diberi kuasa untuk melengkapkan dan melaksanakan apa jua (termasuk menyempurnakan dokumen yang diperlukan) untuk membolehkan Mandat tersebut dikuatkuasakan.”

- (c) **CADANGAN PEMBAHARUAN KUASA KEPADA PARA PENGARAH UNTUK MEMPERUNTUKKAN DAN MENERBITKAN SYER BIASA BARU SYARIKAT (“SYER BKB”) BERHUBUNG DENGAN PELAN PELABURAN SEMULA DIVIDEN YANG MEMBERIKAN OPSYEN KEPADA PEMEGANG SYER SYARIKAT UNTUK MELABUR SEMULA DIVIDEN TUNAI KE DALAM SYER BARU BKB (“PELAN PELABURAN SEMULA DIVIDEN”)** (Resolusi Biasa 9)

“BAHAWA menurut Pelan Pelaburan Semula Dividen yang telah diluluskan oleh para pemegang syer pada Mesyuarat Agung Tahunan yang diadakan pada 13 Februari 2018 dan tertakluk kepada kelulusan pihak berkuasa yang berkenaan (jika ada), Syarikat dengan ini diberi kuasa untuk memperuntukkan dan menerbitkan sejumlah Syer BKB mengikut Pelan Pelaburan Semula Dividen sehingga penamatan Mesyuarat Agung Tahunan yang berikutnya, tertakluk kepada terma dan syarat sebagaimana yang para Pengarah boleh, mengikut budi bicara mutlak mereka, dianggap wajar dan demi kepentingan terbaik Syarikat DENGAN SYARAT harga terbitan Syer BKB tersebut akan ditetapkan oleh para Pengarah tidak melebihi sepuluh peratus (10%) diskaun dari nilai harga pasaran purata wajaran lima (5) hari (“NHPPW”) yang diselaraskan bagi Syer BKB sejurus sebelum tarikh penetapan harga, yang mana NHPPW hendaklah diselaraskan ex-dividen sebelum menggunakan diskaun yang dinyatakan dalam penentuan harga terbitan;

DAN BAHAWA para Pengarah adalah dan dengan ini diberi kuasa untuk melakukan segala tindakan berkenaan dan melaksanakan semua urusan, pengaturan dan dokumen berkenaan sebagaimana perlu atau wajar untuk memberi kesan sepenuhnya kepada Pelan Pelaburan Semula Dividen dengan kuasa penuh untuk menerima sebarang syarat, penguahsuaian, variasi dan/atau pindaan (jika ada) sepertimana yang dikenakan atau dipersetujui oleh mana-mana pihak berkuasa yang berkaitan ataupun kesan daripada pelaksanaan syarat, pengubahsuaian, variasi dan/atau pindaan tersebut, sepertimana yang para Pengarah boleh, mengikut budi bicara mutlak mereka, dianggap wajar dan demi kepentingan terbaik Syarikat.”

# BATU KAWAN BERHAD

## Notis Mesyuarat Agung Tahunan (Sambungan)

7. Untuk melaksanakan sebarang urusan lain yang mana notis sewajarnya telah diberikan menurut Akta Syarikat 2016.

Dengan Perintah Lembaga Pengarah  
**CHONG SEE TECK**  
**YAP MIOW KIEN**  
**CHIEW CINDY**  
(Setiausaha-setiausaha Syarikat)

Ipoh,  
Perak Darul Ridzuan,  
Malaysia.

31 Disember 2018

### NOTA:

- (1) **Penyata Kewangan yang telah Diaudit**  
Perkara ini bertujuan sebagai perbincangan sahaja. Menurut Seksyen 340(1) Akta Syarikat 2016, Penyata Kewangan yang telah diaudit hanyalah dibentangkan di Mesyuarat Agung Tahunan dan tidak memerlukan kelulusan rasmi daripada para pemegang syer. Oleh itu, Agenda ini tidak akan dikemukakan untuk pengundian.
- (2) **Pembayaran Fi Pengarah kepada Pengarah Bukan Eksekutif**  
Setelah mempertimbangkan perihal fi bagi Pengarah Bukan Eksekutif yang ditetapkan pada kadar yang sama selama tiga (3) tahun berturut-turut dan fi ahli Jawatankuasa Lembaga yang tidak berubah lebih dari tujuh (7) tahun, Lembaga Pengarah pada mesyuaratnya yang diadakan pada bulan November 2018, telah meluluskan cadangan daripada Jawatankuasa Saran untuk memperbaharui kadar fi mengikut struktur saran seperti berikut:

	Lembaga Pengarah (RM setiap tahun)	Jawatankuasa Audit dan Risiko (RM setiap tahun)	Jawatankuasa Lembaga (Lain-lain) (RM setiap tahun)
Pengerusi Bukan Eksekutif	195,000	30,000	20,000
Pengarah Bukan Eksekutif/Ahli	130,000	25,000	15,000

Pembayaran fi kepada Pengarah Bukan Eksekutif bagi tahun kewangan berakhir 30 September 2018 hanya akan dibuat, jika Resolusi Biasa 4 yang dicadangkan telah diluluskan pada Mesyuarat Agung Tahunan yang Kelima Puluh Empat.

- (3) **Pembayaran Faedah Pengarah (tidak termasuk fi Pengarah)**  
Syarikat dengan ini memohon kelulusan daripada para pemegang syer untuk pembayaran faedah yang terdiri daripada elaun dan faedah lain seperti berikut, kepada para Pengarah Bukan Eksekutif menurut Seksyen 230 Akta Syarikat 2016 bagi tempoh dari Mesyuarat Agung Tahunan yang Kelima Puluh Empat sehingga Mesyuarat Agung Tahunan Syarikat Kelima Puluh Lima yang akan diadakan pada tahun 2020:

Jenis faedah/elaun	Amaun
Elaun Mesyuarat (Lembaga Pengarah dan Jawatankuasa lain)	RM2,000 setiap mesyuarat
Elaun Perjalanan Luar Negara	RM1,000 setiap hari
Faedah lain	Perjalanan perniagaan, perubatan, perlindungan insurans, dan segala bayaran balik dan tuntutan bagi para Pengarah menjalankan tugasnya

# BATU KAWAN BERHAD

## Notis Mesyuarat Agung Tahunan (Sambungan)

(4) **Pelantikan Juruaudit**

Juruaudit Syarikat sedia ada, Tetuan KPMG PLT telah dilantik semula sebagai Juruaudit Syarikat pada Mesyuarat Agung Tahunan Syarikat yang Kelima Puluh Tiga yang diadakan pada 13 Februari 2018 untuk memegang jawatan sehingga penamatan Mesyuarat Agung Tahunan Syarikat yang akan datang.

Resolusi Biasa 6 yang dicadangkan di bawah Agenda 5, jika diluluskan, akan menguatkuasakan pelantikan Tetuan BDO sebagai Juruaudit Syarikat sebagai ganti kepada juruaudit yang bersara, Tetuan KPMG PLT. Tetuan BDO akan memegang jawatan sehingga penamatan Mesyuarat Agung Tahunan Syarikat yang akan datang pada kadar saraan yang akan dipersetujui antara para Pengarah dan Tetuan BDO.

(5) **Pengundian**

Menurut Perenggan 8.29A(1) Keperluan Penyenaraian Pasaran Utama Bursa Malaysia Securities Berhad, semua resolusi yang terkandung di dalam Notis harus dilaksanakan dengan pengundian.

(6) **Pelantikan proksi**

(a) Pemegang syer Syarikat yang layak untuk hadir dan mengundi pada mesyuarat ini berhak melantik seorang proksi untuk hadir dan mengundi bagi pihaknya. Proksi tersebut boleh, tetapi tidak semestinya merupakan pemegang syer Syarikat. Seseorang pemegang syer Syarikat tidak boleh melantik lebih daripada dua (2) proksi untuk menghadiri mesyuarat yang sama. Sekiranya pemegang syer Syarikat melantik dua (2) proksi, pelantikan tersebut dianggap tidak sah melainkan pemegang syer telah menetapkan bahagian pegangannya yang akan diwakili oleh setiap proksi.

(b) Pelantikan proksi yang dilaksanakan oleh pemegang syer Syarikat korporat harus ditandatangani di bawah meteri atau ditandatangani oleh pegawainya atau pewakilan kuasa.

(c) Sekiranya seseorang pemegang syer Syarikat telah melantik proksi untuk menghadiri mesyuarat agung menghadiri mesyuarat agung tersebut, pelantikan proksi tersebut akan dianggap telah dibatalkan dan tidak sah dalam mesyuarat tersebut dan proksi itu tidak layak untuk menghadiri mesyuarat tersebut.

(d) Bagi nomini yang sah berkecualian sebagai pemegang syer Syarikat sepertimana yang didefinisikan dalam Akta Industri Sekuriti (Pendeposit Pusat), 1991, yang memegang syer biasa dalam Syarikat bagi beberapa pihak pemilik benefisial dalam satu (1) akaun sekuriti ("akaun omnibus"), tiada had proksi yang boleh dilantik bagi setiap akaun omnibus yang dipegang.

(e) Di mana nomini yang sah berkecualian melantik dua (2) proksi atau lebih proksi, bahagian pegangan syer yang diwakili oleh setiap proksi hendaklah ditetapkan dalam surat cara pelantikan proksi tersebut.

(f) Surat cara pelantikan proksi dan surat kuasa wakil atau kuasa lain (jika ada), supaya ia diiktirafkan sebagai sah, hendaklah diserahkan ke Pejabat Berdaftar Syarikat di Bangunan Mayban Trust Ipoh, Level 9, No. 28, Jalan Tun Sambanthan, 30000 Ipoh, Perak Darul Ridzuan, dalam tempoh tidak kurang dari dua puluh empat (24) jam sebelum masa yang ditetapkan bagi menjalankan pengundian.

(7) **Kelayakan pemegang syer menghadiri mesyuarat**

Hanya pemegang syer yang namanya terkandung di dalam Rekod Pendeposit atau Daftar Anggota pada 11 Februari 2019 adalah layak untuk menghadiri mesyuarat ini atau melantik proksi untuk hadir dan mengundi bagi pihaknya atau dalam hal suatu perbadanan, seorang pewakilan kuasa untuk hadir, bercakap dan mengundi bagi pihaknya.

(8) **Cadangan Pembaharuan Kuasa Membeli Balik Syer Sendiri oleh Syarikat**

Resolusi Biasa 7 yang dicadangkan di bawah Agenda 6(a), jika diluluskan, akan memberi kuasa kepada para Pengarah untuk membeli balik syer Syarikat. Kuasa ini, melainkan dibatalkan atau diubahkan oleh Syarikat dalam mesyuarat agung, akan tamat dalam Mesyuarat Agung Tahunan Syarikat berikutnya.

# BATU KAWAN BERHAD

## Notis Mesyuarat Agung Tahunan (Sambungan)

(9) **Cadangan Pembaharuan Mandat Pemegang Syer untuk meluluskan Transaksi Dagangan Sering Berulang dengan pihak-pihak yang Berkaitan (“Cadangan Mandat Pemegang Syer”)**

Resolusi Biasa 8 yang dicadangkan di bawah Agenda 6(b), jika diluluskan, akan membenarkan Kumpulan BKB menjalankan transaksi-transaksi sering berulang bersifat hasil atau dagangan dengan pihak-pihak berkaitan untuk operasi harian Kumpulan BKB dengan syarat urus niaga berkenaan dilaksanakan dalam urusan lazim perniagaan dengan terma-terma yang tidak berat sebelah berbanding dengan yang tersedia kepada pihak awam dan tidak menjejaskan para pemegang syer minoriti Syarikat.

Dengan mendapatkan kelulusan bagi Cadangan Mandat Pemegang Syer tersebut dan memperbaharui nya setiap tahun, keperluan untuk mengadakan mesyuarat agung yang berasingan dari masa ke semasa untuk mendapatkan kelulusan pemegang syer bila mana berlakunya transaksi demikian, akan dapat dielakkan. Dengan memperolehi mandat ini, masa pentadbiran, kesulitan dan perbelanjaan berkaitan dengan mengadakan mesyuarat akan dijimatkan tanpa menjejaskan objektif korporat Kumpulan BKB dan peluang perniagaan yang sedia ada kepada Kumpulan Syarikat.

(10) **Cadangan Pembaharuan Kuasa kepada para Pengarah untuk Memperuntukkan dan Menerbitkan Syer Baru BKB berhubung dengan Pelan Pelaburan Semula Dividen**

Para pemegang syer telah meluluskan dan memberi kuasa kepada para Pengarah untuk memperuntukkan dan menerbitkan Syer BKB di bawah Pelan Pelaburan Semula Dividen pada Mesyuarat Agung Tahunan yang Kelima Puluh Tiga yang telah diadakan pada 13 Februari 2018, dan kuasa tersebut akan tamat pada penutupan Mesyuarat Agung Tahunan ini.

Resolusi Biasa 9 yang dicadangkan di bawah Agenda 6(c), jika diluluskan, akan memberi kuasa kepada para Pengarah untuk memperuntukkan dan menerbitkan Syer BKB, di bawah Pelan Pelaburan Semula Dividen selaras dengan dividen yang akan diisytiharkan, dan kuasa tersebut akan habis tempoh pada penamatan Mesyuarat Agung Tahunan Syarikat yang akan datang.

Untuk Resolusi Biasa 7, 8 dan 9 tersebut di atas, penerangan lanjut berkenaan dengan perkara-perkara tersebut di atas adalah terkandung di dalam Surat Pekeliling kepada Pemegang Syer yang telah disertakan bersama dengan Laporan Tahunan Syarikat 2018.

# BATU KAWAN BERHAD

## Corporate Information

### BOARD OF DIRECTORS

Tan Sri Dato' Seri Lee Oi Hian	- Non-Independent Non-Executive Chairman
Dato' Lee Hau Hian	- Managing Director
Dato' Yeoh Eng Khoon	- Senior Independent Non-Executive Director
R. M. Alias <i>(retiring on 19 February 2019)</i>	- Independent Non-Executive Director
Mr. Quah Chek Tin	- Independent Non-Executive Director
Tan Sri Rastam Bin Mohd Isa	- Independent Non-Executive Director
Dr. Tunku Alina Binti Raja Muhd Alias <i>(appointed on 20 April 2018)</i>	- Independent Non-Executive Director

### COMPANY SECRETARIES

Mr. Chong See Teck  
Ms. Yap Miow Kien  
Ms. Chiew Cindy

### REGISTERED OFFICE / PRINCIPAL PLACE OF BUSINESS

*(with effect from 1 December 2018)*

Bangunan Mayban Trust Ipoh  
Level 9  
No. 28, Jalan Tun Sambanthan  
30000 Ipoh  
Perak Darul Ridzuan, Malaysia  
Tel : +605-240 8000  
Fax : +605-240 8117  
Email : cosec@bkawan.com.my  
Website : [www.bkawan.com.my](http://www.bkawan.com.my)

### SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd  
Level 6, Symphony House  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya  
Selangor Darul Ehsan, Malaysia  
Tel : +603-7849 0777  
Fax : +603-7841 8151  
Email : ssr.helpdesk@symphony.com.my

### PLACE OF INCORPORATION AND DOMICILE

In Malaysia as a public limited liability company

### STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad  
Stock Code : 1899  
Stock Name : BKAWAN

### AUDITORS

KPMG PLT  
Chartered Accountants

### PRINCIPAL BANKERS

Australia and New Zealand Banking Group Limited  
CIMB Bank Berhad  
HSBC Bank Malaysia Berhad  
Malayan Banking Berhad

OCBC Al-Amin Bank (Malaysia) Berhad  
OCBC Bank (Malaysia) Berhad  
Oversea-Chinese Banking Corporation Limited  
Standard Chartered Bank Malaysia Berhad

# BATU KAWAN BERHAD

## Profile of Directors



### **TAN SRI DATO' SERI LEE OI HIAN**

*Non-Independent Non-Executive Chairman  
Member of Nomination Committee  
Member of Remuneration Committee  
Aged 67, Male, Malaysian*

Tan Sri Dato' Seri Lee joined the Board on 1 June 1979. He graduated with a Bachelor of Agricultural Science (Honours) degree from University of Malaya and obtained his Master in Business Administration from Harvard Business School.

Tan Sri Dato' Seri Lee is also the Chief Executive Officer of Kuala Lumpur Kepong Berhad and trustee of Perdana Leadership Foundation, Yayasan KLK, UTAR Education Foundation and Yayasan Wesley respectively as well as a director of Equatorial Palm Oil Plc. He was formerly the Chairman of the Malaysian Palm Oil Council.

He is the brother of Dato' Lee Hau Hian who is also a Director of Batu Kawan Berhad ("BKB"). He is deemed connected with Wan Hin Investments Sdn Berhad which is the holding company of Arusha Enterprise Sdn Bhd, a major shareholder of BKB. He is deemed interested in various related party transactions with the BKB Group.



### **DATO' LEE HAU HIAN**

*Managing Director  
Aged 65, Male, Malaysian*

Dato' Lee joined the Board on 20 December 1993. He graduated with a Bachelor of Science (Economics) degree from the London School of Economics and Political Science and has a Master in Business Administration from Stanford University.

Dato' Lee is a director of Kuala Lumpur Kepong Berhad, See Sen Chemical Berhad and Synthomer plc, a company listed on the London Stock Exchange. He is also the President of the Perak Chinese Maternity Association. He also serves as a trustee of Yayasan De La Salle, Yayasan KLK and Tan Sri Lee Loy Seng Foundation.

He is the brother of Tan Sri Dato' Seri Lee Oi Hian who is the Chairman of BKB. He is deemed connected with Wan Hin Investments Sdn Berhad which is the holding company of Arusha Enterprise Sdn Bhd, a major shareholder of BKB. He is deemed interested in various related party transactions with the BKB Group.

# BATU KAWAN BERHAD

## Profile of Directors (Continued)



### **DATO' YEOH ENG KHOON**

*Senior Independent Non-Executive Director  
Chairman of Audit and Risk Committee  
Chairman of Nomination Committee  
Aged 71, Male, Malaysian*

Dato' Yeoh joined the Board on 24 February 2005. He obtained a degree of Bachelor of Arts (Honours) in Economics (Business Administration) from University of Malaya in 1968 and was called to the Bar of England and Wales at Lincoln's Inn in 1979. He has previous work experience in banking, manufacturing and retail business.

He is also a director of Kuala Lumpur Kepong Berhad and See Sen Chemical Berhad as well as a trustee of Yayasan KLK.

He has no family relationship with any Director/major shareholder of BKB.



### **R. M. ALIAS**

*Independent Non-Executive Director  
Chairman of Remuneration Committee  
Member of Nomination Committee  
Aged 86, Male, Malaysian*

R. M. Alias joined the Board on 1 December 1979. He holds a Bachelor of Arts (Honours) degree from University of Malaya, Singapore, a Certificate in Public Administration from the Royal Institute of Public Administration, London and has attended the Advanced Management Program at Harvard Business School.

He is currently the Independent Non-Executive Chairman of Kuala Lumpur Kepong Berhad and also a trustee of Yayasan KLK and Tan Sri Lee Loy Seng Foundation.

He is the father of Dr. Tunku Alina Binti Raja Muhd Alias, who is also a Director of BKB.

R. M. Alias will retire at the conclusion of the forthcoming Annual General Meeting on 19 February 2019.



# BATU KAWAN BERHAD

## Profile of Directors (Continued)



### MR. QUAH CHEK TIN

*Independent Non-Executive Director  
Member of Audit and Risk Committee  
Member of Remuneration Committee  
Aged 67, Male, Malaysian*

Mr. Quah was appointed to the Board on 4 March 2010. He holds a Bachelor of Science (Honours) degree in Economics from the London School of Economics and Political Science and is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Malaysian Institute of Accountants.

He began his career with Coopers & Lybrand London, before returning to Malaysia. He joined the Genting Group in 1979 and has served in various positions within the Group. He was the Executive Director of Genting Berhad as well as the Executive Director and Chief Operating Officer of Genting Malaysia Berhad prior to his retirement on 8 October 2006.

He sits on the Boards of Genting Malaysia Berhad, Genting Plantations Berhad and Paramount Corporation Berhad.

He has no family relationship with any Director/major shareholder of BKB.



### TAN SRI RASTAM BIN MOHD ISA

*Independent Non-Executive Director  
Member of Audit and Risk Committee  
Aged 67, Male, Malaysian*

Tan Sri Rastam joined the Board on 20 March 2017. He holds a Bachelor of Social Science (Honours) degree from Universiti Sains Malaysia, a Master of Arts degree in International Relations and Strategic Studies from University of Lancaster and a Certificate of Diplomacy from University of Oxford.

Tan Sri Rastam retired as Secretary General of the Ministry of Foreign Affairs on 2 September 2010. Prior to that, he was High Commissioner of Malaysia to Pakistan, Ambassador of Malaysia to Bosnia Herzegovina, Ambassador of Malaysia to the Republic of Indonesia and Permanent Representative of Malaysia to the United Nations in New York.

He is the Chairman of the Malaysian National Committee for the Pacific Economic Cooperation Council, Chairman of the Malaysian National Committee of the Council for Security Cooperation in the Asia Pacific (CSCAP), ASEAN-ISIS Chair (2016 - 2017) and CSCAP Co-Chair (2015 - 2017). He is also a Malaysian member of the Asia-Pacific Economic Cooperation Business Advisory Council - ABAC.

He has no family relationship with any Director/major shareholder of BKB.

# BATU KAWAN BERHAD

## Profile of Directors (Continued)



### **DR. TUNKU ALINA BINTI RAJA MUHD ALIAS**

*Independent Non-Executive Director  
Member of Audit and Risk Committee  
Aged 55, Female, Malaysian*

Dr. Tunku Alina was appointed to the Board on 20 April 2018. She holds a Bachelor of Laws (LL.B) degree from Universiti of Malaya, a Master in Law (LL.M) (Corporate and Commercial Law) from King's College, London and a PhD in Islamic Finance, International Centre for Education in Islamic Finance. She is an Advocate and Solicitor of the High Court of Malaya and an Associate Mediator of Singapore Mediation Centre.

Dr. Tunku Alina began her career as a Legal Assistant with Skrine & Co in February 1987. After working with Skrine & Co for five (5) years, she co-founded a legal firm, Wong Lu Peen & Tunku Alina, in April 1992 and served as the Managing Partner until December 2011. She remains a Consultant to the firm.

She sits on the Boards of IJM Corporation Berhad, Malaysian Pacific Industries Berhad, MBSB Bank Berhad (formerly known as Asian Finance Bank Berhad) and is a trustee of Raja Alias Foundation.

She is the daughter of R. M. Alias who is also a Director of BKB.

#### **Additional Information:**

- Save as disclosed in the Profile of Directors, none of the Directors has any conflict of interest with BKB.
- None of the Directors of BKB has been convicted of any offence (other than traffic offences) within the past five (5) years and there was no public sanction and penalty imposed by the relevant regulatory bodies during the financial year.

# BATU KAWAN BERHAD

## Profile of Key Senior Management

### **TAN SRI DATO' SERI LEE OI HIAN**

*Non-Independent Non-Executive Chairman of Batu Kawan Berhad ("BKB")  
Chief Executive Officer of Subsidiary of BKB, Kuala Lumpur Kepong Berhad ("KLK")  
Aged 67, Male, Malaysian*

Tan Sri Dato' Seri Lee was appointed as the Chairman/Chief Executive Officer of KLK Group in 1993 and held the position until 2008. On 1 May 2008, he relinquished his role as Chairman but has retained his position as Executive Director and Chief Executive Officer of KLK Group. The detailed profile of Tan Sri Dato' Seri Lee is shown in the Profile of Directors.

### **DATO' LEE HAU HIAN**

*Managing Director of BKB  
Aged 65, Male, Malaysian*

Dato' Lee is the Managing Director of BKB since 20 December 1993. The detailed profile of Dato' Lee is shown in the Profile of Directors.

### **PATRICK KEE CHUAN PENG**

*Group Plantations Director of Subsidiary of BKB, KLK  
Aged 59, Male, Malaysian*

Mr. Patrick Kee was appointed as the Group Plantations Director of KLK Group on 1 October 2017. Prior to his appointment, he was the President Director of KLK's subsidiaries in Indonesia.

He is an Associate Member of the Incorporated Society of Planters. He joined KLK on 1 February 1982 and has served KLK's subsidiaries in various capacities from Assistant, Manager, General Manager to Regional Director (both in West Malaysia and Sabah) prior to his posting to Indonesia.

He has attended the Senior Management Development Program conducted by Harvard Business School and Advance Management Program of INSEAD.

He has no family relationship with any Director/major shareholder of BKB.

### **TAN CHEE HENG**

*Managing Director of Subsidiaries of BKB  
Aged 47, Male, Malaysian*

Mr. Tan joined BKB's subsidiaries, Malay-Sino Chemical Industries Sendirian Berhad and See Sen Chemical Berhad as a Managing Director on 3 July 2012. He possesses a Chemical Engineering degree from University of Sheffield, United Kingdom.

He has worked in the chemical, gloves and food industries for over 22 years in various areas including supply chain, production, and operation management, both locally and regionally. Prior to joining the BKB Group, he was the Associate Director - Global Sourcing of Ansell Services (Asia) Sendirian Berhad.

He is a Director of BASF See Sen Sdn Bhd, an associate of See Sen Chemical Berhad.

He has no family relationship with any Director/major shareholder of BKB.

# BATU KAWAN BERHAD

## Profile of Key Senior Management (Continued)

### **YEOW AH KOW**

*Managing Director, Oleochemical Division of Subsidiary of BKB, KLK*

*Aged 64, Male, Malaysian*

Mr. Yeow holds a Bachelor of Science in Chemistry from Nanyang University Singapore and a Master of Science in Petro-Chemicals and Hydrocarbon Chemistry from University of Manchester, Institute of Science & Technology, United Kingdom.

Mr. Yeow has been the Managing Director of subsidiary of KLK, KL-Kepong Oleomas Sdn Bhd since March 1998. He has been with KLK Group for the past 27 years and was instrumental in setting up the cocoa manufacturing business. He started his career as an industrial chemist with Sime Darby Edible Oil Pte Ltd and Sime Darby Oleochemicals Pte Ltd, Singapore. Prior to joining KLK, he was with Behn Meyer & Co (M) Sdn Bhd where he was the Group Manager of the Techno-Chemical Division, in charge of specialty chemicals and equipment trading business.

He has no family relationship with any Director/major shareholder of BKB.

### **DATO' DAVID TAN THEAN THYE**

*Executive Director, Property Development of Subsidiary of BKB, KLK*

*Aged 64, Male, Malaysian*

Dato' David Tan is the Executive Director of subsidiary of KLK, KLK Land Sdn Bhd. He joined the KLK Group on 1 January 2013 and is responsible for overseeing the business development, planning and implementation of KLK property projects.

Dato' David Tan holds a BSc (Hons) in Housing, Building & Planning and MSc in Planning from Universiti Sains Malaysia. He is a Corporate Member of the Malaysian Institute of Planners and a Registered Planner with the Board of Town Planners, Malaysia.

He has more than 36 years of experience in the property industry with 22 years as Head of Property in IOI Group where he was also an Executive Director of IOI Properties Berhad.

He has no family relationship with any Director/major shareholder of BKB.

### **CHONG SEE TECK**

*Group Financial Controller and Joint Company Secretary of BKB*

*Aged 53, Male, Malaysian*

Mr. Chong joined BKB as a Group Financial Controller since September 2007 and was appointed as Joint Company Secretary of BKB on 21 November 2007. He holds a MBA (Finance) degree from University of Hull, United Kingdom and a Diploma in Commerce (Business Management) from TAR College. He is a Fellow Member of the Association of Chartered Certified Accountants United Kingdom, an Associate Member of the Institute of Chartered Secretaries and Administrators UK and a member of the Malaysian Institute of Accountants.

Prior to joining BKB, he was with Transocean Holdings Berhad for eight (8) years where he last held the position of an Executive Director (Finance).

He has no family relationship with any Director/major shareholder of BKB.

# BATU KAWAN BERHAD

## Profile of Key Senior Management (Continued)

### **GOH SWEE ENG**

*Chief Accountant of BKB*

*Aged 47, Male, Malaysian*

Mr. Goh holds a Bachelor of Accountancy degree from University of Putra Malaysia. He is a fellow member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants. He joined BKB as a Chief Accountant in July 2018.

Prior to joining BKB, he has more than 21 years of experience in auditing and finance functions. He began his career in one (1) of the Big 4 international accounting firms and in later years joined the manufacturing, property development and telecommunication industries where he has held regional and senior managerial positions in finance, internal audit, corporate services and supply chain management functions.

He has no family relationship with any Director/major shareholder of BKB.

### **Additional Information:**

- Save as disclosed in the Profile of Key Senior Management, none of the Key Senior Management has:
  - any conflict of interest with BKB; and
  - any directorship in public companies and listed issuers.
- None of the above Key Senior Management of BKB has been convicted of any offence (other than traffic offences) within the past five (5) years and there was no public sanction and penalty imposed by the relevant regulatory bodies during the financial year.

# BATU KAWAN BERHAD

## Chairman's Statement

Batu Kawan Berhad ("Company" or "BKB") Group achieved a RM925.68 million profit after taxation for the financial year ended 30 September 2018, or 23% lower than the RM1.20 billion reported last year due to lower plantation profit. BKB Group revenue reduced to RM18.97 billion from RM21.55 billion last year.

Net profit (after tax and non-controlling interests) attributable to BKB shareholders was lower at RM465.48 million compared to RM586.65 million last year. Earnings per share ("EPS") achieved was thus 116.0 sen, 20% lower than last year's 145.2 sen.

Your Board has declared a reduced final single tier dividend of 40 sen per share for this financial year, making a total payout of 55 sen (2017: 60 sen) for the full year. This year's total dividends are equivalent to a payout of some 47% of net earnings (2017: 41%).

### SUBSIDIARIES' PERFORMANCE

#### Main Subsidiary – Kuala Lumpur Kepong Berhad ("KLK")

Due to weaker commodities' prices and lower sales volume for its Plantation sector, KLK's revenue reduced to RM18.40 billion from RM21.00 billion last year.

Net profit was lower at RM753.33 million compared to RM1.01 billion last year, mainly impacted by weaker commodities' prices, negative contribution from processing and trading operations, and net unrealised foreign exchange translation loss. However, the drop in Plantation sector's profit was cushioned by the substantial rise in Manufacturing sector's profit. EPS for this year was lower at 70.7 sen (2017: 94.4 sen).

The Plantation sector achieved a pre-tax profit of RM698.35 million, 46% lower than last year's RM1.29 billion, mainly affected by lower average CPO price of RM2,335/mt (2017: RM2,735/mt) and lower sales volume, with only a marginal increase in fresh fruit bunches ("FFB") yield (2018: 21.6 mt/ha versus 2017: 21.4 mt/ha) and in oil extraction rate at 21.8% (2017: 21.7%).

The Manufacturing sector reported improved pre-tax profit of RM377.62 million (2017: RM134.04 million), with higher oleochemical profit of RM368.01 million (2017: RM115.54 million) and lower non-oleo manufacturing profit of RM9.60 million (2017: RM18.50 million). Oleochemical's result was contributed by higher sales volumes at higher margins. There was an impairment charge of RM21.60 million on its sulphonated methyl ester plant.

The Property sector profit was slightly lower at RM37.84 million (2017: RM40.50 million). Margins were reduced as we fulfill our commitments to affordable 'Rumah Selangorku'. The Bandar Seri Coalfields township is developing well and has a bright prospect ahead.

During the year, the Company increased its shareholding in KLK to 47.03% from 46.56%.

#### Industrial Chemical Subsidiaries

Malay-Sino Chemical Industries Sendirian Berhad Group reported satisfactory after-tax profit of RM103.68 million (2017: RM103.48 million), mainly benefitting from higher chlor-alkali prices, which however are expected to decline somewhat this year.

See Sen Chemical Berhad Group recorded an after-tax profit of RM5.05 million compared to RM2.90 million last year, with higher profits from oleum, solid and liquid alum and sulphur powder. This year's profit also reflected a full year result of production from its relocated plant in Kemaman compared to only 7-month oleum supply last year, when the plant was being relocated from Pasir Gudang, Johor. Our restructured reduced sulphuric acid production capacity will be more sustainable for the future.

# BATU KAWAN BERHAD

## Chairman's Statement (Continued)

### Other Investments

Plantation subsidiaries - PT Satu Sembilan Delapan's ("SSD") plantation of fully matured palm of 5,327 ha (2017: 3,795 ha mature), contributed a lower pre-tax profit of RM25.18 million (2017: RM37.21 million) due to weaker CPO prices. The Group's other Indonesian subsidiary, PT Tekukur Indah, which owns 2,030 ha of undeveloped land adjacent to SSD's plantation, has since been granted timber utilisation permit by the Indonesian Forestry Department in August 2018 for land clearing of non-forested land. Pending receipt of other approvals, its land will be planted with oil palms in coming year.

Property investments – During the year, the Group invested a 19.9% stake in Woodstock project, a 205 hectares residential land development in Melbourne, Victoria. To-date, the Group has invested in seven (7) property development projects in Australia, with five (5) in Melbourne, Victoria and two (2) in Perth, Western Australia. Three (3) of these projects (namely, Greenvale and Mickleham in Melbourne and Forrestfield in Perth) have started, with encouraging initial sales. The remaining four (4) projects are largely in the master planning and/or planning approval submission stages and will not be cash generative for some time. For this financial year, the Australian property investments contributed a RM10.87 million after-tax profit (2017: RM9.13 million) to the Group. Our sole office building in Mutiara Damansara is just over 80% tenanted (2017: 73%) in a depressed real estate sector. After-tax profit contribution remains small at RM2.09 million (2017: RM1.83 million).

### OUTLOOK

The current high CPO inventory level both in Malaysia and Indonesia has lead to very depressed prompt palm prices. Whilst the Group expects FFB production to improve, the current low palm product prices may negatively impact our Plantation sector's profit.

Whilst our Group's Oleochemicals and Industrial Chemicals are expected to maintain their performances with higher capacity utilisation, this can only partly offset Plantation's reduced profitability. However, the financial year is still in its early stage and we are hopeful for a recovery in palm prices in the second half of the financial year.

### BOARD COMPOSITION

Enhancing our board diversity, we welcome YM Dr. Tunku Alina Binti Raja Muhd Alias who joined your Board on 20 April 2018 as a new non-executive independent director and a member of the Audit and Risk Committee. YM Dr. Tunku Alina brings with her more than 25 years' experience in leading business and community development, legal consultation, teaching and specialises in overseeing compliance and regulatory aspects for investments and property development, in Malaysia and the United States of America.

### APPRECIATION

Our senior Director, R. M. Alias has decided to retire at the forthcoming Annual General Meeting and I would like to take this opportunity to thank him for his numerous contributions to the Company over a long period of service. R. M. Alias has been an effective board member for the past 39 years and will be dearly missed.

Messrs KPMG PLT, our outgoing auditors, will retire at the upcoming Annual General Meeting. I take this opportunity to thank Messrs KPMG PLT for their professionalism and services rendered over the years.

On your behalf, I would like to extend my sincere appreciation to my other fellow Directors, Management and employees of the Group for their contributions and efforts during the year.

**Tan Sri Dato' Seri Lee Oi Hian**

Chairman

10 December 2018

# BATU KAWAN BERHAD

## Kenyataan Pengerusi

Kumpulan Batu Kawan Berhad (“Syarikat” atau “BKB”) telah mencapai keuntungan bersih sebanyak RM925.68 juta bagi tahun kewangan yang berakhir 30 September 2018, iaitu 23% lebih rendah dari RM1.20 bilion yang dicatat tahun lepas disebabkan keuntungan perladangan yang lebih rendah. Hasil Kumpulan BKB susut kepada RM18.97 bilion daripada RM21.55 bilion tahun lepas.

Keuntungan bersih (selepas cukai dan kepentingan tidak dikawal) yang boleh diagihkan kepada pemegang-pemegang saham BKB lebih rendah pada RM465.48 juta berbanding RM586.65 juta tahun lepas. Pendapatan Sesaham (“EPS”) yang dicapai ialah 116.0 sen, penurunan 20% daripada 145.2 sen bagi tahun lepas.

Lembaga Pengarah anda telah mengisytiharkan dividen peringkat tunggal akhir yang lebih rendah iaitu 40 sen sesaham bagi tahun kewangan ini, menjadikan jumlah pembayaran 55 sen (2017: 60 sen) untuk keseluruhan tahun kewangan. Jumlah dividen tahun ini adalah bersamaan dengan pembayaran 47% dari pendapatan bersih (2017: 41%).

### PRESTASI ANAK-ANAK SYARIKAT

#### Anak Syarikat Utama – Kuala Lumpur Kepong Berhad (“KLK”)

Hasil KLK merosot kepada RM18.40 bilion daripada RM21.00 bilion tahun lepas disebabkan oleh harga-harga komoditi yang lebih lemah serta jumlah jualan yang lebih rendah bagi sektor Perladangannya.

Keuntungan bersih adalah lebih rendah ditahap RM753.33 juta berbanding RM1.01 bilion pada tahun lepas. Ianya hasil daripada harga-harga komoditi yang lemah, sumbangan negatif daripada operasi-operasi pemprosesan serta dagangan, dan kerugian bersih dalam kadar pertukaran wang asing yang belum direalisasikan. Walau bagaimanapun, kejatuhan untung dalam sektor Perladangan telah ditampung oleh kenaikan keuntungan yang ketara dalam sektor Pembuatan. EPS tahun kewangan lebih rendah pada 70.7 sen (2017: 94.4 sen).

Sektor Perladangan mencapai keuntungan pra-cukai berjumlah RM698.35 juta, penurunan sebanyak 46% daripada RM1.29 bilion bagi tahun lepas. Ini disebabkan terutamanya oleh kejatuhan harga purata Minyak Sawit Mentah (MSM) kepada RM2,335/tm (2017: RM2,735/tm) serta jumlah jualan yang lebih rendah, dengan peningkatan yang tidak ketara dalam hasil Buah Tandan Segar (BTS) (2018: 21.6 tm/ha berbanding 2017: 21.4 tm/ha) dan dalam kadar perahan minyak pada 21.8% (2017: 21.7%).

Sektor Pembuatan mencatat peningkatan keuntungan pra-cukai berjumlah RM377.62 juta (2017: RM134.04 juta), terdiri daripada keuntungan oleokimia yang meningkat kepada RM368.01 juta (2017: RM115.54 juta) dan keuntungan pembuatan bukan-oleo yang lebih rendah iaitu RM9.60 juta (2017: RM18.50 juta). Keuntungan oleokimia ini disumbangkan oleh jumlah jualan yang lebih tinggi dan pada kadar margin yang lebih besar. Namun, terdapat juga kemerosotan nilai aset berjumlah RM21.60 juta atas kilang “sulphonated methyl ester”.

Keuntungan sektor Hartanah menurun kepada RM37.84 juta (2017: RM40.50 juta). Kadar margin berkurang berikutan memenuhi komitmen kami untuk rumah mampu milik “Rumah Selangorku”. Pembangunan Bandar Seri Coalfields adalah memuaskan dan mempunyai prospek yang cerah pada masa depan.

Dalam tahun kewangan ini Syarikat telah menambah pegangan sahamnya dalam KLK kepada 47.03% daripada 46.56%.

#### Anak-Anak Syarikat Kimia Industri

Kumpulan Malay-Sino Chemical Industries Sendirian Berhad mencatatkan keuntungan selepas cukai yang memuaskan, iaitu pada RM103.68 juta (2017: RM103.48 juta), terutamanya disumbangkan oleh harga klor-alkali yang lebih tinggi, namun harga tersebut dijangka akan menurun tahun ini.

Kumpulan See Sen Chemical Berhad mencatatkan keuntungan lepas cukai sebanyak RM5.05 juta berbanding RM2.90 juta bagi tahun lepas, hasil daripada keuntungan lebih tinggi dari oleum, pepejal dan cecair alum dan serbuk sulfur. Keuntungan tahun kewangan ini juga merupakan hasil tahun penuh pengeluarannya dari kilang yang telah dipindah ke Kemaman berbanding dengan hanya 7 bulan pengeluaran oleum pada tahun lepas, iaitu pada masa pemindahan kilang tersebut dari Pasir Gudang, Johor dijalankan. Kapasiti pengeluaran asid sulfurik kami yang telah distruktur semula dan dikurangkan supaya lebih mampan untuk masa depan.



# BATU KAWAN BERHAD

## Kenyataan Pengerusi (Sambungan)

### Lain-Lain Pelaburan

Anak-anak syarikat perladangan – ladang PT Satu Sembilan Delapan (“SSD”) yang ditanam penuh dengan 5,327 ha kelapa sawit matang (2017: 3,795 ha matang), menyumbang keuntungan pra-cukai yang lebih rendah sebanyak RM25.18 juta (2017: RM37.21 juta) akibat daripada harga MSM yang lebih lemah. Anak syarikat Kumpulan di Indonesia yang lain, PT Tekukur Indah, yang memiliki 2,030 ha tanah yang belum diterokai dan bersebelahan dengan ladang SSD, telah mendapat Izin Pemanfaatan Kayu dari Jabatan Perhutanan Indonesia pada bulan Ogos 2018 untuk pembukaan tanah bukan-hutan. Tanah ini akan ditanam dengan kelapa sawit dalam tahun depan jikalau kelulusan-kelulusan lain dapat diterima.

Pelaburan-pelaburan hartanah – Pada tahun kewangan ini, Kumpulan telah melabur 19.9% saham dalam projek Woodstock, suatu pembangunan tapak perumahan yang melingkungi 205 ha di Melbourne, Victoria. Sehingga kini, Kumpulan telah melabur dalam tujuh (7) projek-projek pembangunan hartanah di Australia. Ini termasuk lima (5) di Melbourne, Victoria dan dua (2) di Perth, Australia Barat. Tiga (3) dari projek-projek tersebut (iaitu, Greenvale dan Mickleham di Melbourne dan Forrestfield di Perth) telah dilancarkan dengan penjualan awal yang memberansangkan. Empat (4) lagi projek-projek tersebut berada diperingkat perancangan induk dan/atau penyerahan kelulusan perancangan dan tidak akan menjana pulangan tunai dalam tempoh masa terdekat. Bagi tahun kewangan ini, pelaburan hartanah di Australia menyumbang RM10.87 juta kepada keuntungan pra-cukai Kumpulan (2017: RM9.13 juta). Hanya 80% daripada bangunan pejabat tunggal kami di Mutiara Damansara telah disewa (2017: 73%) dalam keadaan sektor hartanah yang meleset ini. Sumbangan keuntungan lepas cukai yang diperolehi adalah minimum sebanyak RM2.09 juta (2017: RM1.83 juta).

### TINJAUAN

Tahap inventori semasa MSM yang tinggi di Malaysia dan Indonesia memberi kesan negatif kepada harga semasa produk sawit. Walaupun Kumpulan menjangkakan pengeluaran BTS akan meningkat, harga produk sawit semasa yang rendah mungkin membawa kesan negatif kepada keuntungan sektor Perladangan.

Sungguhpun bahagian Oleokimia dan Kimia Industri Kumpulan dijangka akan mengekalkan prestasi mereka dengan penggunaan kapasiti yang lebih tinggi, namun ini hanya dapat mengimbangi sebahagian dari kemerosotan keuntungan sektor Perladangan. Bagaimanapun, tahun kewangan ini masih dalam peringkat awal dan kami berharap pemulihan harga sawit akan berlaku dalam tempoh separuh kedua tahun kewangan.

### KOMPOSISI LEMBAGA PENGARAH

Seiring dengan amalan kepelbagaian dalam lembaga pengarah, kami mengalu-alukankan perantikan YM Dr. Tunku Alina Binti Raja Muhd Alias pada 20 April 2018 sebagai Pengarah bebas bukan-eksekutif dan juga ahli Jawatankuasa Audit dan Risiko. YM Dr. Tunku Alina mempunyai lebih 25 tahun pengalaman dalam menerajui pembangunan perniagaan dan masyarakat, perundangan undang-undang, pendidikan dan mengkhhusus dalam pemantauan dari segi pematuhan dan kawal selia dalam pelaburan dan pembangunan hartanah, di Malaysia dan Amerika.

### PENGHARGAAN

Pengarah kanan kami, R. M. Alias telah membuat keputusan untuk bersara pada Mesyuarat Agung Tahunan yang akan datang dan saya ingin mengambil kesempatan ini untuk mengucapkan ribuan terima kasih atas sumbangan besar beliau kepada Syarikat. R. M. Alias merupakan ahli lembaga pengarah yang cekap sepanjang 39 tahun perkhidmatan beliau dan beliau akan sentiasa dikenangi.

Juruaudit kita Tetuan KPMG PLT akan bersara pada Mesyuarat Agung Tahunan yang akan datang. Saya ingin mengambil peluang ini untuk mengucapkan ribuan terima kasih atas profesionalisme mereka sepanjang tempoh perkhidmatan mereka selama ini.

Bagi pihak anda, saya ingin menyampaikan ucapan penghargaan setulus ikhlas kepada para Pengarah, pihak Pengurusan dan kakitangan Kumpulan atas semua sumbangan serta usaha mereka sepanjang tahun ini.

**Tan Sri Dato' Seri Lee Oi Hian**

Pengerusi  
10 Disember 2018

# BATU KAWAN BERHAD

## Management Discussion and Analysis

### BKB GROUP'S BUSINESS AND OPERATIONS

#### Background

Batu Kawan Berhad ("BKB") was incorporated in 1965 and commenced operations as a plantation company when it took over the assets and liabilities of its predecessor company, Batu Kawan Rubber and Coconuts Plantations Ltd in 1971 under a reconstruction scheme.

Over the years, BKB has diversified from its core plantation business into the manufacturing of industrial chemicals. In 1992, BKB sold all its plantation assets to Kuala Lumpur Kepong Berhad ("KLK") in exchange for shares, resulting in KLK becoming BKB's largest investment in which it currently owns a 47% equity stake.

BKB had a market capitalisation of RM6.81 billion as at 30 September 2018.

#### Group's Businesses

The main business activity of the Group's Plantation segment is carried out under KLK, which involves cultivation of oil palm and rubber estates, processing of Fresh Fruit Bunches ("FFB") into Crude Palm Oil ("CPO") and Palm Kernel ("PK"), processing and sales of rubber, production of refined oils and fats, kernel crushing and trading of palm products. Over the years, KLK has expanded downstream into resource-based manufacturing, which involves the production and sales of oleochemical products.

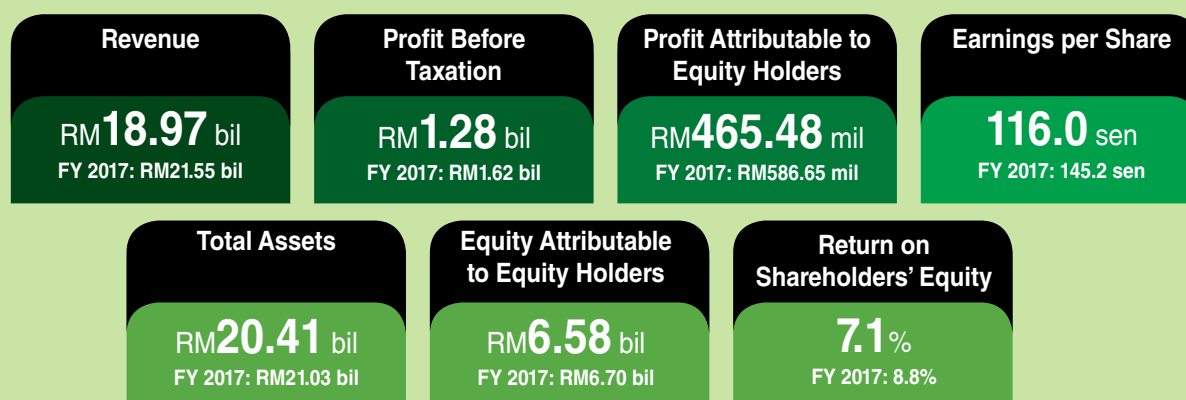
In addition, BKB also has two subsidiaries in Indonesia which carry out development and cultivation of oil palm estates and milling of FFB into CPO and PK.

The other BKB subsidiaries are involved in the manufacturing of industrial chemicals mainly, chlor-alkali and sulphur-derivative products, logistics, office space and car park leasing, and investment holding.

In 2015, BKB ventured into property development investments in Australia via its wholly-owned sub-subsidiary, Caruso Australia Ventures Pty Ltd.

### FINANCIAL PERFORMANCE REVIEW

#### Key Performance Highlights



# BATU KAWAN BERHAD

## Management Discussion and Analysis (Continued)

### Revenue

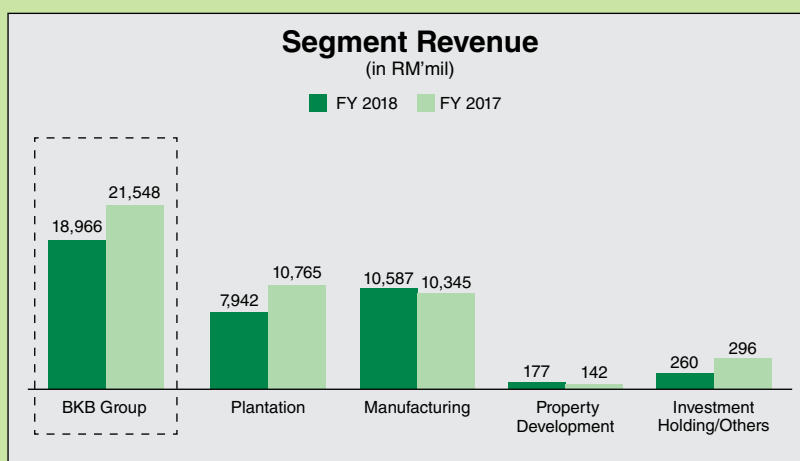
In financial year (“FY”) 2018, the Group’s revenue declined 12% to RM18.97 billion from RM21.55 billion in 2017, primarily due to Plantation segment which reported lower commodity prices and lower sales volume.

During the year, the average selling price for CPO (ex-mill) was RM2,333 per mt (FY 2017: RM2,733 per mt), while PK (ex-mill) was RM1,957 per mt (FY 2017: RM2,526 per mt), reflecting a sharp decline of RM400 per mt for CPO and RM570 per mt for PK.

However, there was a recovery in the Manufacturing segment which posted a substantial increase in revenue in FY 2018, owing to strong sales volume from the Oleochemical division and higher average selling prices from the Industrial Chemical division.

The Property segment recorded a 25% increase in revenue from new units sold from the Bandar Seri Coalfields township.

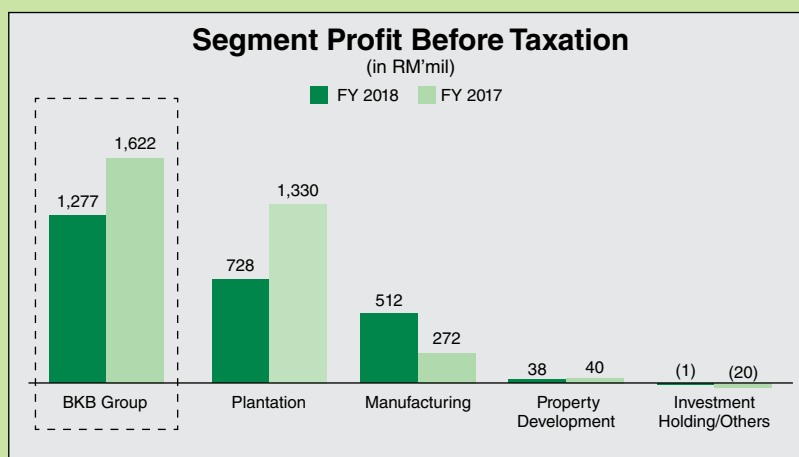
The Investment Holding/Others segment largely consists of interests and dividends.



### Profit Before Taxation (“PBT”)

Overall PBT reduced 21% to RM1.28 billion from RM1.62 billion last year. This was mainly due to the fall in Plantation profits from lower commodity prices and lower sales volume. In addition, the lower PBT was also impacted by negative contributions from refineries and kernel crushing operations and RM85.26 million unrealised foreign exchange translation losses reported by the Indonesian subsidiaries on inter-company loans and USD bank borrowings arising from the weakening of the Indonesian Rupiah.

Despite the decline in Plantation profits, the Manufacturing segment had reported a significant 88% jump in PBT from last year, through higher sales volume and improved margins from lower raw material costs.



# BATU KAWAN BERHAD

## Management Discussion and Analysis (Continued)

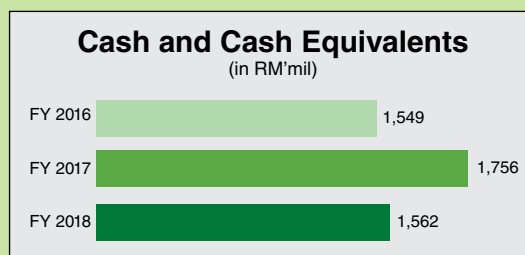
### Borrowings/Gearing

BKB is required to maintain a Debt to Equity Ratio (“DE Ratio”) of not more than one (1) time throughout the tenure of the Islamic Medium Term Notes (“IMTN”). The DE Ratio as at 30 September 2018 was 0.36 times (FY 2017: 0.37 times).

Meanwhile, the Net Debt to Equity Ratio as at 30 September 2018 was 0.23 times (FY 2017: 0.20 times), where Net Debt was calculated based on Total Borrowings less Short Term Funds and Cash and Cash Equivalents.

### Cash and Cash Equivalents

As at 30 September 2018, Cash and Cash Equivalents (“C&CE”) decreased to RM1.56 billion from RM1.75 billion last year, mainly due to lower net cash generated from operations. C&CE excludes RM195.58 million of Short Term Funds which are funds placed in highly liquid money market instruments that are readily convertible into cash.



### Capital Expenditure

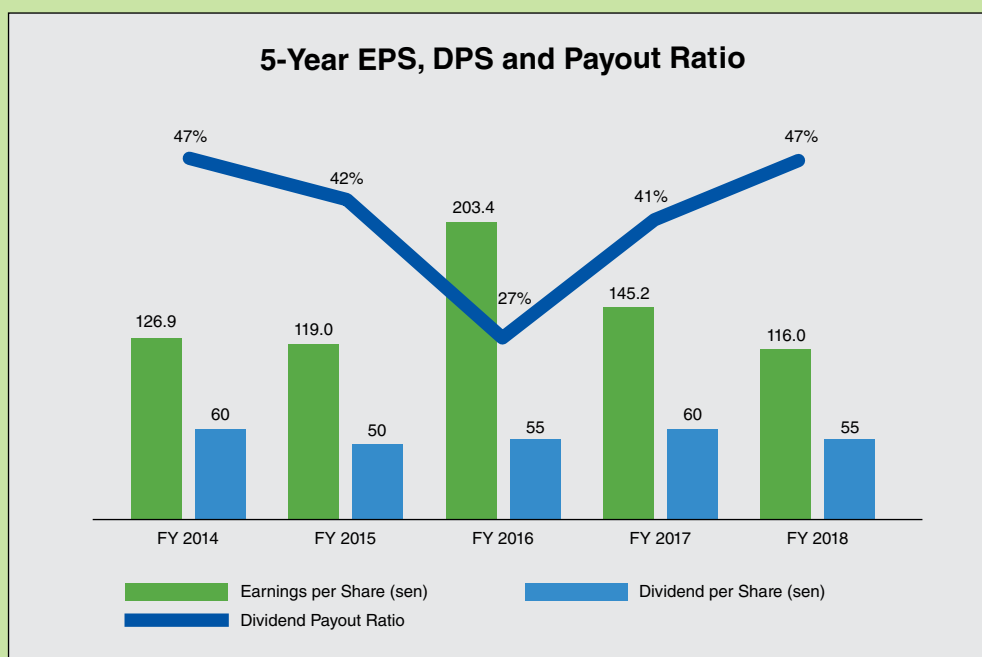
The Group has budgeted a total sum of RM969.68 million for FY 2019, mainly allocated to the following major segments:

- Plantation – RM693.01 million
- Manufacturing:
  - Oleochemical – RM210.29 million
  - Industrial Chemical – RM33.63 million

### Dividends

BKB had consistently paid out dividends for the past financial years, but does not maintain a specific dividend payout ratio policy. BKB's share of KLK dividends is normally paid out to all shareholders.

BKB declared a final single tier dividend of 40 sen per share (FY 2017: 45 sen) for FY 2018, which together with the 15 sen per share (FY 2017: 15 sen) interim dividend paid during the third quarter, implies a payout ratio of 47% of net earnings (FY 2017: 41%).



# BATU KAWAN BERHAD

## Management Discussion and Analysis (Continued)

### Five Year Group Financial Statistics

	2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000
Revenue	18,966,357	21,548,322	16,969,251	14,055,308	11,499,664
Profit before taxation	1,276,705	1,622,131	1,822,586	1,241,522	1,417,281
Profit attributable to equity holders of the Company	465,476	586,646	825,168	484,840	521,546
Total assets	20,407,675	21,031,155	19,815,216	18,620,360	14,164,100
Share capital	509,689	498,760	435,951	435,951	435,951
Treasury shares	(491,740)	(446,671)	(403,272)	(382,208)	(330,723)
Reserves	6,565,809	6,645,684	6,047,130	5,554,449	4,531,773
Total equity attributable to equity holders of the Company	6,583,758	6,697,773	6,079,809	5,608,192	4,637,001
Non-controlling interests	6,556,840	6,672,039	6,090,872	5,289,444	4,234,248
Total equity	13,140,598	13,369,812	12,170,681	10,897,636	8,871,249
Total liabilities	7,267,077	7,661,343	7,644,535	7,722,724	5,292,851
Total equity and liabilities	20,407,675	21,031,155	19,815,216	18,620,360	14,164,100
Cash & cash equivalents and short term funds	1,757,565	2,334,233	2,617,621	2,696,606	1,900,475
Total borrowings	4,783,213	4,942,764	5,040,030	5,096,161	3,410,416
Net debt	3,025,648	2,608,531	2,422,409	2,399,555	1,509,941
Basic earnings per share (sen)	116.0	145.2	203.4	119.0	126.9
Dividend per share (sen)	55.0	60.0	55.0	50.0	60.0
Share price as at 30 September (RM)	17.00	19.12	18.18	16.78	19.10
Historical price earnings ratio (times)	14.7	13.2	8.9	14.1	15.1
Dividend yield (%) <sup>1</sup>	3.2	3.1	3.0	3.0	3.1
Dividend cover (times) <sup>2</sup>	2.1	2.4	3.7	2.4	2.1
Dividend payout ratio (%) <sup>3</sup>	47.4	41.3	27.0	42.0	47.3
Net assets per share attributable to equity holders of the Company (RM)	16.44	16.63	15.01	13.80	11.33
Return on shareholders' equity (%) <sup>4</sup>	7.1	8.8	13.6	8.6	11.2
Return on total assets (%) <sup>5</sup>	2.3	2.8	4.2	2.6	3.7
Net debt-to-equity ratio (times) <sup>6</sup>	0.23	0.20	0.20	0.22	0.17

[1] Based on Dividend per Share expressed as a percentage of BKB's Share Price as at 30 September

[2] Calculated as Basic Earnings per Share divided by Dividend per Share

[3] Based on Dividend per Share expressed as a percentage of Basic Earnings per Share

[4] Based on Profit Attributable to Equity Holders expressed as a percentage of Total Equity Attributable to Equity Holders

[5] Based on Profit Attributable to Equity Holders expressed as a percentage of Total Assets

[6] Based on Net Debt (being Total Borrowings less Short Term Funds and Cash and Cash Equivalents) divided by Total Equity

Quarterly Financial Highlights	Year 2018 RM'000	Fourth Quarter RM'000	Third Quarter RM'000	Second Quarter RM'000	First Quarter RM'000
Revenue	18,966,357	4,322,368	4,472,625	4,829,718	5,341,646
Profit before taxation	1,276,705	198,596	268,904	322,445	486,760
Profit attributable to equity holders of the Company	465,476	71,237	106,588	109,752	177,899
Basic earnings per share (sen)	116.0	17.8	26.6	27.4	44.2
Dividends per share (sen)	55.0	40.0*	-	15.0	-

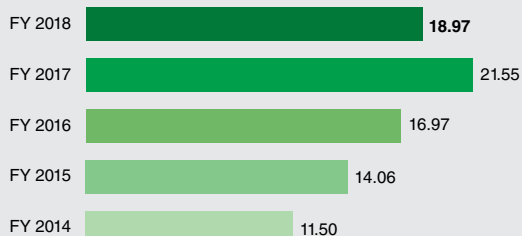
\*Note: Final Dividend approved by the Board on 7 December 2018.

# BATU KAWAN BERHAD

## Management Discussion and Analysis (Continued)

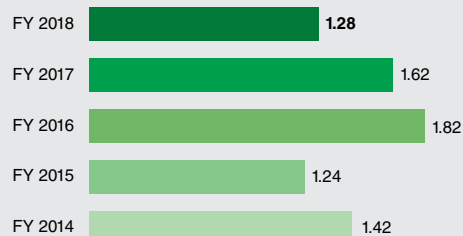
### Five Year Group Financial Statistics (continued)

#### Revenue (in RM'bil)



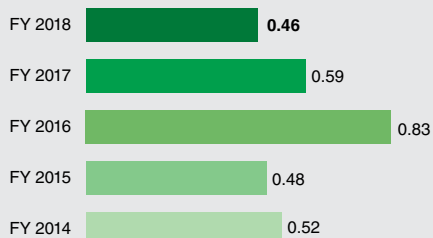
The Group achieved its highest **REVENUE** in FY 2017 from substantial rise in the commodity prices and higher palm products sales volumes.

#### Profit Before Taxation (in RM'bil)

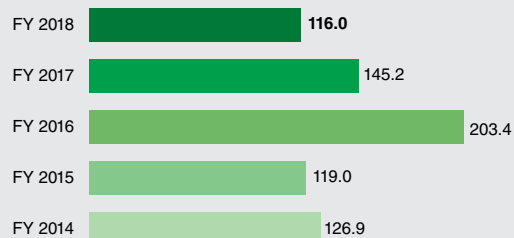


The highest **PBT** was in FY 2016, which included a RM489.33 million gain from the sale of estate land to an Associate for future property development.

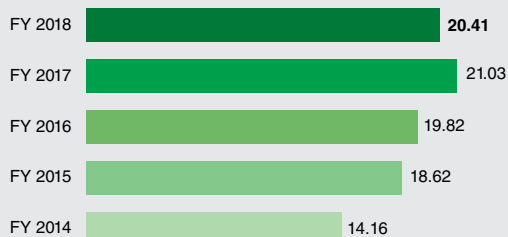
#### Profit Attributable to Equity Holders (in RM'bil)



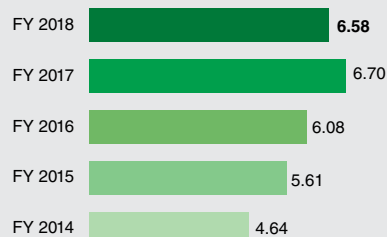
#### Earnings per Share (in sen)



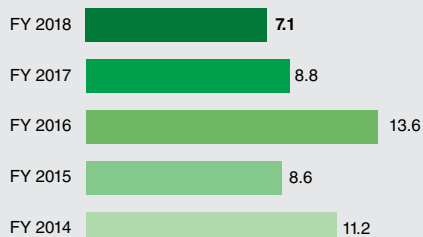
#### Total Assets (in RM'bil)



#### Equity Attributable to Equity Holders (in RM'bil)



#### Return on Shareholders' Equity (in %)



# BATU KAWAN BERHAD

## Management Discussion and Analysis (Continued)

### PLANTATION – OPERATIONAL REVIEW AND OUTLOOK

The core business of the Group is Plantation segment, which contributed to 57% of the Group's profits in FY 2018. The Group's Plantation segment interest is held through its 47% owned subsidiary, KLK – a globally integrated plantation company involved in both upstream and downstream activities and two (2) Indonesian subsidiaries.

<b>TOTAL PLANTED AREA</b> <b>230,944 HA</b>		Palm Oil Mills	CPO Refineries	Kernel Crushing Plants	Biogas Power Plants
Crop Mix		<b>25</b>	<b>4</b>	<b>3</b>	<b>6</b>
Oil Palm <b>95%</b>	Rubber <b>5%</b>				
<b>AVERAGE AGE OF OIL PALM TREES</b> <b>12.1 YRS</b>		<b>Production Capacity</b>			<b>Total Installed Power (Electricity)</b>
		From <b>20 to 120</b> FFB mt/hr	Physical <b>3,400</b> CPO mt/day	<b>1,600</b> PK mt/day	<b>16</b> MW

#### Landbank and Age Profile

The Group has a total plantation landbank of 292,272 hectares spreading across Malaysia (Peninsular and Sabah), Indonesia (Belitung Island, Sumatra and Central and East Kalimantan), and Liberia (Palm Bay and Butaw). In terms of geographical distribution, 54% of the oil palm planted area is in Indonesia, 43% in Malaysia and 3% in Liberia. As at 30 September 2018, the planted area stood at 230,944 hectares, of which 219,161 hectares (95%) is planted with oil palm and 11,783 hectares with rubber (5%). Rubber is only planted in Peninsular Malaysia. Of the total oil palm area, 84% or 183,866 hectares are matured, and 16% or 35,295 hectares are immature. The average age profile for the Group is 12.1 years.

#### Overall Operational Review

Overall Plantation results decreased in FY 2018 due to lower selling prices and sales volume, losses from the refining, crushing and trading activities, and unrealised foreign exchange translation losses of RM85.26 million reported by the Indonesian subsidiaries on intercompany loans and USD bank borrowings impacted by the weakening of Indonesia Rupiah.

In FY 2018, the Group's average selling prices for CPO and PK fell by 15% and 22% respectively from last year, as commodity prices softened on the back of high inventories in both Malaysia and Indonesia, coupled with lacklustre global demand, threats from the European Union's ("EU") proposed ban on palm oil biodiesel, and high import duties imposed on palm products in India. The average profit per matured hectare (after replanting) for palm oil fell by 39% to RM4,123 from RM6,793 last year.

The refining, crushing and trading operations had suffered a loss of RM34.12 million compared to a profit of RM44.59 million in FY 2017, mainly due to negative refining margins arising from tighter supply of feedstock particularly during the early period of FY 2018. In addition, there was a settlement of a legal claim of RM24.38 million (or USD6.05 million) relating to a shipment dispute between a sub-subsidiary and its customer.

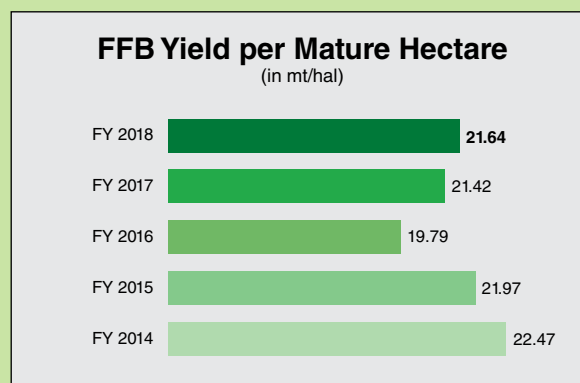
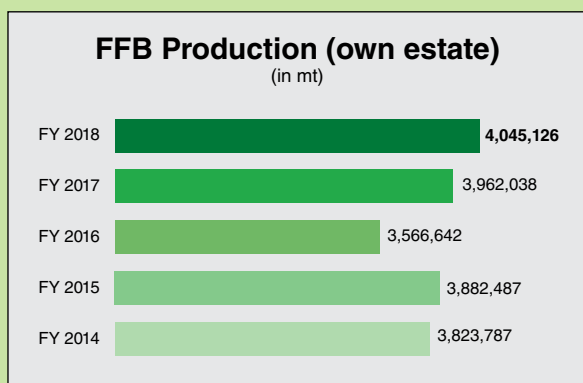
#### Crop Production

The average FFB yield achieved for FY 2018 was 21.64 mt per hectare (FY 2017: 21.39 mt per hectare). However, FFB production only increased marginally by 2% to 4.04 million mt due to inefficiencies arising from labour shortage which has caused some crop losses. Nearly 55% of the crop volume was contributed by the Group's Indonesian estates.

Moving forward, the implementation of mechanising processes and use of various machineries will reduce dependency on labour and increase productivity, thus, mitigating crop losses especially during the peak crop season. In addition, the palm breeding process undertaken by KLK's R&D team will also improve FFB yields and palm growth.

# BATU KAWAN BERHAD

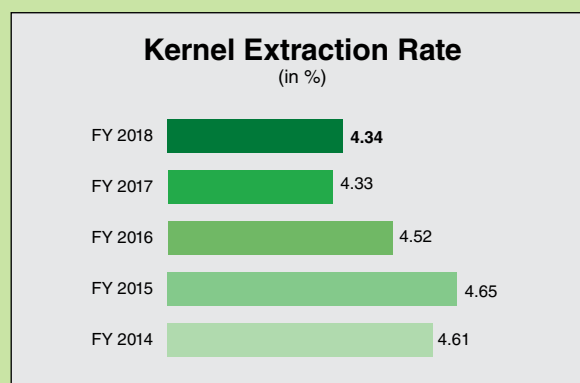
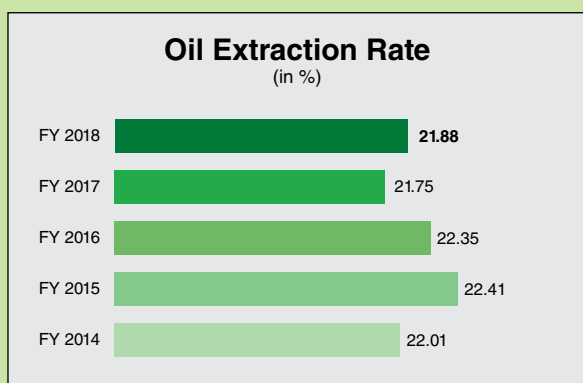
## Management Discussion and Analysis (Continued)



### Crop Processed

In FY 2018, the Group's 25 palm oil mills processed a total of 4.80 million mt FFB (FY 2017: 4.74 million mt), producing 1.05 million mt CPO (FY 2017: 1.03 million mt) and 208,339 mt PK (FY 2017: 205,241 mt).

Average oil extraction rate ("OER") for FY 2018 was 21.88%, slightly higher compared to 21.75% last year, while the average kernel extraction rate ("KER") was marginally higher at 4.34% compared with 4.33% last year. The Group will continue to focus on improving operational efficiencies by adopting innovations and technologies to maximise yields in a sustainable manner.



### Replanting and New Planting

Some 5,800 hectares were replanted during the year, below the target of 11,000 hectares due to poor weather conditions. Notwithstanding unfavourable palm oil prices, the Group continues to carry out its replanting activities to achieve the desired oil palm age profile. The Group maintains a strict 'zero-burning policy' for all its replanting and new planting activities, where old palms are felled, chipped and left to decompose on site rather than burned.

For the next financial year, the Group targets approximately 10,000 hectares for replanting, with another 700 hectares for new planting.

### Outlook

For the early part of FY 2019, palm product prices are expected to remain under pressure from high inventories amidst a seasonally high oil palm cropping season and current low prices of competing vegetable oils particularly soybean oil. We are hopeful for a recovery in palm prices in the second half of FY 2019.

On top of that, issues on labour shortages and higher operating costs arising from increasing minimum wage levels continue to impact the Group's Plantation segment. To mitigate these labour shortage issues, Management continues to seek ways of boosting productivity through yield improvement programmes, quality replanting and mechanisation options.

Hence, driving operational efficiencies will remain a priority, as there is still much room for improvement to control costs and enhance yields.



# BATU KAWAN BERHAD

## Management Discussion and Analysis (Continued)

### Five Year Plantation Statistics

		2018	2017	2016	2015	2014
<b>OIL PALM</b>						
<b>FFB Production</b>						
- Own estates	(mt)	<b>4,045,126</b>	3,962,038	3,566,642	3,882,487	3,823,787
- Sold	(mt)	<b>140,572</b>	86,929	58,461	36,373	150,375
- Purchased	(mt)	<b>894,992</b>	861,508	764,749	936,140	1,084,985
- Total processed	(mt)	<b>4,799,546</b>	4,736,617	4,272,930	4,782,254	4,758,397
<b>Weighted Average Hectareage</b>						
- Mature	(ha)	<b>186,886</b>	184,934	180,186	176,730	170,204
- Immature	(ha)	<b>41,996</b>	35,188	36,685	37,816	39,880
Total Planted	(ha)	<b>228,882</b>	220,122	216,871	214,546	210,084
<b>FFB Yield per Mature Hectare</b>	(mt/ha)	<b>21.64</b>	21.42	19.79	21.97	22.47
<b>CPO Yield per Mature Hectare</b>	(mt/ha)	<b>4.73</b>	4.65	4.42	4.92	4.93
<b>Mill Production</b>						
- CPO	(mt)	<b>1,050,164</b>	1,029,990	955,198	1,071,527	1,047,142
- PK	(mt)	<b>208,339</b>	205,241	192,995	222,203	219,387
<b>Oil Extraction Rate</b>						
- CPO	(%)	<b>21.88</b>	21.75	22.35	22.41	22.01
- PK	(%)	<b>4.34</b>	4.33	4.52	4.65	4.61
<b>Cost of Production</b>						
- FFB	(RM/mt ex-estate)	<b>245</b>	240	244	223	208
- CPO	(RM/mt ex-mill)	<b>1,371</b>	1,387	1,381	1,271	1,197
(exclude windfall profit levy and Sabah sales tax)						
<b>Average Selling Prices</b>						
- Refined palm products	(RM/mt ex-refinery)	<b>2,501</b>	2,884	2,392	2,227	2,519
- CPO	(RM/mt ex-mill)	<b>2,333</b>	2,733	2,256	2,102	2,396
- PKO	(RM/mt ex-mill)	<b>4,425</b>	5,985	4,191	3,205	3,294
- Palm kernel cake	(RM/mt ex-mill)	<b>430</b>	323	277	262	430
- PK	(RM/mt ex-mill)	<b>1,957</b>	2,526	1,866	1,417	1,576
- FFB	(RM/mt)	<b>476</b>	578	575	462	519
<b>Average Profit per Mature Hectare</b>	(RM)	<b>4,123</b>	6,793	3,977	4,360	5,946
(after replanting expenditure)						

# BATU KAWAN BERHAD

## Management Discussion and Analysis (Continued)

### Five Year Plantation Statistics (continued)

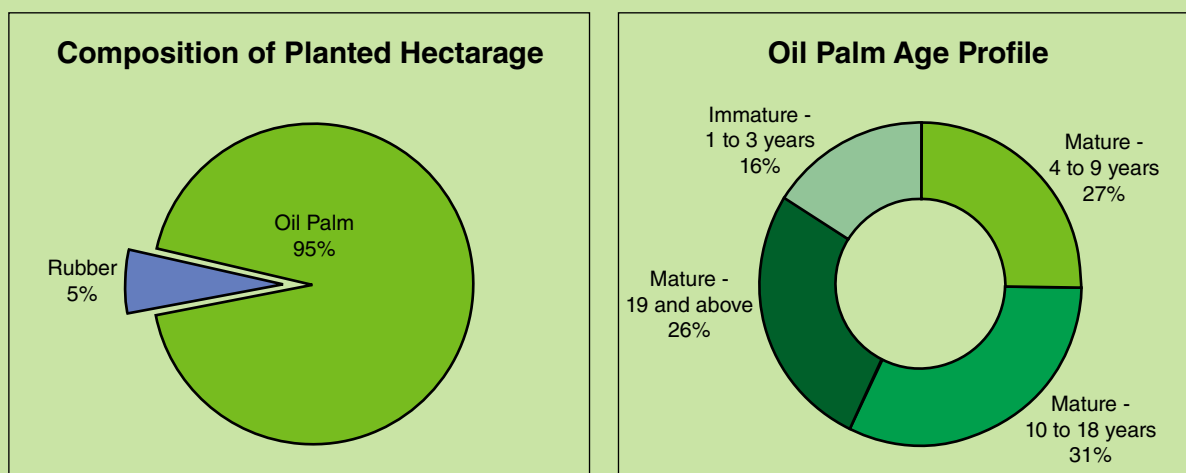
		2018	2017	2016	2015	2014
<b>RUBBER</b>						
<b>Production</b>						
- Own estates	('000 kg)	10,807	12,975	16,007	15,224	16,547
- Sold	('000 kg)	-	-	-	-	70
- Purchased	('000 kg)	2,011	1,803	1,282	1,314	1,726
- Total processed	('000 kg)	12,818	14,778	17,289	16,538	18,203
<b>Weighted Average Hectareage</b>						
- Mature	(ha)	9,047	9,746	10,305	10,777	12,456
- Immature	(ha)	3,367	3,309	3,364	3,500	3,678
Total Planted	(ha)	12,414	13,055	13,669	14,277	16,134
<b>Yield per Mature Hectare</b>	(kg/ha)	1,194	1,331	1,553	1,413	1,328
<b>Cost of Production</b>						
- Rubber	(sen/kg ex-estate)	467	420	382	409	426
<b>Average Selling Prices</b> (net of cess)	(sen/kg)	803	895	667	681	800
<b>Average Profit/(Loss) per Mature Hectare</b> (after replanting expenditure)	(RM)	(302)	3,256	974	404	1,602

### Plantation Area Statement

	Age In Years	2018			2017		
		Hectares	% Under Crop	% of Total Planted Area	Hectares	% Under Crop	% of Total Planted Area
<b>OIL PALM</b>							
	4 to 9	58,151	27		60,511	28	
	10 to 18	68,158	31		68,751	32	
	19 and above	57,557	26		55,808	26	
	Mature	183,866	84	80	185,070	86	81
	Immature	35,295	16	15	31,268	14	14
	Total	219,161	100	95	216,338	100	95
<b>RUBBER</b>							
	6 to 10	879	7		890	7	
	11 to 15	2,177	18		2,336	19	
	16 to 20	2,714	23		3,165	26	
	21 and above	3,304	29		3,165	26	
	Mature	9,074	77	4	9,556	78	4
	Immature	2,709	23	1	2,699	22	1
	Total	11,783	100	5	12,255	100	5
<b>TOTAL PLANTED</b>		230,944		100	228,593		100
Plantable Reserves		29,029			17,512		
Conservation Areas		24,637			17,908		
Building sites, etc		7,662			10,253		
<b>GRAND TOTAL</b>		292,272			274,266		

# BATU KAWAN BERHAD

## Management Discussion and Analysis (Continued)



### MANUFACTURING – OPERATIONAL REVIEW AND OUTLOOK

OLEOCHEMICAL			
TOTAL MANUFACTURING SITES	TOTAL PRODUCTION CAPACITY	SUPPLY TO MORE THAN	
<b>15</b>	<b>3 MIL</b> METRIC TONNES P.A.	<b>120</b> COUNTRIES	
INDUSTRIAL CHEMICAL			
TOTAL MANUFACTURING SITES	TOTAL MANUFACTURING FACILITIES	TOTAL PRODUCTION CAPACITY	LOGISTICS DEPOTS
<b>5</b>	<b>6</b>	<b>145,000</b> METRIC TONNES P.A.	<b>3</b>

#### Oleochemical

Through its subsidiary, KLK, the Group has expanded downstream into resource-based manufacturing and is now a major oleochemical producer. The business involves refining processed palm oil and palm kernel oil into products such as fatty acids, glycerine, fatty alcohols and fatty esters. Over the years, the Oleochemical division has diversified into specialties such as sulphonated methyl esters, surfactants and phytonutrients. These products are used in a variety of applications, including home & personal health care, cosmetics & toiletries, food, flavours & fragrances, lubricants and industrial chemicals. The oleochemical manufacturing facilities in Malaysia, Indonesia, the People's Republic of China, and in Europe, cater to the demands of customers worldwide.

#### Industrial Chemical

The Group's Industrial Chemical operations are involved in the manufacture of chlor-alkali products, sulphuric acid, sulphur derivatives, and methyl chloride. The chlor-alkali products which are caustic soda, hydrochloric acid, liquid chlorine, sodium hypochlorite and ferric chloride are mainly used in the production of soap & detergent, rubber gloves, pulp & paper, bleaches & disinfectants, as well as for water treatment and the food industry. Meanwhile, the sulphuric acid and its derivatives largely serve the high-purity semi-conductor wafer, petrochemical, detergent, automotive and water treatment industry. The Group's manufacturing facilities are in Peninsular Malaysia and serves the domestic and Singaporean markets.

# BATU KAWAN BERHAD

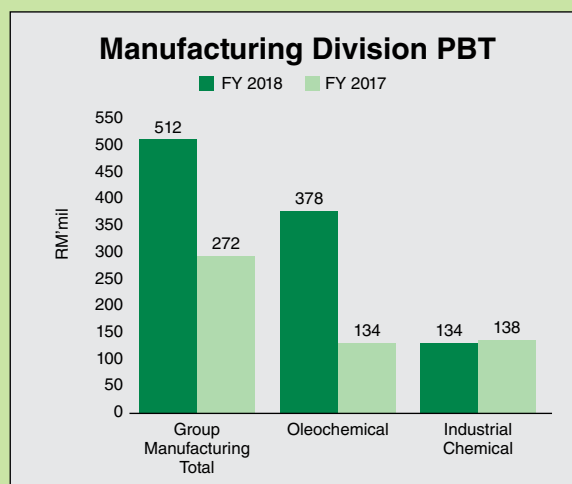
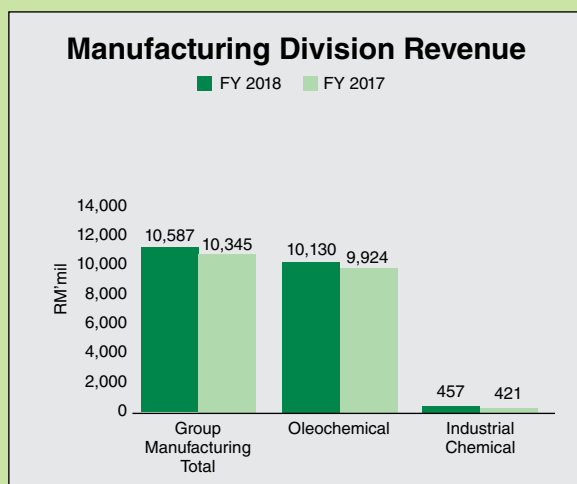
## Management Discussion and Analysis (Continued)

### Overall Operational Review

For FY 2018, the Manufacturing segment results improved significantly by 89% compared with last financial year. Profit before taxation was RM511.96 million compared with RM271.58 million achieved in the previous year.

The Oleochemical division recorded a two-fold jump in profits before taxation mainly contributed by higher sales volume and improved profit margins from favourable raw material prices. Cheaper feedstock had helped the division achieve higher capacity utilisation and improve operating efficiencies in FY 2018. The Oleochemical's results included a RM21.60 million impairment on the underperforming sulphonated methyl ester ("SME") plant.

The Industrial Chemical division's profit before taxation was at RM134.35 million, compared with RM137.54 million last year which had included RM9.70 million of insurance claim. Excluding this, FY 2018 profits was 5% higher due to higher average selling prices across most products, particularly for caustic soda, and with the weakening of Ringgit pushing up prices of imported chemicals. Both its chlor-alkali plants were operating at close to maximum capacity throughout the year. Meanwhile, the sulphur business continues to record favourable financial performance mainly due to higher oleum sales volume to its Associate, BASF See Sen Sdn Bhd and higher supply of chemicals for water treatment. The sulphur business profit in FY 2018 reflected a full year result of oleum supply from the relocated plant in Kemaman compared with only seven (7) months of oleum supply last year.



### Outlook

The Oleochemical division continues to be affected by overcapacity in both the basic and specialty businesses, while trade barriers and protectionism which are increasingly significant, continues to negatively impact the demand of oleochemical products. At the same time, China's ongoing trade tensions with the US will create uncertainties in the global supply and demand situation. Despite the unstable economic outlook ahead, the Oleochemical division is expected to maintain its performance as it continues to drive operational efficiencies and expand customer base. Management will prioritise resources to focus on operational excellence – ensuring high capacity utilisation rates and maintaining efficient unit production cost across all its Oleochemical plants.

The Group remains positive of its Industrial Chemical division's 2019 performance despite projected higher energy costs due to utility tariff hikes, and rising raw material costs due to the strengthening of US Dollar. Product prices are likely to undergo correction in the near term due to market forces. Management therefore aims to develop quality, long term relationships with key customers and where relevant, implement long term supply agreements to mitigate the impact of fluctuating prices and volume demand. At the same time, Management is continuously looking at investing in alternatives and new technologies to improve efficiency and cost savings.

# BATU KAWAN BERHAD

## Management Discussion and Analysis (Continued)

### PROPERTY DEVELOPMENT – OPERATIONAL REVIEW AND OUTLOOK

The Property Development segment reported a 7% decrease in profits to RM37.84 million from RM40.50 million last year. Margins were reduced as the Group fulfills its commitments towards the affordable “Rumah Selangorku” project.

The Wesley Methodist School, BSC Central Park, and Phase 4A1 of the Hemingway Residences have been completed in FY 2018. For FY 2019, the focus would be on the launching of Precinct 4B1 in the Bandar Seri Coalfields township, comprising of 2-storey super link units, 2-storey semi-detached houses and 2-storey bungalows. Sales will continue to be generated from the existing Phase 4A2 Hemingway and BSC Central 1 (commercial shops) projects. New township developments are also in the pipeline, as Management looks to increase revenue growth while continuously ensuring a safe, secure and conducive environment for its current and future townships.

FY 2019 will undoubtedly be challenging as the Malaysian property market is expected to remain flattish in the near term. In view of this, the Property team intends to focus on enhancing its brand recognition as an established property player in the local market. Management is dedicated to earning the trust and respect of its clients and business partners to ensure the sustainability of its business. The Bandar Seri Coalfields township is developing well and has a bright prospect ahead.

### OTHER INVESTMENTS – OPERATIONAL REVIEW AND OUTLOOK

#### Overseas Property Investments

Over a three-year period since 2015, BKB had invested in a total of seven (7) projects, five (5) located in Melbourne, Victoria and two (2) in Perth, Western Australia. BKB is partnering with Satterley Property Group, a reputable Australian real estate land developer to carry out the development of these projects. In FY 2018, BKB ventured into its seventh project with a 19.9% stake, namely Woodstock – a 205-hectare residential land development situated north of Melbourne’s Central Business District (CBD) with an estimated GDV of AUD423 million for a total of 1,163 lots. The development for Woodstock is scheduled to commence in 2023.

In FY 2018, BKB’s investments in the Australian property projects had recorded profits of RM10.87 million as compared with RM9.13 million in FY 2017. This was largely due to the encouraging sales performance of the True North, Greenvale residential project in Melbourne.

The overall property market in Melbourne is beginning to soften, as high prices have started to present a challenge to housing affordability. As such, market demand there is transitioning from large housing type to higher density units. Meanwhile, the Perth market is starting to show signs of consolidation and market researchers have suggested that it has reached the bottom of the cycle. As such, property prices in Perth is expected to moderate over the next 2 to 3 years. Management will continue to closely monitor the market activities and price growth to ensure the investment decisions taken remain feasible and value-adding to the business as a whole.

#### Investment Property

The 11-storey Menara KLK building located in Mutiara Damansara achieved a higher occupancy rate of 83% as at 30 September 2018 as compared with 73% as at 30 September 2017. Management will continue to source for replacement tenants to fill the vacant office space.

Management does not expect any significant changes to the lease profile within the next year, as majority of the tenants’ contracts are only expiring in FY 2021.

FY 2018 was indeed a challenging year as the market remained soft amid a growing oversupply of office space and businesses were cautious in undertaking growth or expansion efforts. In light of current market prospects, Management will continue to focus on securing replacement tenants to increase the occupancy rate, whilst ensuring the building remains conducive for existing tenants, especially in terms of safety, cleanliness and maintenance.

**Dato’ Lee Hau Hian**  
Managing Director

# BATU KAWAN BERHAD

## Corporate Governance Overview Statement

The Board of Directors (“Board”) of Batu Kawan Berhad (“BKB” or “Company”) recognises corporate governance as a form of self-regulation intended to ensure that the operations and objectives within the BKB Group are implemented and conducted with a view towards enhancing corporate accountability, sustainability and long-term business prosperity to safeguard the interests of stakeholders. The Board takes further steps to strengthen the corporate governance and internal controls of the Group to ensure that a higher standard of corporate governance is adopted throughout the Group.

The Board is pleased to present this statement on the overview of the corporate governance practices of the Company during the financial year ended 30 September 2018. This overview statement is made in compliance with Paragraphs 15.08A and 15.25 of the Main Market Listing Requirements (“Main LR”) of Bursa Malaysia Securities Berhad (“Bursa Malaysia”). This statement is to be read together with the Corporate Governance Report of the Company which is available on the Company’s website, [www.bkawan.com.my](http://www.bkawan.com.my).

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

#### 1. Board Leadership

The Company is led by an experienced and effective Board who provides oversight, strategic direction and entrepreneurial leadership. The Directors collectively, have wide and varied technical, financial and commercial experience which facilitates effective, thorough and considered discharge of the Board’s statutory and fiduciary duties and responsibilities.

It is the role of Management to manage the Company in accordance with the direction of and delegation by the Board and the responsibility of the Board is focused on the Group’s overall governance. The Board will ensure the implementation of strategic plans and that accountability to the Group and its stakeholders is monitored effectively. They will oversee the activities of Management in carrying out these delegated duties.

#### Responsibilities and Key Duties of the Board

The principal functions and responsibilities of the Board as set out in the Board Charter include, but are not limited to the following:

- (a) overseeing the development and implementation of corporate strategies and control systems of the Group;
- (b) ensuring corporate accountability to the shareholders by maintaining effective shareholders communications strategy;
- (c) ensuring effective risk management, compliance and control systems (including legal compliance) are in place;
- (d) annual review of succession planning for business continuity;
- (e) delegation of day-to-day management of the business to the Managing Director and Management; and
- (f) embedding sustainability and corporate responsibility practices as part of the Group strategy.

The Board delegates certain of its governance responsibilities to Board Committees, which operate under their clearly defined terms of reference. The Chairmen of the respective Committees report to the Board the outcome of deliberations of the Committee meetings for final decisions.

The governance structure of the Board is as set out below:



# BATU KAWAN BERHAD

## Corporate Governance Overview Statement (Continued)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Continued)

#### 1. Board Leadership (Continued)

##### Responsibilities and Key Duties of the Board (Continued)

The Board meets at least four (4) times a year, with additional meetings convened as and when necessary. During the financial year ended 30 September 2018, a total of five (5) Board meetings were held. The details of attendance of each Director at the Board meetings are as follows:

Name of Directors	Number of Meetings	
	Held <sup>1</sup>	Attended
Tan Sri Dato' Seri Lee Oi Hian	5	5
Dato' Lee Hau Hian	5	4
R. M. Alias	5	5
Dato' Yeoh Eng Khoon	5	5
Mr. Quah Chek Tin	5	5
Tan Sri Rastam Bin Mohd Isa	5	5
Dr. Tunku Alina Binti Raja Muhd Alias <sup>2</sup>	3	3

<sup>1</sup> reflects the number of meetings held during the period the Directors held office

<sup>2</sup> Dr. Tunku Alina Binti Raja Muhd Alias was appointed on 20 April 2018

The Board is satisfied with the level of commitment given by the Directors in carrying out their responsibilities which is evidenced by the attendance record of the Directors above.

None of the Directors holds more than five (5) directorships each in listed corporation which ensures that they devote sufficient time to their duties as Directors.

##### Code of Conduct for Directors and Code of Conduct and Ethics ("Codes")

The Board has formalised Code of Conduct for the Directors and Code of Conduct and Ethics for the Company which govern the underlying core ethical values and commitment to high standards of integrity, transparency, accountability and corporate social responsibility as well as to promote good business conduct and to maintain a healthy corporate culture that engenders integrity, transparency and fairness in BKB. These Codes provide commitment to ethical values through the key requirements relating to conflict of interest, public representation, insider trading, confidentiality of information and compliance with law and regulations.

The Codes are made available on the Company's website, [www.bkawan.com.my](http://www.bkawan.com.my).

##### Roles of Chairman and Managing Director

The respective roles of the Chairman and the Managing Director are clearly defined, so as to promote accountability and facilitate division of responsibilities between them. The Chairman is responsible for ensuring Board effectiveness and conduct, whilst the Managing Director has overall responsibility for the operating units, organisational effectiveness and implementation of Board policies and decisions.

Although the Chairman of the Board is a Non-Independent Non-Executive Director, the Independent Directors who account for a majority of the Board ensure a good balance of power and authority on the Board. Their presence further fulfills a pivotal role in corporate accountability. Although all the Directors have an equal responsibility for the Group's operations, the role of these Independent Non-Executive Directors is particularly important as they provide unbiased and independent views, advice and judgement.

# BATU KAWAN BERHAD

## Corporate Governance Overview Statement (Continued)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Continued)

#### I. Board Leadership (Continued)

##### Company Secretaries

The Board is supported by in-house suitably qualified and competent Company Secretaries, who are all members of the Malaysian Institute of Chartered Secretaries & Administration. All Directors have access to the advices and services of the Company Secretaries. The Company Secretaries are responsible for ensuring the Group's adherence and compliance with the relevant statutory and regulatory requirements. They ensure that deliberations at Board and Board Committees are properly documented and subsequently communicated to the relevant Management for their further actions.

##### Supply of and Access to Information and Advice

The Directors have direct and unrestricted access to all information relating to the affairs of the Group, whether as a full Board or in their individual capacity and have authority to seek external professional advice should they so require.

All Directors are provided with an agenda and a set of Board papers to Board meetings at least seven (7) days prior to the meetings. This would give sufficient time to the Directors to obtain further explanation/clarification, where necessary, in order to be properly briefed before the meeting. The Board papers include, amongst others, the following:

- quarterly financial report and a report on the Group's cash and borrowings position;
- a current review of the operations of the Group;
- minutes of meetings of all Board Committees; and
- minutes of previous Board meetings.

Monthly reports on the financial performance of the Company and the Group are also provided to the Directors for their information. All proceedings of meetings are properly minuted and filed in the statutory records of the Company, which is accessible by the Directors at all times. Notices on the closed periods for dealings in the shares of the Company are circulated to all Directors and principal officers of the Company in order for them to make necessary disclosure to the Company in advance of whenever the closed period is applicable.

In recognising the importance of sound and timely information flow to Board effectiveness, all announcements made to Bursa Malaysia will be circulated to all Directors on the day the announcements are released. Copies of Director's notices on changes of Director's interests and other directorships will also be given to the other Directors of the Company within the timeframe prescribed by the regulations.

Senior Management is requested to attend Board meetings to present and provide additional information on matters being discussed and to respond to any queries that the Directors may have.

##### Whistleblowing

The Company has established whistleblowing policy and procedures whereby the whistleblowers can raise concerns in confidence, and to ensure proportionate and independent investigation is duly conducted and follow-up action is taken. The whistleblowing channel has been created to help stakeholders raise their concern, without fear of retaliation and provide protection from reprisals and victimisation in respect of whistleblowing done in good faith. All concerns should be addressed to the immediate superior or BKB Managing Director, or to the Audit and Risk Committee Chairman for concerns which cannot be resolved through normal channels of the immediate superior or BKB Managing Director.



# BATU KAWAN BERHAD

## Corporate Governance Overview Statement (Continued)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Continued)

#### I. Board Leadership (Continued)

##### Directors' Training

The Directors are mindful that they should continue to update their skills and knowledge to maximise their effectiveness as Directors during their tenure.

The newly appointed Director has attended the Mandatory Accreditation Programme as required under the Main LR. The Directors have also attended various seminars, courses and training to keep abreast with the developments on a variety of areas relevant to the Group's business. The conferences, seminars and training programmes attended by Directors were as follows:

Conference / Seminar / Workshop	Presenter / Organiser
30% Club Business Leaders Roundtable Meeting	Securities Commission Malaysia
Advocacy session on Corporate Disclosure for Directors and Principal Officers of Listed Issuers	Bursa Malaysia Berhad
CG Breakfast Series: Intergrate an Innovation Mindset with Effective Governance	Bursa Malaysia Berhad
Corporate Governance Briefing Sessions: Malaysian Code on Corporate Governance Reporting & Corporate Governance Guide	Bursa Malaysia Berhad and Securities Commission Malaysia
Deforestation – Free Commodity Supply Chains by 2020: How to Accelerate Progress	Unilever
Digital Innovation Forum – Visions and Paths	APEC Business Advisory Council (ABAC Papua New Guinea and Chinese Taipei)
Focus Group session on the Proposed Revision of the Corporate Governance Guide	Bursa Malaysia Berhad
HBS Talk: Public Policy Perspective – Some Thoughts and Contemplations from a Central Banker	Harvard Business School (“HBS”) Alumni Club of Malaysia
Leaders Roundtable Meeting	30% Club Malaysia Chapter
Government-linked Companies: The Business of Government or the Government in Business?	Perak Academy
Palm Oil: Scourge of the Earth or Wonder Crop?	Malaysian Oil Scientists' & Technologists Association
Roundable on “What Lessons Learned from Financial Crises of Recent Times”	ASEAN Business Club in collaboration with CIMB ASEAN Research Institute and Official Monetary and Financial Institutions Forum
Securities Commission Malaysia - World Bank-IOSCO Asia Pacific Hub Conference 2018	Securities Commission Malaysia
The Essence of Independence	Bursa Malaysia Berhad
The 2018 Budget	Deloitte Tax Services Sdn. Bhd.
Women Director Program: Enhancing Board Leadership	Leadwomen
Women of Tomorrow Conference	Leadwomen
World Capital Markets Symposium 2018	Securities Commission Malaysia

# BATU KAWAN BERHAD

## Corporate Governance Overview Statement (Continued)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Continued)

#### I. Board Leadership (Continued)

##### Board Charter

The Board Charter sets out the roles and responsibilities of the Board and Board Committees and the processes and procedures for their meetings. It further elaborates the division of responsibilities for the Board, Board Committees, Management, Chairman, Managing Director as well as the Independent Directors. The Board Charter is reviewed periodically to ensure it complies with legislation and best practices, and remains relevant and effective for good governance policies and processes.

The Board Charter is published on the Company's website, [www.bkawan.com.my](http://www.bkawan.com.my).

##### Sustainability Strategies

The Group is committed to operate its business in accordance with environmental, social and economic responsibilities. These include working within the law in order to be innovative and demonstrate initiative to meet the requirements of various stakeholders. The Sustainability Statement of the Group is disclosed on pages 48 to 51 of this Annual Report.

#### II. Board Composition

The Board currently has seven (7) members, comprising six (6) Non-Executive Directors (including the Chairman) and one (1) Executive Director, with five (5) of the seven (7) Directors being Independent Directors, met the Main LR of at least one-third (1/3) of the Board being independent. Together, the Directors have a wide range of business, financial and technical experience. This mix of skills and experience is vital for the successful direction of the Group.

##### Independent Directors

The Board recognises the importance of independence and objectivity in the decision-making process. The Board comprises five (5) Independent Directors, whom the Board had chosen one (1) as the Senior Independent Director.

The Board and its Nomination Committee have upon their annual assessment, concluded that each of the five (5) Independent Non-Executive Directors continues to demonstrate conduct and behaviour that are essential indicators of independence, and that each of them continues to fulfil the definition and criteria of independence as set out in the Main LR.

The Board further noted the Malaysian Code on Corporate Governance 2017 ("MCCG") recommendation that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. The Nomination Committee and the Board have deliberated on the said recommendation and hold the view that a Director's independence cannot be determined solely with reference to tenure of service. Board composition should reflect a balance between effectiveness on one hand, and the need for renewal and fresh perspectives on the other.

The Nomination Committee and the Board have also determined that R. M. Alias and Dato' Yeoh Eng Khoon, who have served on the Board as Independent Directors, each exceeding a cumulative term of nine (9) years, remain unbiased, objective and independent in expressing their opinions and in participating in decision-making of the Board. The length of their service on the Board has not in any way interfered with their objective and independent judgement in carrying out their roles as members of the Board and Board Committees. Furthermore, their pertinent expertise, skills and detailed knowledge of the Group's businesses and operations enable them to make significant contributions actively and effectively to the Company's decision-making during deliberations or discussions.

In this respect, the Board has approved the continuation of R. M. Alias and Dato' Yeoh Eng Khoon as Independent Directors of the Company. The Board believes that it is in the best position to identify, evaluate and determine whether any Independent Director can continue acting in the best interest of the Company and bringing independent and professional judgement to board deliberations.

# BATU KAWAN BERHAD

## Corporate Governance Overview Statement (Continued)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Continued)

#### II. Board Composition (Continued)

##### Nomination Committee

The Nomination Committee comprises exclusively of Non-Executive Directors, the majority of whom are independent, as follows:

Dato' Yeoh Eng Khoon (Chairman)	–	Senior Independent Non-Executive Director
Tan Sri Dato' Seri Lee Oi Hian	–	Non-Independent Non-Executive Director
R. M. Alias	–	Independent Non-Executive Director

The Nomination Committee's key function is to establish formal and transparent policies and procedures to recruit, retain, train and develop the best available directors, and manage board renewal and succession effectively. The Nomination Committee has its own written terms of reference which deals with its authority and duties.

The Nomination Committee meets at least once a year, with additional meetings convened as and when necessary. During the financial year under review, a total of two (2) Nomination Committee meetings were held and the attendance of the members for the meetings held are as detailed below:

Name of Directors	Number of Meetings	
	Held	Attended
Dato' Yeoh Eng Khoon	2	2
Tan Sri Dato' Seri Lee Oi Hian	2	2
R. M. Alias	2	2

A summary of the activities of Nomination Committee in discharging its duties during the year under review is as follows:

- (1) Reviewed and assessed the suitability of Dr. Tunku Alina Binti Raja Muhd Alias, and recommended to the Board her appointment as an Independent Non-Executive Director, taking into consideration her experiences, skills and personal attributes;
- (2) Reviewed and assessed the composition of the Audit and Risk Committee, and recommended to the Board the appointment of Dr. Tunku Alina Binti Raja Muhd Alias to the Audit and Risk Committee;
- (3) Reviewed and assessed the performance, and made recommendations to the Board for its approval in relation to the re-election of Directors at the forthcoming Annual General Meeting ("AGM");
- (4) Reviewed the composition of the Board based on its required mix of skills, experience and other qualities which are considered important by the Board;
- (5) Reviewed the changes to the composition of the subsidiaries' boards;
- (6) Reviewed and assessed the board balance of its size, structure and composition on their compliances with the provisions of the relevant guidelines and regulations;
- (7) Assessed the individual Director, overall Board and its Board Committees' performance and effectiveness as a whole;
- (8) Reviewed and assessed the independence of Independent Directors and their tenure of services;
- (9) Reviewed the succession plans of the Board and Senior Management;
- (10) Reviewed and revised its terms of reference for compliance with the amendments of the Main LR (arising from the introduction of the Companies Act 2016 and the release of the new MCCG) affecting the Nomination Committee, for recommendation to the Board for approval;
- (11) Assessed Directors' training needs to ensure all Directors receive appropriate continuous development programmes; and
- (12) Reviewed and assessed the term of office and performance, and duties carried out by the Audit and Risk Committee and each of its member.

# BATU KAWAN BERHAD

## Corporate Governance Overview Statement (Continued)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Continued)

#### II. Board Composition (Continued)

##### Board Diversity

The Nomination Committee and Board acknowledge the importance of boardroom diversity and the establishment of a gender diversity policy. The Board recognises the need to enhance boardroom diversity which is not only about diversification in terms of gender, but in terms of age, ethnicity and social backgrounds. Hence, the Board had always been in support of a policy of non-discrimination on the basis of race, religion and gender.

The Board will strive to encourage a dynamic and diverse composition of the Board by nurturing suitable and potential candidates equipped with the competency, skills, experience, character, time commitment, integrity and other qualities in meeting the future needs of the Company. The appointment of Dr. Tunku Alina Binti Raja Muhd Alias during the financial year has widen the gender diversity of the Board. The Board continues to source for suitable qualified women candidates for appointment to the Board.

##### Recruitment Process and Annual Assessment of Directors

The Nomination Committee is responsible to assess the contribution of each individual Director and overall effectiveness of the Board on an on-going basis. Having conducted a detailed review of each Director's personal/professional profile, attendance record, training activities, character and attitude, and participation in Board meetings as well as Group functions for the year, the Nomination Committee concluded that each Director has the requisite competence to serve on the Board and had sufficiently demonstrated their commitment to the Group in terms of time, participation and dialogue during the year under review.

The Nomination Committee continually reviews and evaluates its requirements for an appropriate mix of skills and experience to ensure the Board's composition remains relevant and optimal. The Board through the Nomination Committee, had conducted the annual assessment of Board member's performance through a series of questionnaires. In order to encourage open and frank evaluations, as well as offer anonymity to the respondents, the evaluation process was managed by the Company Secretary, who had forwarded the questionnaire to each Director on a no-name basis, as well as collated the duly completed forms from each Director and referred the same to the Chairman of Nomination Committee. Based on the findings from the Board evaluation, the Board and Board Committees, as well as the individual Directors have discharged their roles and responsibilities in accordance with their respective charters and terms of reference. The Nomination Committee further confirms that the present size and composition of the Board has the requisite competencies and capacity to effectively oversee the overall businesses and handle all matters pertaining to the Group.

The Nomination Committee practices a clear and transparent nomination process which includes the identification of candidates, evaluation of suitability of candidates, meeting up with candidates, deliberation by Nomination Committee and recommendation to the Board. The appointment of Dr. Tunku Alina Binti Raja Muhd Alias had followed the aforesaid process accordingly.

The Nomination Committee also provides an orientation and education programme including plant visits guided by Management, for new recruits to the Board as an integral element of the process of appointing new Directors.

# BATU KAWAN BERHAD

## Corporate Governance Overview Statement (Continued)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Continued)

#### III. Remuneration

##### Remuneration Policy for Directors and Senior Management

The Board has put in place a formal Remuneration Policy for Directors and Senior Management to determine the remuneration of Directors and Senior Management, which takes into account the demands, complexities and performance of the Company as well as skills and experience required. The objective of this policy is to help attract, recruit, retain and reward high performing, experienced and qualified Directors and Senior Management by providing remuneration commensurate with the responsibilities of their positions and their contributions, be competitive in the industry, and encourage value creation for the Company by aligning the interests of Directors with the long-term interests of shareholders. The Remuneration Policy is made available on the Company's website, [www.bkawan.com.my](http://www.bkawan.com.my).

##### Remuneration Committee

The Remuneration Committee comprises exclusively of Non-Executive Directors, the majority of whom are independent, as follows:

R. M. Alias (Chairman)	–	Independent Non-Executive Director
Tan Sri Dato' Seri Lee Oi Hian	–	Non-Independent Non-Executive Director
Mr. Quah Chek Tin	–	Independent Non-Executive Director

The Remuneration Committee is responsible for setting the policy framework and for making recommendations to the Board on remuneration and other terms of employment for the Board and Senior Management. The Remuneration Committee has a terms of reference which deals with its authority and duties. The terms of reference was reviewed and revised in the year under review.

The Remuneration Committee meets at least once a year, with additional meetings convened as and when necessary. During the financial year under review, two (2) Remuneration Committee meetings were held and the attendance of the members for the meetings held are as detailed below:

Name of Directors	Number of Meetings	
	Held	Attended
R. M. Alias	2	2
Tan Sri Dato' Seri Lee Oi Hian	2	2
Mr. Quah Chek Tin	2	2

The Remuneration Committee carries out the function established by the Board to have formal and transparent remuneration policies and procedures in order to retain Directors. In the case of the Executive Director, the various components of the remuneration are structured so as to link rewards to corporate and individual performance. The Remuneration Committee's remuneration package for the Managing Director is subject to the approval of the Board. In the case of Non-Executive Directors, the level of remuneration reflects the expertise, experience and level of responsibilities undertaken by a particular Non-Executive Director concerned. The Non-Executive Directors are paid a meeting allowance for each Board meeting they attend. Similarly, members to Board Committees are also paid a meeting allowance for each Committee meeting they attend. The Directors are also reimbursed reasonable expenses incurred by them in the course of carrying out their duties on behalf of the Company.

# BATU KAWAN BERHAD

## Corporate Governance Overview Statement (Continued)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Continued)

#### III. Remuneration (Continued)

##### Remuneration Committee (Continued)

Details of Directors' remuneration (including benefits-in-kind) and the aggregate remuneration of Directors at the Company and Group levels during the financial year are as follows:

##### Company

Category	Fees (RM'000)	Salaries (RM'000)	Incentive (RM'000)	Other Emoluments (RM'000)
<i>Executive Director</i>				
- Dato' Lee Hau Hian	-	2,410	1,680	784
<i>Non-Executive Directors</i>				
- Tan Sri Dato' Seri Lee Oi Hian	225	-	-	9
- Dato' Yeoh Eng Khoon	180	-	-	11
- R. M. Alias	165	-	-	9
- Mr. Quah Chek Tin	170	-	-	11
- Tan Sri Rastam Bin Mohd Isa	155	-	-	9
- Dr. Tunku Alina Binti Raja Muhd Alias	67	-	-	4

##### Group

Category	Fees (RM'000)	Salaries (RM'000)	Incentive (RM'000)	Other Emoluments (RM'000)
<i>Executive Director</i>				
- Dato' Lee Hau Hian	282	2,410	1,680	795
<i>Non-Executive Directors</i>				
- Tan Sri Dato' Seri Lee Oi Hian	225	4,110	3,425	1,455
- Dato' Yeoh Eng Khoon	475	-	-	36
- R. M. Alias	680	-	-	60
- Mr. Quah Chek Tin	170	-	-	11
- Tan Sri Rastam Bin Mohd Isa	155	-	-	9
- Dr. Tunku Alina Binti Raja Muhd Alias	67	-	-	4

The Board has endorsed that the Directors' fees would be held constant for three (3) years. However, to ensure that the Directors' fees align with appropriate peer groups and are measured against profits and other targets set in accordance with the Company's annual budget and plans, the Remuneration Committee reviews the Directors' fees annually.

Having considered that the Non-Executive Directors' fees had been held constant over the past three (3) years and the Board Committees' fees had remained unchanged for more than seven (7) years, the Board approved the Remuneration Committee's recommendation for a proposed revision to the fees and meeting allowance, which will be tabled to shareholders for approval at the forthcoming Annual General Meeting.

### PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

#### I. Audit and Risk Committee

In recognising the key role of the Audit Committee of the Company, amongst others, in risk oversight and management, the Board adopted the combined Audit and Risk Committee approach and renamed the Committee as 'Audit and Risk Committee' in August 2018. Following therefrom, the terms of reference of the Audit and Risk Committee was revised and expanded to include the additional roles and functions of the Audit and Risk Committee in oversight of the Group's risk management framework and policies.

# BATU KAWAN BERHAD

## Corporate Governance Overview Statement (Continued)

### PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (Continued)

#### I. Audit and Risk Committee (Continued)

The Audit and Risk Committee of the Company comprises of four (4) Independent Non-Executive Directors, and is chaired by a Senior Independent Non-Executive Director, Dato' Yeoh Eng Khoon. All appointments to the Audit and Risk Committee were made by the Board on the recommendation of the Nomination Committee. In determining the composition and membership of the Audit and Risk Committee, the Board takes into account factors such as size, independence and desired skills and qualities of the members. In May 2018, the Committee had revised its terms of reference and put in place a policy to include a cooling-off period of at least two (2) years before a former key audit engagement partner could be appointed as a member of the Committee to govern the independence of such appointment, if any.

The key function of the Audit and Risk Committee is to assist the Board to assess the risks and control environment, oversee the financial reporting process, evaluate the internal and external audit process, and review any conflict of interest situations and related party transactions. The role and responsibilities of the Audit and Risk Committee are governed in its terms of reference which is approved and adopted by the Board. The terms of reference is assessed, reviewed and updated periodically by the Audit and Risk Committee or as and when there are changes to the regulatory requirements and changes to the direction or strategies of the Company that may affect the Audit and Risk Committee's role. Upon review, the Audit and Risk Committee will recommend the changes to the Board for the latter's approval.

The term of office and performance of the Audit and Risk Committee and each of its members are reviewed annually by the Nomination Committee and recommended to the Board, to ensure the Audit and Risk Committee and members have carried out their duties in accordance with their terms of reference.

#### Assessment of Suitability and Independence of External Auditors

The present External Auditors, Messrs KPMG PLT will retire at the forthcoming AGM of the Company. The Audit and Risk Committee, having assessed the qualification and capabilities of several audit firms (which includes their reputation and presence in the industry, qualifications and independence of its professionals, networking ability and competency to evaluate overseas subsidiaries not audited by the firm and the internal quality control processes in place) recommended to the Board for the change of the Company's External Auditors to Messrs BDO, in place of Messrs KPMG PLT.

#### Internal Audit Function

The Directors acknowledge the responsibility of maintaining a good system of internal controls, including risk assessments, and the need to review its effectiveness regularly in order to safeguard the Group's assets and therefore shareholders' investments in the Group. This system, by its nature, can however only provide reasonable but not absolute assurance against misstatement, fraud or loss.

The Board is of the view that the current system of internal controls in place throughout the Group is sufficient to safeguard the Group's interests.

Details of the Company's internal control system and framework are set out in the Statement on Risk Management and Internal Control and Audit and Risk Committee Report of this Annual Report.

# BATU KAWAN BERHAD

## Corporate Governance Overview Statement (Continued)

### PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (Continued)

#### II. Risk Management Framework

The Group Risk Management Committee (“GRMC”), headed by the Managing Director, oversees the risk management efforts within the Group. It includes identifying principal business risks in critical areas, assessing the likelihood and impact of material exposures and determining its corresponding risk mitigation and treatment measures. The Board and Management have formulated and adopted a formal approach towards risk management which is in compliance with the guidance issued by the relevant authorities.

During the financial year under review, a total of two (2) GRMC meetings were held and the following activities were carried out by GRMC:

- (a) Reviewed the Group’s risk registers and risk consequence rating parameters for the financial year 2018;
- (b) Reviewed the Group’s risks profile summary;
- (c) Reviewed the top 20 operating risks by the operating centres;
- (d) Reviewed the Group’s headline risks and risk changes; and
- (e) Reviewed the Group’s HSE performance and notable incidents.

### PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

#### I. Board’s responsibilities to stakeholders

Shareholders represent an important group of stakeholders of the Company as they have a direct financial interest in the Company and they delegate the responsibility of managing the Company to the Directors of the Company. The Company also realises that the sustainable running of the Company is not only achieved by maximisation of the shareholders’ value but also by the value the Company brings to all its other stakeholders (e.g. employees, customers, business partners, regulators, etc.).

It is the Board’s responsibility to develop and implement a communication policy which effectively articulates the operations of the Company to its stakeholders.

##### Effective Dissemination of Information

Announcements and release of financial results on a quarterly basis are posted on the Company’s website, which will provide the shareholders and the investing public with an overview of the Group’s performance and operations.

The Company’s website is freely accessible to the public at [www.bkawan.com.my](http://www.bkawan.com.my) and the Directors welcome feedback channelled through the website.

As there may be instances where investors and shareholders may prefer to express their concerns to an independent director, the Board has appointed Dato’ Yeoh Eng Khoon, as the Senior Independent Non-Executive Director to whom concerns may be directed.

##### Compliance with Applicable Financial Reporting Standards

In presenting the annual financial statements and quarterly announcement of results to shareholders, the Directors aim to present a balanced and understandable assessment of the Group’s position and prospects.

The Audit and Risk Committee has reviewed the Company’s financial statements in the presence of both the External and Internal Auditors prior to recommending them for approval by the Board and issuance to the shareholders of the Company. The Audit and Risk Committee considered and addressed the significant issues highlighted by the External Auditors by adherence to the appropriate accounting standards and policies.

The Directors consider that in preparing the financial statements, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. All applicable financial reporting standards in Malaysia which the Audit and Risk Committee has discussed and agreed with the External Auditors to be applicable have been followed, subject to any explanations disclosed in the notes to the financial statements.



# BATU KAWAN BERHAD

## Corporate Governance Overview Statement (Continued)

### PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (Continued)

#### I. Board's responsibilities to stakeholders (Continued)

##### Corporate Disclosure Policy and Procedures

The Company and the Group are committed to a policy which provides accurate, balanced, clear, timely and complete disclosure of corporate information to enable informed and orderly market decisions by investors. Importance is also placed on timely and equal dissemination of material information to the stakeholders, media and regulators. In this respect, the Company has in place a Corporate Disclosure Policy and Procedures to ensure that communications with the investing public regarding the business, operations and financial performance of the Company are accurate, timely, factual, informative, consistent, broadly disseminated and where necessary, information filed with regulators is in accordance with applicable legal and regulatory requirements.

The Corporate Disclosure Policy and Procedures is available on the Company's website, [www.bkawan.com.my](http://www.bkawan.com.my).

#### II. Conduct of General Meetings

##### Shareholders' Participation at AGM

The AGM which is held in February each year, provides a means of communication with shareholders. The Company despatches its Annual Report to shareholders at least twenty-one (21) days before the meeting. This allows the shareholders to thoroughly review the Annual Report as well as make necessary arrangements to attend the meeting and participate in person or by corporate representative, proxy or attorney. Shareholders who are unable to attend are allowed to appoint a proxy to attend and vote on their behalf. Members of the Board as well as the Auditors of the Company are present to answer questions raised at the meeting.

To strengthen transparency and efficiency in the voting process and in line with the Main LR, the Company adopted electronic poll voting at its AGM. An independent external party was appointed as scrutineers for the electronic poll voting process. The Chairman announced the voting results of all the resolutions tabled before the closure of the AGM and the outcome of the AGM is released to Bursa Malaysia Securities Berhad on the same meeting day. The summary of the AGM proceedings is available on the Company's website, [www.bkawan.com.my](http://www.bkawan.com.my).

##### Effective Communication and Proactive Engagements

At the Fifty-Third (53<sup>rd</sup>) AGM of the Company held on 13 February 2018, all six (6) Directors were present in person to engage directly with the shareholders at the meeting. The proceedings of the meeting included the Questions and Answers sessions during the meeting which invite shareholders to raise questions pertaining to the Company's Financial Statements and other items for adoption at the meeting. The Directors, Management and External Auditors responded to the shareholders' queries. The shareholders were also provided with the Company's responses to questions submitted in advance of the meeting by the Minority Shareholder Watchdog Group before the commencement of the meeting to ensure transparency.

Having considered the importance of maintaining good rapport with shareholders, the Company convened an Extraordinary General Meeting during the year under review to provide shareholders an additional opportunity to raise questions or seek clarifications from the Board on the adoption of the Company's new Constitution. This general meeting had provided an avenue for shareholders to communicate directly with the Board in a meaningful discussion on the specified agenda. It also allowed the Board to stay focused on the sole agenda of the meeting and enabled better anticipation of shareholders' concern and contentious issues on the specified matter.

# BATU KAWAN BERHAD

## Sustainability Statement

### INTRODUCTION

Batu Kawan Berhad (“BKB”) Group recognises the importance of sustainability-related matters which can significantly affect the BKB Group’s businesses, their risk profiles and their core values. In 2017, we formalised and released our first Sustainability Statement disclosing our sustainability strategy which is in line with regulatory requirements and best practices. This year, we have made good progress in our sustainability initiatives and monitored our performance across key environmental, economic and social matters. The objective of this Sustainability Statement is to share our progress, development and improvements relating to our sustainability initiatives.

### OUR SCOPE

BKB is an investment holding company. The activities of the BKB Group include oil palm and natural rubber plantations, downstream plantation-related manufacturing, property development, the manufacture and sale of industrial chemicals and chemicals transport services, and investment holding.

Our main subsidiary, Kuala Lumpur Kepong Berhad (“KLK”) which contributed significantly to the BKB Group’s revenue, is a leading listed Malaysian plantation company, with plantations in Malaysia, Indonesia and Liberia. KLK has developed a comprehensive sustainability policy to guide its group-wide management in their approaches towards the environment and communities in which they operate. Further details of the KLK’s Sustainability Statement and Reporting are set out in their 2018 Annual Report, which is available on KLK’s website, [www.klk.com.my](http://www.klk.com.my).

BKB Chemical Group of companies (“BKB Chemical Group”) are subsidiaries involved in the manufacturing and supply of industrial chemicals to their customers, through their manufacturing plants and logistics transport operations. This sustainability reporting covers BKB Chemical Group’s operations.

### OUR SUSTAINABILITY GOVERNANCE

Our Management Team members drive our sustainability approach by embedding sustainability matters into our business strategies, guided by our BKB Board and led by our BKB Managing Director, oversees the overall implementation and management of sustainability initiatives.

At operating level, the BKB Chemical Group’s Managing Director and the respective General Managers manage the risks and opportunities within their respective operating centres and report their achievements and improvement opportunities to the Management Team on a monthly basis. Moving forward, our Group Risk Management Committee is tasked by the BKB Board to oversee the implementation and management of sustainable practices.

### OUR SUSTAINABILITY FRAMEWORK

Last year, we identified and prioritised our sustainability matters and thereafter, the material sustainability matters formed the basis of an agreed set of Key Result Areas which are used to report on our sustainability performance. In the following section, we report on our performance in greater detail based on the environmental, economic and social impacts, risks and opportunities within the eco-system of the organisation.

### ENVIRONMENTAL

In BKB Chemical Group, responsible manufacturing is our focus in the use of resources and the management of wastes generated from manufacturing. We believe in constant improvement to ensure efficient utilisation in our raw materials and utilities. We seek to use such inputs efficiently to maximise output of value-added goods.

#### Energy Consumption

Our focus is to consume less, conserve more. By the nature of our operation, energy consumption is by far the most material sustainability matter in BKB Chemical Group. We understand that tackling this matter is important not only to our financial bottom line through the increased efficiency, but also helps conserve limited natural resources.

# BATU KAWAN BERHAD

## Sustainability Statement (Continued)

### ENVIRONMENTAL (Continued)

#### Energy Consumption (Continued)

Conventionally, electricity is generated through the conversion of a primary source of energy like coal, natural gas, oil, hydro and other natural sources including nuclear, to electrical energy. As a responsible organisation, we have been working conscientiously in promoting a greener environment, part of which is by venturing into on-site power generation, or 'Cogeneration'. On-site Cogeneration, is much more efficient in energy generation as it substantially reduces carbon footprint compared to generating steam or burning fuel off-site and importing electric power from the grid. We are planning to set up our on-site Cogeneration in our Kemaman plant.

#### Water Consumption and Regeneration

Water is a crucial and increasingly scarce resource. Water conservation is the careful use and preservation of water supply and includes both the quantity and quality of water utilised. Water is an essential asset for the nourishment of all life and is the fundamental demand for all activities appropriate from household use to industry. With the regularly expanding demand for our products, we ensure all of our sites operate with full compliance with the Environmental Quality Act 1974 at all times. One of our initiatives is the recycling of waste water in our aluminium sulphate and caustic production back into production. A total of 41,000 cubic metres of water was recycled in financial year ("FY") 2018, which is equivalent to total volume of 4,500 Olympic-size swimming pool.

### ECONOMIC

Economic engagement is important to both the BKB Chemical Group and its stakeholders.

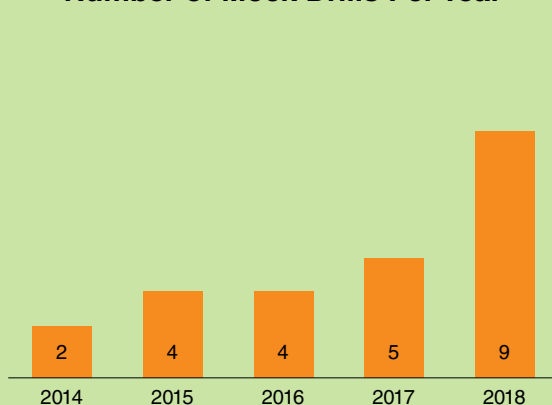
#### Product Service Responsibility

BKB Chemical Group majors in producing and transporting inorganic-based chemicals for potable water treatment as well as other industries. We provide quality products and services to our customers and are committed in uninterrupted supply of our chemicals to water treatment plants to ensure potable water supply to majority household nationwide are treated. It takes a reliable operation with clear procedures in our operating units to deliver this commitment.

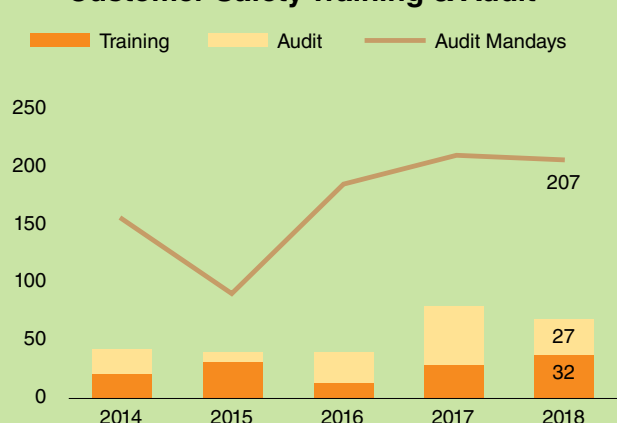
#### Customer Safety and Health Awareness

We actively engage our customers to ensure the safe use of our chemical products and their efficient application into their processes and with the communities in which we operate in with the aim to create awareness of the products we manufacture and the plant processes. In 2018, we conducted 207 mandays (2017: 212 mandays) of training and audits of our customers' premises. As much of our efforts and resources are put into customer training, there is a slight reduction in customer audit frequency. In addition, annual safety events are also organised to create occupational safety awareness among our employees and an opportunity to engage the public and regulatory bodies via dialogues and plant visits. We will continue to commit resources for the abovementioned purposes to refresh and work in partnership with local authorities and regulatory bodies which included mock drill exercises on and off-site and product briefings to promote safe usage of our chemicals.

Number of Mock Drills Per Year



Customer Safety Training & Audit



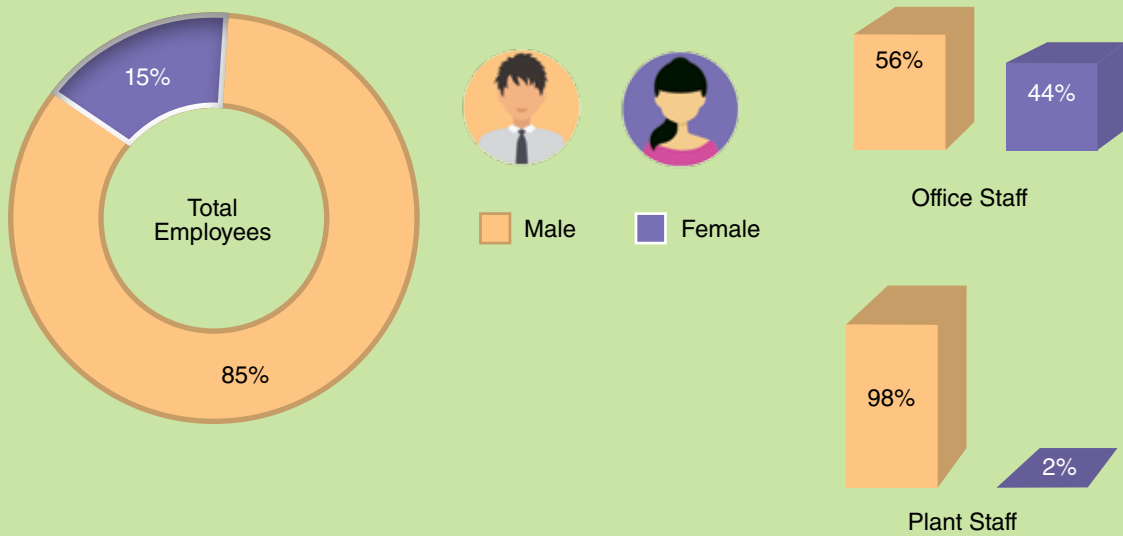
# BATU KAWAN BERHAD

## Sustainability Statement (Continued)

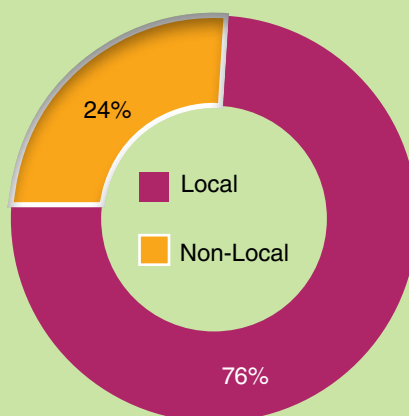
### Employment Diversity

We welcome diversity and the benefits that the differences between people can bring to the Group. We are inclusive and are mindful to encourage balanced participation of female employees in our chemical manufacturing facilities. However, it is a common pattern for the chemical manufacturing industry to have a predominantly male worker environment. We continue to promote and attract talents from the local community or within the same state in which we operate. We are proud to contribute to the local economies by creating employment in the communities in which we operate, with seventy-six percent (76%) of our staff coming from the local communities.

### Employee Demographics By Gender 2018



### Employee Locality



# BATU KAWAN BERHAD

## Sustainability Statement (Continued)

### SOCIAL

A sustainable business is one that enriches its people and the communities in which they operate.

#### Occupational Health and Safety

Workplace safety is our top priority. We are committed in providing a safe working environment to our employees and systematically eliminate workplace hazards across all our operating centres. We ensure our employees understand that they share in this responsibility, and all of us are accountable for our own health and safety, and that of our colleagues.

With our long experience and expertise in running a Control of Industrial Major Hazard (“CIMA”) plant, in July 2018, our site (i.e Malay-Sino Chemical Industries Sendirian Berhad’s Lahat plant) was chosen by Department of Safety and Health (“DOSH”) for the closing ceremony of the 2018 DOSH National Safety Week, which is officiated by our Human Resources Minister, M. Kulasegaran. During the event, briefing and operating experience of the CIMA plant was shared and a mock drill was conducted.



In September 2018, one of our subsidiaries, See Sen Chemical Berhad was proud to achieve one million manhours worked with Lost Time Injury free, spanning from FY 2017 to FY 2018 with a total of ninety-two (92) employees and one hundred and twelve (112) contractors worked at the sites. The key success to this accomplishment is the hard work and dedication of all departments within our organisation as we believe that safety is a value and an integral part of our everyday business.



#### Training and Education

We want our employees to grow with us. We believe in keeping our employees engaged with the aim to bring forth their full potential and enabling a satisfying career for each of them. In 2018, we averaged nineteen (19) training hours per employee and are committed to furthering the success of our employees.

#### Local Community Services

Our people are our greatest assets. We also believe in investing in millennials and cultivating the next generation of workforce via our undergraduate internship programmes. We accepted ten (10) undergraduates in 2018 from different universities and a total of sixty-three (63) in the last few years (2014-2017), with the aim to share and better prepare them for the working world when they graduate.

The school adoption program is one of the key Corporate Social Responsibility programmes undertaken by the Malay-Sino Chemical Industries Sendirian Berhad, Kemaman Plant (“MSCIK”). A collaboration was formed between Sekolah Menengah Binjai and MSCIK in July 2018, with the aim to create an exciting method in career studies to learn about career path to motivate students to further their studies and pursue their dreams. MSCIK sponsorship covers computers, information technology support, football and badminton coaching services as well as career talks.



As a caring corporation, we reach out to society via our philanthropic and corporate social responsibility activities, aimed at the less fortunate where we can make a difference and our employees can participate to give back and enrich themselves in the process.

# BATU KAWAN BERHAD

## Statement on Risk Management and Internal Control

### INTRODUCTION

The Board, in compliance with Paragraph 15.26(b) of Bursa Malaysia Securities Berhad's ("Bursa Malaysia") Main Market Listing Requirements, is pleased to provide the following Statement on Risk Management and Internal Control ("the Statement"). Preparation of the Statement, which outlines the nature and scope of risk management and internal control of the Group during the year, is guided by "Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers" as required by Bursa Malaysia.

### BOARD RESPONSIBILITY

The Board affirms its overall responsibility in maintaining a sound risk management and internal control system at BKB to safeguard the interests of shareholders, customers, employees and the Group's assets. The Board also recognises that such systems are designed to manage the Group's risks within an acceptable level, rather than eliminate the risk of failure to achieve the policies, goals and objectives of the Group. It can therefore only provide reasonable, rather than absolute assurance of effectiveness against material misstatement of management and financial information, financial losses, fraud and breaches of laws or regulations.

### CONTROL ENVIRONMENT & ACTIVITIES

- **Risk Management Framework**

A formal risk management framework has been established with the aim of setting clear guidelines in relation to the level of risks acceptable to the Group. The framework is also designed to ensure proper management of the risks that may impede the achievement of the Group's goals and objectives.

The Group has in place an ongoing process for identifying, evaluating and managing the principal risks that affect the attainment of the Group's business objectives and goals for the year under review and up to the date of approval of this statement for inclusion in the Annual Report.

The Board is supported by the Group Risk Management Committee ("GRMC"), headed by the Managing Director in overseeing the risk management efforts within the Group. The risk management process includes identifying principal business risks in critical areas, assessing the likelihood and impact of material exposures and determining its corresponding risk mitigation and treatment measures.

These ongoing processes are co-ordinated by the Internal Audit Department in conjunction with all the business heads within the Group and periodic reporting to the GRMC.

The Group's risks relating to the Plantation sector are managed by its main subsidiary, Kuala Lumpur Kepong Berhad's own GRMC. The principal Plantation sector risks include sustainability risks, regulatory risks, market and commodity prices risks and operational risks. These principal risks for the year ended 30 September 2018 have been reviewed by Kuala Lumpur Kepong Berhad's Board of Directors.

- **Board Meetings**

The Board meets at least quarterly and has a formal agenda on matters for discussion. The Managing Director leads the presentation of board papers and provides explanations on pertinent issues. In arriving at any decision, on recommendation by the Management, a thorough deliberation and discussion by the Board is a prerequisite. In addition, the Board is kept updated on the Group's activities and operations on a timely and regular basis.

- **Organisational Structures with Formally Defined Responsibility Lines and Delegation of Authority**

Organisational structures with formally defined responsibility lines and authorities are in place to facilitate quick response to changes in the evolving business environment, effective supervision of day-to-day business conduct and accountability for operational performance. Capital and non-capital expenditures and acquisition and disposal of investments are subject to appropriate approval processes.

# BATU KAWAN BERHAD

## Statement on Risk Management and Internal Control (Continued)

### CONTROL ENVIRONMENT & ACTIVITIES (Continued)

- **Performance Management Framework**

Management reports are generated on a regular and consistent basis to facilitate the Board and the Group's Management in performing financial and operational reviews on the various operating centres. The reviews encompass areas such as financial and non-financial key performance indicators, variances between budget and operating results and compliance with laws and regulations.

The Group has in place a well-defined budgeting process that supports the performance management framework.

- **Operational Policies And Procedures**

Documented policies and procedures form an integral part of the internal control systems to safeguard shareholders' investment and Group's assets against material losses and ensure complete and accurate financial information. The documents consist of circulars, the Standard Operating Manuals and the Standard Policy Procedures Manuals that are continuously being revised and updated to meet operational needs.

- **Group Internal Audit**

The Internal Audit Department which is headed by the Head of Internal Audit, reports directly to the Audit and Risk Committee and conducts reviews on the system of internal controls and the effectiveness of the processes that are in place to identify, manage and report risks. Routine reviews are being conducted on operating centres under the Group's business segments. Appropriate recommendations are made to address the issues and weaknesses highlighted and they are subsequently followed up upon to ensure proper implementation.

### REVIEW OF STATEMENT BY EXTERNAL AUDITORS

The External Auditors have reviewed this Statement on Risk Management and Internal Control to the scope set out in the *Audit and Assurance Practice Guide ("AAPG") 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* issued by the Malaysian Institute of Accountants for inclusion in the Annual Report for the Group for the year ended 30 September 2018, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the Annual Report of the Group, in all material respects:

- (a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers; or
- (b) is factually inaccurate.

AAPG 3 does not require the External Auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board and Management thereon. The Auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the Annual Report will, in fact, remedy the problems.

### ADEQUACY AND EFFECTIVENESS OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board has reviewed the adequacy and effectiveness of the Group's risk management and internal system for the year under review and up to the date of approval of this statement for inclusion in the Annual Report, and is of the view that the risk management and internal control system is operating satisfactorily and no material losses were incurred as a result of internal control weaknesses or adverse compliance events.

The Managing Director and Group Financial Controller have provided assurance to the Board that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects. The Management will continue to review and take measures to ensure the on-going effectiveness and adequacy of the system of risk management and internal controls, so as to safeguard shareholders' investments and the Group's assets.

This Statement was approved by the Board of Directors on 10 December 2018.

# BATU KAWAN BERHAD

## Audit and Risk Committee Report

The Audit Committee of Batu Kawan Berhad (“BKB”) was established in 1993. During the financial year, the Audit Committee was renamed the ‘Audit and Risk Committee’, to align with the expanded functions of the Audit Committee to include risk oversight responsibilities. The terms of reference of the Audit and Risk Committee was also revised and expanded to include the additional roles and functions conducted by the Audit and Risk Committee. The Audit and Risk Committee will assist the Board of Directors of BKB (“Board”) in carrying out, amongst others, the responsibility of overseeing the BKB Group’s operating, audit, strategic and compliance risk.

The Board is pleased to present the report of the Audit and Risk Committee for the financial year ended 30 September 2018.

### COMPOSITION AND MEETINGS

The Audit and Risk Committee comprises four (4) members, all of whom are Independent Non-Executive Directors and were appointed by the Board. The Audit and Risk Committee carried out their duties in accordance with their terms of reference.

The Audit and Risk Committee convened five (5) meetings during the financial year ended 30 September 2018. The members of the Audit and Risk Committee and their attendance at the meetings, are as follows:

Name of Directors	Number of Meetings	
	Held <sup>1</sup>	Attended
Dato’ Yeoh Eng Khoon (Chairman) - <i>Senior Independent Non-Executive Director</i>	5	5
Mr. Quah Chek Tin - <i>Independent Non-Executive Director</i>	5	5
Tan Sri Rastam Bin Mohd Isa - <i>Independent Non-Executive Director</i>	5	5
Dr. Tunku Alina Binti Raja Muhd Alias <sup>2</sup> - <i>Independent Non-Executive Director</i>	1	1

<sup>1</sup> reflects the number of meetings held during the period the Audit and Risk Committee members held office

<sup>2</sup> Dr. Tunku Alina Binti Raja Muhd Alias was appointed as an Audit and Risk Committee member on 16 May 2018.

The Audit and Risk Committee meets regularly and the Group Financial Controller, the Head of Internal Audit and occasionally, representatives of the External Auditors, normally attend these meetings. Other members of the Board may attend the meetings upon the invitation of the Audit and Risk Committee. During the year under review, the total number of meetings held included the meeting between the members of the Audit and Risk Committee and representatives of the External Auditors without the presence of the Management.

The Company Secretary shall be the Secretary of the Audit and Risk Committee. The Secretary shall maintain minutes of the proceedings of the meetings of the Audit and Risk Committee and distribute such minutes to each member of the Audit and Risk Committee and the Board.

### SUMMARY OF ACTIVITIES OF THE AUDIT AND RISK COMMITTEE

In line with the key functions in its terms of reference of the Audit and Risk Committee, the following activities were carried out by the Audit and Risk Committee during the financial year ended 30 September 2018 in the discharge of its functions and duties:

- 1) Financial Reporting
  - (a) Reviewed and reported to the Board the Group’s quarterly results and year-end financial statements prior to the approval by the Board.
  - (b) Reviewed the audit reports for the Group and the Company prepared by the external and internal auditors and considered the major findings by the auditors and Management’s response thereto.
  - (c) Reviewed the audit plans for the Group and the Company for the year which were prepared by both the External and Internal Auditors.



# BATU KAWAN BERHAD

## Audit and Risk Committee Report (Continued)

### SUMMARY OF ACTIVITIES OF THE AUDIT AND RISK COMMITTEE (Continued)

- 2) Risk Management and Internal Control
  - (a) Reviewed the Group's procedures on internal controls and ensure that appropriate arrangements are in place for matters relating to financial reporting and financial control.
  - (b) Reviewed and assessed the scope and effectiveness of the systems established by Management to identify, assess, manage and monitor financial and non-financial risks.
  - (c) Reviewed the annual Statement on Risk Management and Internal Control and Internal Audit Function to be published in the Annual Report for Board's approval.
- 3) Internal Audit
  - (a) Reviewed the adequacy of the scope, functions, competencies and resources of the internal audit function and ensure that it has the necessary authority to carry out its responsibilities.
  - (b) Reviewed the internal audit programmes and processes, the results of the internal audit programmes and processes as well as measures undertaken and ensure that where appropriate, action is taken on the recommendations of the internal audit function.
- 4) External Audit
  - (a) Reviewed with the External Auditors their audit plan, the nature and scope of the audit, prior to the commencement of audit and to ensure coordination with the audit firms of subsidiaries.
  - (b) Reviewed with the External Auditors on the following and reported the same to the Board:
    - (i) audit report, including the key issues which arose during the course of the audit and subsequently have been resolved and those issues that have been left unresolved;
    - (ii) External Auditors' management letter and Management's response thereto;
    - (iii) evaluations of the system of internal controls;
    - (iv) audit approach, including coordination of audit efforts with internal auditors and assistance given by the employees to the External Auditors; and
    - (v) key significant audit findings reported by the External Auditors.
  - (c) The present External Auditors, Messrs KPMG PLT will retire at the forthcoming Annual General Meeting of the Company. The Audit and Risk Committee, having assessed the qualification and capabilities of several audit firms (which includes their reputation and presence in the industry, qualifications and independence of its professionals, networking ability and competency to evaluate overseas subsidiaries not audited by the firm and the internal quality control processes in place) and recommended to the Board for the change of the Company's External Auditors to Messrs BDO, in place of Messrs KPMG PLT.
- 5) Reviewed related party transactions entered into by the Group, including the review and monitoring of recurrent related party transactions for which shareholders' mandate has been granted, to ensure that:
  - (a) such transactions were carried out on normal commercial terms and were not prejudicial to the interests of the Company or its minority shareholders;
  - (b) adequate oversight over the internal control procedures with regard to such transactions; and
  - (c) compliance with the BKB Policy on Related Party Transactions.
- 6) Reviewed and revised its terms of reference for compliance with the amendments of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (arising from the introduction of the Companies Act 2016 and the release of the new Malaysian Code on Corporate Governance 2017), and to include the additional roles and functions of the Audit and Risk Committee in oversight of the Group's risk management framework and policies, for recommendation to the Board for approval.
- 7) Reviewed the Audit and Risk Committee Report before submitting for Board's approval for inclusion in the Annual Report.

# BATU KAWAN BERHAD

## Audit and Risk Committee Report (Continued)

### INTERNAL AUDIT FUNCTION

The Company has an independent in-house Internal Audit Department whose principal responsibility is to independently assess and report to the Board, through the Audit and Risk Committee, the systems of internal control of the Company. The main responsibilities of the Internal Auditors are to:

- Assist in reviewing the adequacy, integrity and effectiveness of the Group's internal control system for the Board as well as to assist in drafting the Statement of Risk Management and Internal Control in the Annual Report;
- Support the Audit and Risk Committee in evaluating the effectiveness of the existing internal control system, identify future requirements and co-develop a prioritised action plan to further enhance the internal control system;
- Identify the key business processes within the Group and the Company that internal audit should focus on;
- Allocate necessary resources to selected areas of audit in order to provide Management and the Audit and Risk Committee an effective and efficient level of internal audit coverage; and
- Coordinate risk identification and risk management processes and activities.

An annual internal audit plan is presented to the Audit and Risk Committee for approval. The internal audit function adopts a risk-based approach and prepares the plan based on the risk profiles of the business units of the Group.

The activities of the Internal Audit Department that were carried out are as follows:

- Undertook internal audit based on the audit plan that had been reviewed and approved by the Audit and Risk Committee which includes the review of operational compliance with established internal control procedures and reliability of financial records;
- Attended budget review meetings held twice annually by the Group's Senior Management to keep abreast of strategic and operational planning issues. Discussions relating to principal and significant business risks are recorded and forwarded to the Audit and Risk Committee;
- Conducted investigations with regards to specific areas of concern as directed by the Audit and Risk Committee and the Management;
- Assessed key business risks at each business unit and performed continuous monitoring of those risks via risk validation procedures and reviewing supporting documentations; and
- Issued and presented quarterly internal audit report summaries to the Audit and Risk Committee during the year, on the Group's operating centres with appropriate audit recommendations.

Great importance is placed on effective and fair communication with auditees and other stakeholders. Open channels of communications are maintained to facilitate this. In striving for continuous improvement, the Internal Audit Department will endeavour to put in place appropriate action plans and carry out necessary assignments to further enhance the Group's systems of internal control. Its resources and manpower requirements are reviewed on a regular basis to ensure the function can carry out its duties effectively. The costs incurred for the Group Internal Audit function for the financial year ended 30 September 2018 were RM5,548,000.

# BATU KAWAN BERHAD

## Directors' Responsibility Statement

The Directors are required by the Companies Act 2016 to prepare financial statements for each financial year which gives a true and fair view of the financial position of the Group and of the Company as at the financial year end and of the results and the cash flows of the Group and of the Company for that financial year.

The Directors consider that, in preparing the financial statements of Batu Kawan Berhad for the financial year ended 30 September 2018, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Directors also consider that all applicable Financial Reporting Standards in Malaysia have been followed and confirmed that the financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that the Group and the Company keep accounting records which disclose with reasonable accuracy of the financial position of the Group and of the Company at any time and which enable them to ensure that the financial statements comply with the provisions of the Companies Act 2016.

The Directors are also responsible for taking such steps that are reasonably open to them to safeguard the assets of the Group.

# BATU KAWAN BERHAD

## Additional Compliance Information

### UTILISATION OF PROCEEDS

There were no proceeds raised from any corporate proposals during the financial year.

### AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees paid to the External Auditors, Messrs KPMG PLT and its affiliates, by the Group during the financial year are as follows:

	Group RM'000	Company RM'000
Audit Fees	2,243	164
Non-Audit Fees	1,698	15

### MATERIAL CONTRACTS

There was no material contract other than in the ordinary course of business entered into by the Company or its subsidiaries involving Directors' and major shareholders' interest during the financial year.

### RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

Pursuant to Practice Note 12 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the aggregate value of the recurrent related party transactions of a revenue or trading nature conducted for the financial year under review between the Company and/or its subsidiaries [excluding Kuala Lumpur Kepong Berhad ("KLK") and its subsidiaries where such information is disclosed in KLK's Annual Report] with related parties is set out below, except for types of transaction with nil aggregate value:

Company	Type of Transactions	Related Party and Nature of Relationship	Transactions Aggregate Value RM'000
Malay-Sino Chemical Industries Sendirian Berhad ("Malay-Sino") Group	Sale and purchase of finished goods, raw materials, other products and services including transportation services	Taiko Marketing Sdn. Bhd. ("TMK") Group  <u>Interested Directors *</u> Tan Sri Dato' Seri Lee Oi Hian ("LOH") Dato' Lee Hau Hian ("LHH")  <u>Interested Major Shareholders #</u>	228,799
Malay-Sino Group	Purchase and sale of products and services which relate to core chemical business	Taiko Marketing (Singapore) Pte Ltd ["TMK(S)"]  <u>Interested Directors *</u> LOH, LHH  <u>Interested Major Shareholders #</u>	27,571
Malay-Sino Group	Purchase and sale of raw materials, finished goods, other products and services including transportation services	Chlor-Al Chemical Pte Ltd ("CAC")  <u>Interested Directors *</u> LOH, LHH  <u>Interested Major Shareholders #</u>	7,346

# BATU KAWAN BERHAD

## Additional Compliance Information (Continued)

### RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE (Continued)

Company	Type of Transactions	Related Party and Nature of Relationship	Transactions Aggregate Value RM'000
See Sen Chemical Berhad ("See Sen")	Purchase of raw materials, finished goods, other products and services	TMK Group	14,818
	Sale of finished goods and other products and services	<u>Interested Directors *</u> LOH, LHH  <u>Interested Major Shareholders #</u>	58,292
See Sen	Purchase and sale of products and services	CAC  <u>Interested Directors *</u> LOH, LHH  <u>Interested Major Shareholders #</u>	1,109
See Sen	Purchase and sale of products and services	Taiko Chemical Industries Sdn. Bhd. ("TCI") Group  <u>Interested Directors *</u> LOH, LHH  <u>Interested Major Shareholders #</u>	248
See Sen	Sale of electricity and provision of other chemical-based products and services	BASF See Sen Sdn Bhd  <u>Interested Directors *</u> LOH, LHH  <u>Interested Major Shareholders #</u>	10,418
PT Satu Sembilan Delapan ("PT SSD")	Sale of fresh fruit bunches and palm products	Kuala Lumpur Kepong Berhad ("KLK") Group  <u>Interested Directors *</u> LOH, LHH  <u>Interested Major Shareholders #</u>	16,876
PT SSD	Purchase of fresh fruit bunches and palm products	KLK Group  <u>Interested Directors *</u> LOH, LHH  <u>Interested Major Shareholders #</u>	12,932

*The above recurrent related party transactions of a revenue or trading nature were undertaken on terms not more favourable to the related party than those generally available to the public and are not detrimental to the minority shareholders of BKB.*

# BATU KAWAN BERHAD

## Additional Compliance Information (Continued)

### Note:

- \* *Persons connected to the Interested Directors are also deemed interested in the Recurrent Related Party Transactions.*
- # *Grateful Blessings Foundation (“Foundation”) (who holds the entire issued and paid-up capital of Grateful Blessings Inc) was founded by Tan Sri Dato’ Seri Lee Oi Hian who has a deemed interest by virtue of Section 8(4) of the Companies Act 2016. However, he does not have any economic or beneficial interest in the shares of the Company as his deemed interest is held via the interest of his family members who are discretionary beneficiaries of the Foundation and whose interest is held subject to the discretion of the Foundation Council. Grateful Blessings Inc is a substantial shareholder of Di-Yi Sdn Bhd. Cubic Crystal Corporation [whose entire issued and paid-up capital is held by High Quest Anstalt (founded by Dato’ Lee Hau Hian)] is a substantial shareholder of High Quest Holdings Sdn Bhd. Di-Yi Sdn Bhd and High Quest Holdings Sdn Bhd are substantial shareholders of Wan Hin Investments Sdn Berhad (“WHI”) and Arusha Enterprise Sdn Bhd, major shareholders of the Company. Accordingly, all these parties are major shareholders by virtue of their deemed interests and have interest in the recurrent related party transactions.*

### Details of the nature of relationship with Related Parties are as follows:

#### 1. See Sen

- (a) See Sen is a 61% subsidiary of BKB.
- (b) Certain BKB Directors, LHH, who is a Major Shareholder of BKB, together with Dato’ Yeoh Eng Khoon (with no shareholding in See Sen), are directors of this company.
- (c) WHI, a company in which LOH and LHH have interests, is a substantial shareholder of See Sen. WHI is also a major shareholder of BKB.

#### 2. TCI Group

Taiko Chemical Industries Sdn Bhd (“TCI”) is a person connected with LOH and LHH, who are Directors of BKB as their brother, Dato’ Lee Soon Hian (“LSH”), is a major shareholder of TCI.

#### 3. TMK(S) / CAC

These companies are companies in which LSH is a deemed major shareholder.

#### 4. TMK Group

TMK is a company in which LSH is a major shareholder.

#### 5. Malay-Sino Group

- (a) Malay-Sino is a 98% subsidiary of BKB.
- (b) A BKB Director, LHH is also director of Malay-Sino.

#### 6. BASF See Sen Sdn Bhd

BASF See Sen Sdn Bhd is a 30% associate of See Sen.

#### 7. KLK Group

- (a) KLK is 47% subsidiary of BKB, following the adoption of FRS 10 *Consolidated Financial Statements* in financial year 2014.
- (b) Certain BKB Directors, LOH and LHH are major shareholders and directors of KLK.
- (c) WHI is a major shareholder of KLK.
- (d) All BKB Directors are common directors of KLK except Mr. Quah Chek Tin, Tan Sri Rastam Bin Mohd Isa and Dr. Tunku Alina Binti Raja Muhd Alias.

# BATU KAWAN BERHAD

## Reports and Audited Financial Statements

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# BATU KAWAN BERHAD

## Report of the Directors

The Directors have pleasure in submitting their Report together with the audited financial statements of the Group and of the Company for the financial year ended 30 September 2018.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries, associates and joint ventures are as disclosed in Note 43 to the financial statements.

### SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The details of the Company's subsidiaries, associates and joint ventures are as disclosed in Note 43 to the financial statements.

### SUMMARY OF RESULTS

	Group RM'000	Company RM'000
Profit before taxation	1,276,705	439,669
Taxation	(351,024)	(567)
Profit for the year	<u>925,681</u>	<u>439,102</u>
Attributable to:		
Equity holders of the Company	465,476	439,102
Non-controlling interests	460,205	-
	<u>925,681</u>	<u>439,102</u>

### DIVIDENDS

The amounts paid or declared by way of dividends by the Company since the end of the previous financial year were:

- (a) a final single tier dividend of 45 sen per share amounting to RM180,400,351 in respect of the financial year ended 30 September 2017 was paid on 15 March 2018; and
- (b) an interim single tier dividend of 15 sen per share amounting to RM60,101,470 in respect of the financial year ended 30 September 2018 was paid on 9 August 2018.

The Directors authorised the payment of a final single tier dividend of 40 sen per share amounting to RM160,022,000 for the year ended 30 September 2018 which will be paid on 6 March 2019. The entitlement date for the dividend shall be 25 February 2019.

### RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year except as disclosed in the statements of changes in equity, Notes 33 and 35 to the financial statements.



# BATU KAWAN BERHAD

## Report of the Directors (Continued)

### TREASURY SHARES

During the financial year, the Company bought back a total of 2,301,500 of its issued shares from the open market for a total cost of RM45,069,274. Details of the shares bought back and retained as treasury shares were as follows:

Month	No. of shares bought back	Highest price paid per share RM	Lowest price paid per share RM	Average price paid per share RM	Total consideration RM
October 2017	54,400	19.50	19.14	19.31	1,054,603
November 2017	817,000	20.00	19.70	19.86	16,282,936
January 2018	1,111,700	19.88	19.76	19.81	22,092,179
April 2018	153,800	18.00	18.00	18.00	2,778,284
June 2018	59,400	18.30	17.90	18.19	1,084,305
September 2018	105,200	16.90	16.80	16.83	1,776,967
	<u>2,301,500</u>				<u>45,069,274</u>

As at 30 September 2018, the Company retained as treasury shares a total of 35,379,731 of its 435,951,000 issued shares. The Company has not made any share cancellation nor resold its treasury shares during the financial year ended 30 September 2018. Such treasury shares are held at a carrying amount of RM491,740,407 and further details are disclosed in Note 32 to the financial statements.

The mandate given by the shareholders at the Annual General Meeting ("AGM") held on 13 February 2018 to approve the Company's plan to repurchase its own shares will expire at the forthcoming AGM and an ordinary resolution will be tabled at the forthcoming AGM for shareholders to renew the mandate for another year.

### DIRECTORS OF THE COMPANY

The Directors in office since the beginning of the financial year to the date of this report are shown on page 13.

### DIRECTORS' SHAREHOLDINGS

According to the Register of Directors' Shareholdings, the interests of the Directors who held office at the end of the financial year in the Company and its subsidiaries were as follows:

	Balance as at 1 October 2017/ Date of Appointment	Additions	Disposals	Balance as at 30 September 2018
	← Number of shares →			
<b>Company:</b>				
<b>Batu Kawan Berhad</b>				
<b>Direct interest</b>				
Tan Sri Dato' Seri Lee Oi Hian	854,355	-	-	854,355
Dato' Lee Hau Hian	1,425,530	-	-	1,425,530
Dato' Yeoh Eng Khoon	315,000	-	-	315,000
<b>Deemed interest</b>				
Tan Sri Dato' Seri Lee Oi Hian	213,728,705	-	-	213,728,705
Dato' Lee Hau Hian	212,531,980	-	-	212,531,980
Dato' Yeoh Eng Khoon	15,391,000	100,000	-	15,491,000

# BATU KAWAN BERHAD

## Report of the Directors (Continued)

	Balance as at 1 October 2017/ Date of Appointment	Additions	Disposals	Balance as at 30 September 2018
	← Number of shares →			
<b>Subsidiary:</b>				
<b>Kuala Lumpur Kepong Berhad</b>				
<b>Direct interest</b>				
R. M. Alias	337,500	-	-	337,500
Tan Sri Dato' Seri Lee Oi Hian	72,000	-	-	72,000
Dato' Lee Hau Hian	83,250	-	-	83,250
Dato' Yeoh Eng Khoon	335,000	-	-	335,000
Dr. Tunku Alina Binti Raja Muhd Alias	1,000	-	-	1,000
<b>Deemed interest</b>				
R. M. Alias	1,000	-	-	1,000
Tan Sri Dato' Seri Lee Oi Hian	496,372,027	5,000,000	-	501,372,027
Dato' Lee Hau Hian	496,372,027	5,000,000	-	501,372,027
Dato' Yeoh Eng Khoon	3,189,850	-	-	3,189,850

By virtue of their deemed interests in the shares of the Company, Tan Sri Dato' Seri Lee Oi Hian and Dato' Lee Hau Hian are deemed to have an interest in the shares of the other subsidiaries of the Company to the extent of the Company's interest in the respective subsidiaries as disclosed in Note 43 to the financial statements.

Other than as disclosed above, the other Directors who held office at the end of the financial year did not have any interest (whether direct or deemed) in the shares of the Company or its related corporations during the financial year.

### DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefits (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the Group's financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except for any deemed benefits that may accrue to certain Directors by virtue of the normal trading transactions by the Group and the Company with related parties as disclosed in Note 39 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### INDEMNITY AND INSURANCE COSTS

During the financial year, Directors and officers of the Group are covered under the Directors' and Officers' Liability Insurance Policy ("the Policy") in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and Officers of the Group subject to the terms of the Policy. The total amount of directors' and officers' liability insurance effected for the Directors and Officers of the Group was RM18 million.

### OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

# BATU KAWAN BERHAD

## Report of the Directors (Continued)

### OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- (a) all known bad debts have been written off and adequate provision made for doubtful debts; and
- (b) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- (a) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent; or
- (b) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person; or
- (b) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year except as disclosed in Note 42 to the financial statements.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 30 September 2018 have not been substantially affected by any item, transaction or event of a material and unusual nature nor have any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

### EVENTS SUBSEQUENT TO REPORTING DATE

Details of events subsequent to reporting date are disclosed in Note 47 to the financial statements.

**BATU KAWAN BERHAD**  
**Report of the Directors (Continued)**

**AUDITORS**

The auditors' remuneration is disclosed in Note 5 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors, dated 10 December 2018.

**DATO' LEE HAU HIAN**  
(Managing Director)

**DATO' YEOH ENG KHOON**  
(Director)

**BATU KAWAN BERHAD**  
**Statements of Profit or Loss**  
For The Year Ended 30 September 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue	4	<b>18,966,357</b>	21,548,322	<b>482,036</b>	279,503
Cost of sales		<b>(16,507,446)</b>	(18,625,263)	-	-
Gross profit		<b>2,458,911</b>	2,923,059	<b>482,036</b>	279,503
Other operating income		<b>245,705</b>	185,036	<b>17,041</b>	31,245
Distribution costs		<b>(271,404)</b>	(345,034)	-	-
Administration expenses		<b>(543,862)</b>	(566,551)	<b>(8,799)</b>	(8,113)
Other operating expenses		<b>(422,582)</b>	(387,384)	<b>(30,275)</b>	(26,249)
Operating profit	5	<b>1,466,768</b>	1,809,126	<b>460,003</b>	276,386
Finance costs	6	<b>(195,271)</b>	(190,122)	<b>(20,334)</b>	(20,280)
Share of profits of equity accounted associates, net of tax		<b>12,643</b>	12,990	-	-
Share of losses of equity accounted joint ventures, net of tax		<b>(7,435)</b>	(9,863)	-	-
Profit before taxation		<b>1,276,705</b>	1,622,131	<b>439,669</b>	256,106
Taxation	9	<b>(351,024)</b>	(423,408)	<b>(567)</b>	(1,624)
Profit for the year		<b>925,681</b>	1,198,723	<b>439,102</b>	254,482
Attributable to:					
Equity holders of the Company		<b>465,476</b>	586,646	<b>439,102</b>	254,482
Non-controlling interests		<b>460,205</b>	612,077	-	-
		<b>925,681</b>	1,198,723	<b>439,102</b>	254,482
		<b>Sen</b>	Sen	<b>Sen</b>	Sen
Earnings per share	10	<b>116.0</b>	145.2	<b>109.4</b>	63.0

*The accompanying notes form an integral part of the financial statements.*

**BATU KAWAN BERHAD**  
**Statements of Other Comprehensive Income**  
For The Year Ended 30 September 2018

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Profit for the year</b>	<b>925,681</b>	1,198,723	<b>439,102</b>	254,482
<b>Other comprehensive (loss)/ income that will be reclassified subsequently to profit or loss</b>				
Currency translation differences	(506,586)	114,810	-	-
Net change in fair value of available-for-sale investments	67,001	541,541	(2,628)	4,098
Realisation on fair value of available-for-sale investments	(7,783)	(5,560)	(445)	(323)
	<b>(447,368)</b>	650,791	<b>(3,073)</b>	3,775
<b>Other comprehensive income that will not be reclassified subsequently to profit or loss</b>				
Remeasurement of defined benefit plans (Note 35)	1,836	27,657	-	-
<b>Total other comprehensive (loss)/ income for the year</b>	<b>(445,532)</b>	678,448	<b>(3,073)</b>	3,775
<b>Total comprehensive income for the year</b>	<b>480,149</b>	1,877,171	<b>436,029</b>	258,257
Attributable to:				
Equity holders of the Company	234,898	913,363	436,029	258,257
Non-controlling interests	245,251	963,808	-	-
	<b>480,149</b>	1,877,171	<b>436,029</b>	258,257

*The accompanying notes form an integral part of the financial statements.*

**BATU KAWAN BERHAD**  
**Statements of Financial Position**  
As At 30 September 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Assets</b>					
Property, plant and equipment	12	5,491,237	5,487,466	666	163
Investment property	13	48,393	49,263	-	-
Prepaid lease payments	14	386,003	321,985	-	-
Biological assets	15	2,776,616	2,725,985	-	-
Land held for property development	16	1,100,407	1,091,471	-	-
Goodwill on consolidation	17	343,595	352,949	-	-
Intangible assets	18	23,358	15,325	-	-
Investments in subsidiaries	19	-	-	958,186	859,649
Investments in associates	20	185,565	177,680	901	901
Investments in joint ventures	21	259,300	251,737	-	-
Available-for-sale investments	22	2,493,727	2,400,912	23,658	26,670
Other receivable	23	220,110	237,516	-	-
Amounts owing by subsidiaries	19	-	-	112,950	110,037
Deferred tax assets	24	397,541	453,110	-	-
<b>Total non-current assets</b>		<b>13,725,852</b>	<b>13,565,399</b>	<b>1,096,361</b>	<b>997,420</b>
Inventories	25	2,146,452	1,834,008	-	-
Biological assets	15	41,906	37,806	-	-
Trade receivables	26	1,524,387	1,917,691	-	-
Other receivables, deposits and prepayments	27	648,107	709,849	96	11
Amounts owing by subsidiaries	19	-	-	3,231	1,659
Tax recoverable		62,305	39,582	36	-
Property development costs	28	140,621	154,696	-	-
Available-for-sale investments	22	291,246	327,143	112,849	87,025
Derivative financial assets	29	69,234	110,748	-	-
Short term funds	30	195,579	578,489	-	-
Cash and cash equivalents	31	1,561,986	1,755,744	182,654	158,920
<b>Total current assets</b>		<b>6,681,823</b>	<b>7,465,756</b>	<b>298,866</b>	<b>247,615</b>
<b>Total assets</b>		<b>20,407,675</b>	<b>21,031,155</b>	<b>1,395,227</b>	<b>1,245,035</b>
<b>Equity</b>					
Share capital	32	509,689	498,760	435,951	435,951
Reserves	33	6,565,809	6,645,684	940,057	744,530
		7,075,498	7,144,444	1,376,008	1,180,481
Less: Cost of treasury shares	32	(491,740)	(446,671)	(491,740)	(446,671)
Total equity attributable to equity holders of the Company		6,583,758	6,697,773	884,268	733,810
Non-controlling interests		6,556,840	6,672,039	-	-
<b>Total equity</b>		<b>13,140,598</b>	<b>13,369,812</b>	<b>884,268</b>	<b>733,810</b>
<b>Liabilities</b>					
Other payables	38	82	-	-	-
Deferred tax liabilities	24	321,459	284,561	-	-
Deferred income	34	119,004	117,365	-	-
Provision for retirement benefits	35	477,323	488,288	31	30
Borrowings	36	3,562,099	3,567,168	500,000	500,000
<b>Total non-current liabilities</b>		<b>4,479,967</b>	<b>4,457,382</b>	<b>500,031</b>	<b>500,030</b>
Trade payables	37	564,044	809,111	-	-
Other payables	38	880,738	807,516	10,544	10,939
Amount owing to a subsidiary	19	-	-	384	-
Deferred income	34	7,947	7,808	-	-
Borrowings	36	1,221,114	1,375,596	-	-
Tax payable		49,048	99,287	-	256
Derivative financial liabilities	29	64,219	104,643	-	-
<b>Total current liabilities</b>		<b>2,787,110</b>	<b>3,203,961</b>	<b>10,928</b>	<b>11,195</b>
<b>Total liabilities</b>		<b>7,267,077</b>	<b>7,661,343</b>	<b>510,959</b>	<b>511,225</b>
<b>Total equity and liabilities</b>		<b>20,407,675</b>	<b>21,031,155</b>	<b>1,395,227</b>	<b>1,245,035</b>

*The accompanying notes form an integral part of the financial statements.*

# BATU KAWAN BERHAD

## Consolidated Statement of Changes in Equity

For The Year Ended 30 September 2018

	Attributable to equity holders of the Company										Non-Controlling Interests RM'000	Total Equity RM'000
	Non-distributable					Distributable						
	Share Capital RM'000	Treasury Shares RM'000	Revaluation Reserve RM'000	Capital Reserve * RM'000	Capital Redemption Reserve RM'000	Exchange Fluctuation Reserve RM'000	Fair Value Reserve RM'000	General Reserve RM'000	Retained Earnings RM'000	Total 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
Net change in fair value of available-for-sale investments	-	-	-	-	-	-	263,060	-	-	263,060	278,481	541,541
Realisation on fair value of available-for-sale investments	-	-	-	-	-	-	(2,761)	-	-	(2,761)	(2,799)	(5,560)
Transfer from retained earnings to other reserves	-	-	-	2,613	2,430	-	-	-	(5,043)	-	-	-
Remeasurement of defined benefit plans (Note 35)	-	-	-	-	-	-	-	-	13,136	13,136	14,521	27,657
Currency translation differences	-	-	(6)	40	1	53,247	-	-	-	53,282	61,528	114,810
Total other comprehensive (loss)/income for the year	-	-	(6)	2,653	2,431	53,247	260,299	-	8,093	326,717	351,731	678,448
Profit for the year	-	-	-	-	-	-	-	-	586,646	586,646	612,077	1,198,723
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
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	-	13,171	13,171
Redemption of redeemable preference shares	31,505	-	-	-	-	-	-	-	(31,505)	-	-	-
Effect of changes in shareholdings in subsidiaries	-	-	-	-	-	-	-	-	(29,743)	(29,743)	(58,390)	(88,133)
Shares buy back	-	(43,399)	-	-	-	-	-	-	-	(43,399)	-	(43,399)
Dividends paid - 2016 final	-	-	-	-	-	-	-	-	(161,890)	(161,890)	-	(161,890)
- 2017 interim	-	-	-	-	-	-	-	-	(60,488)	(60,488)	-	(60,488)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(337,301)	(337,301)
Total transactions with owners of the Company	31,505	(43,399)	-	-	-	-	-	-	(283,626)	(295,520)	(382,520)	(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	4,725,469	6,697,773	6,672,039	13,369,812

← Note 32 →

← Note 33 →

\* Included in Capital Reserve is RM494,164,000 which is distributable.



# BATU KAWAN BERHAD

## Consolidated Statement of Changes in Equity (Continued)

For The Year Ended 30 September 2018

	Attributable to equity holders of the Company										
	Non-distributable					Distributable					
	Share Capital	Treasury Shares	Revaluation Reserve	Capital Reserve *	Exchange Fluctuation Reserve	Fair Value Reserve	General Reserve	Retained Earnings	Total	Non-Controlling Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 30 September 2017	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
Net change in fair value of available-for-sale investments	-	-	-	-	-	26,480	-	-	26,480	40,521	67,001
Realisation on fair value of available-for-sale investments	-	-	-	-	-	(6,567)	-	-	(6,567)	(1,216)	(7,783)
Transfer from retained earnings to other reserves	-	-	-	1,150	-	-	-	(1,150)	-	-	-
Remeasurement of defined benefit plans (Note 35)	-	-	-	-	-	-	-	1,164	1,164	672	1,836
Currency translation differences	-	-	(77)	(317)	(251,261)	-	-	-	(251,655)	(254,931)	(506,586)
Total other comprehensive (loss)/ income for the year	-	-	(77)	833	(251,261)	19,913	-	14	(230,578)	(214,954)	(445,532)
Profit for the year	-	-	-	-	-	-	-	465,476	465,476	460,205	925,681
Total comprehensive (loss)/ income for the year	-	-	(77)	833	(251,261)	19,913	-	465,490	234,898	245,251	480,149
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	15,285	15,285
Acquisitions through business combination	-	-	-	-	-	-	-	-	-	3,652	3,652
Redemption of redeemable preference shares	10,929	-	-	-	-	-	-	(10,929)	-	-	-
Effect of changes in shareholdings in subsidiaries	-	-	-	-	-	-	-	(63,342)	(63,342)	(56,975)	(120,317)
Shares buy back	-	(45,069)	-	-	-	-	-	-	(45,069)	-	(45,069)
Dividends paid - 2017 final	-	-	-	-	-	-	-	(180,400)	(180,400)	-	(180,400)
- 2018 interim	-	-	-	-	-	-	-	(60,102)	(60,102)	-	(60,102)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(322,412)	(322,412)
Total transactions with owners of the Company	10,929	(45,069)	-	-	-	-	-	(314,773)	(348,913)	(360,450)	(709,363)
At 30 September 2018	509,689	(491,740)	4,639	826,740	10,119	841,090	7,035	4,876,186	6,583,758	6,556,840	13,140,598

← Note 32 →

← Note 33 →

\* Included in Capital Reserve is RM494,997,000 which is distributable.

The accompanying notes form an integral part of the financial statements.

# BATU KAWAN BERHAD

## Statement of Changes in Equity of the Company

For The Year Ended 30 September 2018

	← Non-distributable →			← Distributable →				
	Share Capital RM'000	Treasury Shares RM'000	Revaluation Reserve RM'000	Fair Value Reserve RM'000	Capital Reserve RM'000	General Reserve RM'000	Retained Earnings RM'000	
At 1 October 2016	435,951	(403,272)	16	5,362	32,555	6,739	663,979	741,330
Net change in fair value of available-for-sale investments	-	-	-	4,098	-	-	-	4,098
Realisation on fair value of available-for-sale investments	-	-	-	(323)	-	-	-	(323)
Total other comprehensive income for the year	-	-	-	3,775	-	-	-	3,775
Profit for the year	-	-	-	-	-	-	254,482	254,482
Total comprehensive income for the year	-	-	-	3,775	-	-	254,482	258,257
Shares buy back	-	(43,399)	-	-	-	-	-	(43,399)
Dividends paid - 2016 final	-	-	-	-	-	-	(161,890)	(161,890)
- 2017 interim	-	-	-	-	-	-	(60,488)	(60,488)
Total transactions with owners of the Company	-	(43,399)	-	-	-	-	(222,378)	(265,777)
At 30 September 2017	<b>435,951</b>	<b>(446,671)</b>	<b>16</b>	<b>9,137</b>	<b>32,555</b>	<b>6,739</b>	<b>696,083</b>	<b>733,810</b>
Net change in fair value of available-for-sale investments	-	-	-	(2,628)	-	-	-	(2,628)
Realisation on fair value of available-for-sale investments	-	-	-	(445)	-	-	-	(445)
Total other comprehensive loss for the year	-	-	-	(3,073)	-	-	-	(3,073)
Profit for the year	-	-	-	-	-	-	439,102	439,102
Total comprehensive (loss)/income for the year	-	-	-	(3,073)	-	-	439,102	436,029
Shares buy back	-	(45,069)	-	-	-	-	-	(45,069)
Dividends paid - 2017 final	-	-	-	-	-	-	(180,400)	(180,400)
- 2018 interim	-	-	-	-	-	-	(60,102)	(60,102)
Total transactions with owners of the Company	-	(45,069)	-	-	-	-	(240,502)	(285,571)
At 30 September 2018	<b>435,951</b>	<b>(491,740)</b>	<b>16</b>	<b>6,064</b>	<b>32,555</b>	<b>6,739</b>	<b>894,683</b>	<b>884,268</b>
	← Note 32 →			← Note 33 →				

*The accompanying notes form an integral part of the financial statements.*

**BATU KAWAN BERHAD**  
**Consolidated Statement of Cash Flows**  
For The Year Ended 30 September 2018

	2018 RM'000	2017 RM'000
<b>Cash flows from operating activities</b>		
Profit before taxation	1,276,705	1,622,131
Adjustments for:		
Depreciation of property, plant and equipment	429,812	429,748
Amortisation of prepaid lease payments	7,091	7,262
Depreciation of investment property	943	928
Amortisation of biological assets	74,115	71,549
Amortisation of intangible assets	2,395	2,163
Amortisation of deferred income	(7,926)	(6,252)
Impairment of property, plant and equipment	26,251	30,940
Impairment loss on investment in an associate	-	1,231
Impairment in value of available-for-sale investments	579	32,625
Property, plant and equipment written off	4,009	6,278
Gain on disposal of property, plant and equipment	(2,470)	(2,376)
Surplus on government acquisition of land	(24,034)	(4,892)
Surplus on disposal of land	(2,445)	(5,611)
Surplus on disposal of available-for-sale investments	(6,973)	(11,553)
(Reversal of impairment)/Impairment of prepaid lease payments	(58)	38
Retirement benefits provision	45,151	33,020
Reversal of retrenchment benefits	-	(31)
Write-off of trade receivables	165	255*
Impairment of trade receivables	463	7,681*
Write back of trade receivables	(807)	(20)*
Write down of inventories	43,386	23,943*
Abnormal loss on inventories	-	29*
Write back of slow moving inventories	(1,208)	(644)*
Write back of inventories written down to net realisable value	(7,877)	(943)*
Finance costs	195,271	190,122
Dividend income	(64,821)	(77,462)
Interest income	(88,338)	(85,634)
Exchange loss	101,474	11,882
Net change in fair value of derivatives measured at fair value	2,179	(107,268)
Share of profits of equity accounted associates, net of tax	(12,643)	(12,990)
Share of losses of equity accounted joint ventures, net of tax	7,435	9,863
Fair value (gain)/loss on rental deposit received	(34)	70
Operating profit before working capital changes	1,997,790	2,166,082*
Working capital changes:		
Property development costs	16,474	(9,873)
Inventories	(357,407)	128,991*
Biological assets	(7,743)	7,783
Trade and other receivables	470,196	(354,098)*
Trade and other payables	(560,575)	202,399
Deferred income	9,826	6,194
Cash generated from operations	1,568,561	2,147,478
Interest received	4,014	5,549
Interest paid	(222,437)	(194,104)
Tax paid	(399,485)	(369,947)
Retirement benefits paid	(31,398)	(32,941)
Net cash generated from operating activities	919,255	1,556,035

\* Comparative figures have been restated to conform with current year's presentation.

**BATU KAWAN BERHAD**  
**Consolidated Statement of Cash Flows (Continued)**  
For The Year Ended 30 September 2018

	2018 RM'000	2017 RM'000
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(382,590)	(550,918)
Purchase of investment property	(73)	-
Payments of prepaid lease	(5,428)	(9,132)
Plantation development expenditure	(100,378)	(151,823)
Property development expenditure	(8,936)	(17,129)
Subscription of shares in joint ventures	(3,989)	(2,068)
Purchase of shares in subsidiaries, net of cash acquired (Note B)	(206,025)	-
Purchase of shares from non-controlling interests	(120,317)	(88,133)
Purchase of available-for-sale investments	(607,380)	(798,932)
Purchase of intangible assets	(1,762)	(1,426)
Proceeds from disposal of property, plant and equipment	5,580	13,564
Compensation from government on land acquired	25,404	7,011
Proceeds from disposal of available-for-sale investments	591,439	341,493
Decrease in short term funds	375,106	493,293
Dividends received	67,884	88,157
Interests received	74,127	53,956
Advances to joint ventures	(27,969)	(4,136)
Advances to investee companies	(12,066)	(20,580)
Net cash used in investing activities	<u>(337,373)</u>	<u>(646,803)</u>
<b>Cash flows from financing activities</b>		
Term loans received (Note 36)	218,800	116,249
Repayment of term loans (Note 36)	(57,277)	(91,855)
Redemption of Islamic medium term notes (Note 36)	-	(300,000)
(Repayment)/Drawdown of short term borrowings (Note 36)	(251,138)	58,510
Dividends paid to shareholders of the Company	(240,502)	(222,378)
Dividends paid to non-controlling interests	(322,412)	(337,301)
Redemption of redeemable preference shares	-	1,440
Issuance of shares to non-controlling interests	15,285	13,171
Decrease in other receivables	17,191	22,864
Shares buy back	(45,069)	(43,399)
Net cash used in financing activities	<u>(665,122)</u>	<u>(782,699)</u>
Net (decrease)/increase in cash and cash equivalents	(83,240)	126,533
Effects of exchange rate changes	(75,428)	(3,108)
Cash and cash equivalents at beginning of year	1,631,620	1,508,195
Cash and cash equivalents at end of year (Note A)	<u>1,472,952</u>	<u>1,631,620</u>
<b>Notes to the consolidated statement of cash flows</b>		
<b>A. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash and bank balances (Note 31)	566,240	523,457
Deposits with licensed banks (Note 31)	942,162	1,232,287
Fixed income trust funds (Note 31)	53,584	-
Cash and cash equivalents (Note 31)	<u>1,561,986</u>	<u>1,755,744</u>
Bank overdrafts (Note 36)	(89,034)	(124,124)
	<u>1,472,952</u>	<u>1,631,620</u>

**BATU KAWAN BERHAD**  
**Consolidated Statement of Cash Flows (Continued)**  
For The Year Ended 30 September 2018

	2018 RM'000	2017 RM'000
<b>B. Analysis of purchase of shares in subsidiaries</b>		
Property, plant and equipment	297,964	-
Prepaid lease payments	81,634	-
Biological assets	182,236	-
Intangible assets	9,322	-
Other receivable - Advance to Plasma plantation projects	11,559	-
Net current liabilities	(277,962)	-
Net deferred tax liabilities	(38,863)	-
Provision for retirement benefits	(1,814)	-
Fair values of identifiable net assets of subsidiaries acquired	264,076	-
Non-controlling interests	(3,652)	-
Purchase price satisfied by cash	260,424	-
Less: Cash and cash equivalents of subsidiaries acquired	(54,399)	-
Cash outflow on acquisition of subsidiaries	<u>206,025</u>	-

*The accompanying notes form an integral part of the financial statements.*

**BATU KAWAN BERHAD**  
**Statement of Cash Flows of the Company**  
For The Year Ended 30 September 2018

	2018 RM'000	2017 RM'000
<b>Cash flows from operating activities</b>		
Profit before taxation	439,669	256,106
Adjustments for:		
Depreciation of property, plant and equipment	106	56
Provision/(Reversal of provision) of retirement benefits	1	(84)
Impairment loss on investment in an associate	-	1,231
Unrealised foreign exchange loss/(gain)	14,309	(5,071)
Finance costs	20,334	20,280
Dividend income	(473,621)	(269,146)
Interest income	(8,415)	(10,357)
Impairment on amount owing by a subsidiary	9	3
Loss on disposal of property, plant and equipment	61	-
Surplus on disposal of available-for-sale investments	(98)	(271)
Operating loss before working capital changes	(7,645)	(7,253)
Working capital changes:		
Other receivables	(537)	(877)
Amount owing to a subsidiary	384	-
Other payables	(460)	555
Cash used in operations	(8,258)	(7,575)
Interest received	1,386	2,311
Interest paid	(20,334)	(20,280)
Tax paid	(157)	(208)
Net cash used in operating activities	(27,363)	(25,752)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(708)	(7)
Purchase of available-for-sale investments	(277,124)	(265,086)
Additional investments in subsidiaries	(120,317)	(158,680)
Proceeds from disposal of available-for-sale investments	251,337	178,596
Proceeds from disposal of property, plant and equipment	38	-
Dividends received	473,620	269,122
Loans to subsidiaries	(36,070)	(83,525)
Repayment from subsidiaries	8,725	130,516
Net cash generated from investing activities	299,501	70,936
<b>Cash flows from financing activities</b>		
Redemption of redeemable preference shares	39,910	83,520
Dividends paid to shareholders of the Company	(240,502)	(222,378)
Shares buy back	(45,069)	(43,399)
Net cash used in financing activities	(245,661)	(182,257)
Net increase/(decrease) in cash and cash equivalents	26,477	(137,073)
Effects of exchange rate changes	(2,743)	1,576
Cash and cash equivalents at beginning of year	158,920	294,417
Cash and cash equivalents at end of year (Note A)	182,654	158,920
<b>Note to the statement of cash flows</b>		
<b>A. Cash and cash equivalents</b> (Note 31)		
Cash and cash equivalents consist of:		
Cash and bank balances	182,620	158,887
Deposits with licensed banks	34	33
	182,654	158,920

*The accompanying notes form an integral part of the financial statements.*

# BATU KAWAN BERHAD

## Notes to the Financial Statements

### 1. CORPORATE INFORMATION

Batu Kawan Berhad (“the Company”) is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of the Bursa Malaysia Securities Berhad. The registered office and principal place of business was located at Wisma Taiko, No. 1, Jalan S.P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan. With effect from 1 December 2018, the Company’s registered office and principal place of business has been relocated to Bangunan Mayban Trust Ipoh, Level 9, No. 28, Jalan Tun Sambanthan, 30000 Ipoh, Perak Darul Ridzuan.

The consolidated financial statements as at and for the year ended 30 September 2018 comprise the Company and its subsidiaries (together referred to as the “Group” and individually referred to as “Group entities”) and the Group’s interest in associates and joint ventures.

The principal activity of the Company is investment holding while the principal activities of the Group entities are shown in Note 43.

### 2. BASIS OF PREPARATION

#### 2.1 Statement of compliance

The financial statements of the Group have been prepared in accordance with Financial Reporting Standards (“FRSs”) and the requirements of the Companies Act 2016 in Malaysia. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been applied by the Group.

#### **FRS, Interpretation and Amendments to FRSs effective for annual periods beginning on or after 1 January 2018**

- FRS 9 *Financial Instruments (2014)*
- IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*
- Amendments to FRS 1 *First-time Adoption of Financial Reporting Standards (Annual Improvements to FRS Standards 2014-2016 Cycle)*
- Amendments to FRS 2 *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to FRS 4 *Insurance Contracts – Applying FRS 9 Financial Instruments with FRS 4 Insurance Contracts*
- Amendments to FRS 128 *Investments in Associates and Joint Ventures (Annual Improvements to FRS Standards 2014-2016 Cycle)*
- Amendments to FRS 140 *Investment Property – Transfers of Investment Property*

#### **Interpretation to FRS effective for annual periods beginning on or after 1 January 2019**

- IC Interpretation 23 *Uncertainty over Income Tax Treatments*

#### **Amendments to FRSs effective for annual periods beginning on or after a date yet to be confirmed**

- Amendments to FRS 10 *Consolidated Financial Statements* and FRS 128 *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

#### **Malaysian Financial Reporting Standards (“MFRS”)**

The Group falls within the scope of MFRS 141 *Agriculture* and IC Interpretation 15 *Agreements for the Construction of Real Estate*. Therefore the Group is currently exempted from adopting the MFRS Framework and is referred to as a “Transitioning Entity”. The Group as a Transitioning Entity will apply the MFRS Framework for the annual period beginning on 1 October 2018. In relation to this, the FRS, interpretations and amendments to FRSs which are effective for annual period beginning on or after 1 January 2018 will not be applicable to the Group.

The Group is in the process of assessing the impact on the financial statements arising from the adoption of the following MFRSs.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

**(a) MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards***

In presenting its first MFRS financial statements, the Group will be required to prepare its opening MFRS statement of financial position as at 1 October 2017, which will be adjusted for differences between the classification and measurement bases in the existing FRS Framework versus that in the new MFRS Framework in accordance with MFRS 1. This will also result in restatement of the statements of profit or loss and other comprehensive income for the financial year ended 30 September 2018 in accordance with MFRS, which would form the MFRS comparatives for the statements of profit or loss and other comprehensive income for the financial year ending 30 September 2019.

**(b) MFRS 9 *Financial Instruments***

MFRS 9 replaces the guidance in MFRS 139 *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting. The Group will apply MFRS 9 for the annual period beginning on 1 October 2018.

Classification and measurement of the Group's financial assets, other than available-for-sale financial assets, and financial liabilities will remain unchanged under MFRS 9.

Currently, the Group's quoted and unquoted investments in equity instruments are classified as available-for-sale ("AFS") financial assets. Unquoted investments are measured at cost and quoted investments are measured at fair value with fair value gains or losses recognised in other comprehensive income ("OCI"). On derecognition, the cumulative gain or loss recognised in OCI is reclassified from equity to profit or loss. These AFS financial assets satisfy the conditions for classification as financial assets at fair value through OCI under MFRS 9 with all subsequent changes in fair value being recognised in OCI and not subsequently transferred to profit or loss on derecognition.

In respect of impairment of financial assets, MFRS 9 replaced the "incurred loss" model in MFRS 139 with an "expected credit loss" ("ECL") model. The new impairment model applies to financial assets measured at amortised cost and contract assets, but not to investments in equity instruments. Under this new model, the Group is required to record ECL on all its financial assets measured at amortised cost, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime ECL on all trade receivables.

**(c) MFRS 15 *Revenue from Contracts with Customers***

MFRS 15 replaces the guidance in MFRS 111 *Construction Contracts*, MFRS 118 *Revenue*, IC Interpretation 13 *Customer Loyalty Programmes*, IC Interpretation 15 *Agreement for Construction of Real Estate*, IC Interpretation 18 *Transfers of Assets from Customers* and IC Interpretation 131 *Revenue – Barter Transactions Involving Advertising Services*. The Group will apply MFRS 15 for the annual period beginning on 1 October 2018.

Currently, the Group recognises revenue from contract with customers when significant risks and rewards of ownership of goods and services have been transferred to the customers, recovery of the consideration is probable, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

Upon adoption of MFRS 15, the Group will recognise revenue to depict the transfer of promised goods and services to customers for an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services. Revenue is recognised when a customer obtains control of goods and services, i.e. when the customer has the ability to direct the use of and obtain benefits from the goods and services.



# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### (d) Amendments to MFRS 116 and MFRS 141 *Agriculture: Bearer Plants*

Under the Amendments to MFRS 116 and MFRS 141, biological assets that meet the definition of bearer plants will be within the scope of MFRS 116. After initial recognition, bearer plants will be measured at cost less accumulated amortisation and accumulated impairment losses, if any. The agricultural produce that grows on bearer plants will be within the scope of MFRS 141 and is measured at fair value less costs to sell. The Group will apply Amendments to MFRS 116 and MFRS 141 for the annual period beginning on 1 October 2018.

Currently, new planting expenditure incurred on land clearing and upkeep of trees to maturity is capitalised as plantation development expenditure and is not amortised except for those short term land leases held in Indonesia where the plantation development expenditure is amortised using the straight line method over the estimated productive years. Replanting expenditure is recognised in profit or loss in the year in which the expenditure is incurred. Agricultural produce that grows on bearer plants is not separately recognised.

Upon adoption of the Amendments to MFRS 116 and MFRS 141, the new planting expenditure and replanting expenditure will be capitalised under bearer plants and measured at cost less accumulated amortisation and accumulated impairment losses, if any, in accordance with MFRS 116 *Property, Plant and Equipment*. The agricultural produce that grows on the bearer plants will be measured at fair value less costs to sell. The changes in fair value less costs to sell of the produce will be recognised in profit or loss.

### (e) MFRS 16 *Leases*

MFRS 16 replaces the guidance in MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Leases – Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The Group will apply this MFRS for the annual period beginning on 1 October 2019.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short term leases and leases of low-value items.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

## 2.2 Basis of measurement

The financial statements have been prepared under the historical cost basis other than as disclosed in Note 3.

## 2.3 Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

## 2.4 Use of estimates and judgements

The preparation of financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Notes 12, 14, 15 and Notes 17 to 23 - Measurement of the recoverable amounts of cash-generating units
- Note 19 - Impairment on investments in subsidiaries
- Note 24 - Recognition of unutilised tax losses and capital allowances
- Note 25 - Impairment/Write down of inventories
- Note 26 - Impairment on trade receivables
- Notes 35 and 42 - Provision for retirement benefits and contingencies
- Note 41 - Operating lease commitments as lessor

### 3. SIGNIFICANT ACCOUNTING POLICIES

Summarised below are the significant accounting policies of the Group. The accounting policies have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

#### 3.1 Basis of consolidation

##### (a) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affects the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investments are classified as held for sale or distribution. The cost of investments includes transaction costs.

##### (b) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interests in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

**(c) Acquisitions of non-controlling interests**

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group's reserves.

**(d) Goodwill**

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses.

Goodwill is tested for impairment at least annually or more frequently when there is objective evidence of impairment.

In respect of equity accounted associates and joint ventures, the carrying amount of goodwill is included in the carrying amount of the investments and an impairment loss on such investments is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted associates and joint ventures.

**(e) Loss of control**

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

**(f) Associates**

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investments include transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

The Group's share of post-acquisition results and reserves of associates is included in the consolidated financial statements and is based on the latest audited and published interim reports in respect of listed companies and latest audited financial statements and unaudited management financial statements in respect of unlisted companies.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in profit or loss.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments include transaction costs.

### (g) Joint ventures

Joint ventures are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns and the Group has rights only to the net assets of the arrangements.

The Group accounts for its interest in the joint ventures using the equity method. Investments in joint ventures are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The costs of investments include transaction costs.

### (h) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

### (i) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

## 3.2 Foreign currency

### (a) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rates at that date. Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting period, except for those that are measured at fair value are retranslated to the functional currency at the exchange rates at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments which are recognised in other comprehensive income.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the Exchange Fluctuation Reserve in equity.

**(b) Operations denominated in functional currencies other than RM**

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 October 2006 which are reported using the exchange rates at the dates of acquisitions. The income and expenses of the foreign operations are translated to RM at the average exchange rates for the year.

Foreign currency differences are recognised in other comprehensive income and accumulated in the Exchange Fluctuation Reserve in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the Exchange Fluctuation Reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

**3.3 Property, plant and equipment**

Items of property, plant and equipment are measured at cost less accumulated depreciation/amortisation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

Depreciation is recognised in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Freehold land is not depreciated. Leasehold land is amortised over the shorter of the lease term and its useful life unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The principal depreciation/amortisation rates for the current and comparative periods are as follows:

	2018	2017
Long term leasehold land	<b>Over the lease period ranging from 53 to 931 years</b>	Over the lease period ranging from 40 to 931 years
Palm oil mill machinery	<b>10% per annum</b>	10% per annum
Plant and machinery	<b>3<sup>1</sup>/<sub>3</sub>% to 33<sup>1</sup>/<sub>3</sub>% per annum</b>	3 <sup>1</sup> / <sub>3</sub> % to 33 <sup>1</sup> / <sub>3</sub> % per annum
Motor vehicles	<b>6<sup>2</sup>/<sub>3</sub>% to 50% per annum</b>	10% to 50% per annum
Furniture, fittings and equipment	<b>5% to 33<sup>1</sup>/<sub>3</sub>% per annum</b>	5% to 40% per annum
Buildings, factories and mills	<b>2% to 25% per annum</b>	2% to 25% per annum
Employees' quarters	<b>10% per annum</b>	10% per annum
Effluent ponds, roads and bridges	<b>10% per annum</b>	10% to 20% per annum

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period and adjusted as appropriate.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other operating income" or "other operating expenses" respectively in profit or loss.

### 3.4 Investment property

Investment property is initially measured at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at cost less accumulated depreciation and any accumulated impairment losses.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at cost.

Investment property is derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. A transfer from investment property to owner-occupied property is made at the carrying amount as at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 3.3 up to the date of change in use.

Buildings are depreciated on a straight line basis to write down the cost of each building to its residual value over its estimated useful life. The principal annual depreciation rates are at the range of 2% - 20%. Freehold land is not depreciated.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 3.5 Leases

#### (a) Operating leases

Leases are classified as operating leases when the Group does not assume substantially all the risks and rewards of the ownership and the leased assets are not recognised on the statements of financial position.

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease.

#### (b) Prepaid lease payments

Leasehold land which in substance is an operating lease is classified as prepaid lease payments which are amortised over the lease period ranging from 14 to 88 years for the current and comparative periods.

### 3.6 Biological assets

#### (a) Plantation development expenditure

New planting expenditure incurred on land clearing and upkeep of trees to maturity is capitalised as plantation development expenditure under biological assets. Plantation development expenditure is not amortised except for those short term land leases held in Indonesia where the plantation development expenditure is amortised using the straight line method over the estimated productive years of 20 years for the current and comparative periods.

#### (b) Growing crops and livestock

Growing crops are measured at fair value which is based on the costs incurred to the end of the reporting period for these crops. As at the end of the reporting period, the yield of the crops and the future economic benefits which will flow from the crops are not able to be reliably measured due to the level of growth.

Livestock is measured at fair value less point-of-sale cost, with any change therein recognised in profit or loss. Fair value is based on the market price of livestock of similar age, breed and genetic make-up. Point-of-sale costs include all costs that would be necessary to sell the livestock.

### 3.7 Replanting expenditure

Replanting expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

### 3.8 Property development

#### (a) Land held for property development

Land held for property development shall be classified as non-current asset where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle.

The change in the classification of land held for property development to current assets shall be at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

Costs associated with the acquisition of land include the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies.

#### (b) Property development costs

Property development costs comprise costs associated with the acquisition of land and all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

Property development costs are stated in the statement of financial position at the lower of cost and net realisable value.

The excess of revenue recognised in the statement of profit or loss and other comprehensive income over billings to purchasers is shown as accrued billings and the excess of billings to purchasers over revenue recognised in the statement of profit or loss and other comprehensive income is shown as progress billings.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 3.9 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

Financial assets are recognised initially at their fair values plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial assets.

The Group categorises financial assets as follows:

#### (a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination or financial assets that are specifically designated into this category upon initial recognition.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

#### (b) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

#### (c) Available-for-sale financial assets

Available-for-sale category comprises investments in equity, wholesale funds and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity to profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

Investments in wholesale funds are public investment funds which the Group and the Company do not have control over its investment directions. As such, the risk of significant change in the value of the investments is uncertain.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (Note 3.16(a)).

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the market place concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date; and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.



# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

### 3.10 Embedded derivatives

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

### 3.11 Intangible assets

These assets consist mainly of trade marks and patent which are stated at cost less accumulated amortisation and any accumulated impairment losses. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Intangible assets are amortised from the date that they are available for use. Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight line basis over the estimated useful lives of intangible assets.

The estimated useful lives for the current and comparative periods are as follows:

Trade marks	-	5 to 15 years (2017: 5 to 15 years)
Patent	-	7 to 20 years (2017: 10 to 20 years)

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

### 3.12 Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale.

Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs of disposal.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment properties, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated. In addition, equity accounting of equity accounted associates and joint ventures ceases once classified as held for sale.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 3.13 Inventories

Inventories are measured at the lower of cost and net realisable value. Cost includes cost of materials, direct labour and an appropriate proportion of fixed and variable production overheads, where applicable, and is determined on a weighted average basis.

Stores and materials are valued at the lower of cost and net realisable value. Cost includes cost of purchase plus incidentals in bringing the inventories into store and is determined on the weighted average basis.

Inventories of completed development properties, which are held for sale, are stated at the lower of cost and net realisable value. Cost consists of costs associated with the acquisition of land, direct costs and appropriate proportions of common costs attributable to developing the properties to completion.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

### 3.14 Short term funds

Short term funds represent funds placed in highly liquid money market instruments which are readily convertible to known amount of cash and have an insignificant risk of changes in fair value with original maturities of more than three months.

### 3.15 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances and deposits with banks and fixed income trust funds which are readily convertible to known amount of cash and have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group in the management of its short term cash commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

### 3.16 Impairment

#### (a) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries and investments in associates and joint ventures) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the assets. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of reversal is recognised in profit or loss.

### (b) Other assets

The carrying amounts of other assets (other than inventories, biological assets and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated at each reporting period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 3.17 Financial liabilities

Financial liabilities are recognised in the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities are recognised initially at their fair values plus, in the case of financial liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the issuance of the financial liabilities.

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination or financial liabilities that are specifically designated into this category upon initial recognition.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fair value arising from financial guarantee contracts are classified as deferred income and is amortised to profit or loss using a straight line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

### 3.18 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantially enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against which the unutilised tax incentives can be utilised.

### 3.19 Employee benefits

#### (a) Defined contribution plans

Obligations for contributions to defined contribution plans are recognised as an expense in profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations.

#### (b) Unfunded defined benefit plans

- (i) The Group provides for retirement benefits for eligible employees in Malaysia on unfunded defined benefit basis in accordance with the terms of the unions' collective agreements. Full provision has been made for retirement benefits payable to all eligible employees based on the last drawn salaries at the end of the reporting period, the length of service to-date and the rates set out in the said agreements.

The present value of these unfunded defined benefit obligations as required by FRS 119 *Employee Benefits* has not been used in arriving at the provision, as the amount involved is insignificant to the Group. Accordingly, no further disclosure as required by the standard is made.

- (ii) Subsidiary and sub-subsidiaries in Indonesia provide for retirement benefits for eligible employees on unfunded defined benefit basis in accordance with the Labour Law in Indonesia. The obligations of the defined benefit plans are calculated as the present values of obligations at end of the reporting period using the projected unit credit method which is based on the last drawn salaries at the end of the reporting period, age and the length of service.

Service and interest costs are recognised in profit or loss. Remeasurements of the defined benefit plans which comprise actuarial gains and losses are recognised in other comprehensive income in the year in which they occur.

- (iii) A sub-subsidiary in Germany provides for retirement benefits for its eligible employees on unfunded defined benefit basis. The obligations of the defined benefit plans are determined annually by an independent qualified actuary. The discount rate is determined using the yield of first class corporate bonds at the valuation date and in the same currency in which the benefits are expected to be paid.

Service and interest costs are recognised immediately in profit or loss. Remeasurements of the defined benefit plans which comprise actuarial gains and losses are recognised in other comprehensive income.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### (c) Funded defined benefit plan

A sub-subsidiary in Switzerland operates a funded defined benefit pension scheme for employees. The assets of the scheme are held separately from those of the sub-subsidiary.

The calculation of the funded defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments.

Net interest expense and other expenses relating to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

### (d) Short term employee benefits

Short term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

### (e) Retrenchment benefit plans

Retrenchment benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises retrenchment benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide retrenchment benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of financial year are discounted to present value.

## 3.20 Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

### (a) Shares

Shares are classified as equity.

### (b) Treasury shares

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

## 3.21 Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 3.22 Revenue and other income

#### (a) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of discounts and returns. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

#### (b) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of performance of services at the end of the reporting period.

#### (c) Property development

Revenue from property development activities is recognised based on the stage of completion measured by reference to the proportion that property development costs incurred for work performed to-date bear to the estimated total property development costs.

Where the financial outcome of a property development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on the development units sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised immediately in profit or loss.

#### (d) Dividend income

Dividend income is recognised in profit or loss on the date that the right to receive payment is established.

#### (e) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

#### (f) Rental income

Rental income is recognised based on the accrual basis.

#### (g) Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant; they are then recognised in profit or loss as other operating income on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other operating income on a systematic basis in the same periods in which the expenses are recognised.

In the case of the Group, revenue comprises sales to third parties only.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 3.23 Research and development expenditure

All general research and development expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

### 3.24 Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

### 3.25 Earnings per share

The Group presents basic earnings per share data for its shares.

Basic earnings per share is calculated by dividing the profit or loss attributable to the equity holders of the Company by the weighted average number of shares in issue during the year.

### 3.26 Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Company and the Chief Executive Officer of KLK Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

### 3.27 Fair value measurements

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.



# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

### 4. REVENUE

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Sale of goods				
Palm products	7,842,419	10,624,878	-	-
Rubber	99,909	140,673	-	-
Manufacturing	10,586,709	10,345,242	-	-
Property development	177,676	141,521	-	-
Others	101,642	126,212	-	-
	<b>18,808,355</b>	<b>21,378,526</b>	<b>-</b>	<b>-</b>
Rendering of services	4,843	6,700	-	-
Interest income from financial assets not at fair value through profit or loss	88,338	85,634	8,415	10,357
Dividend income (Note 8)	64,821	77,462	473,621	269,146
	<b>18,966,357</b>	<b>21,548,322</b>	<b>482,036</b>	<b>279,503</b>

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 5. OPERATING PROFIT

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Operating profit is arrived at after charging and (crediting) the following:				
Auditors' remuneration				
- KPMG				
current year	1,020	983	135	135
(over)/under provision in prior year	(19)	5	-	-
audit related work	455	153	29	19
non-audit work	10	6	8	4
- overseas affiliates of KPMG				
current year	792	815	-	-
(over)/under provision in prior year	(5)	30	-	-
audit related work	-	58	-	-
non-audit work	148	303	-	-
- other auditors				
current year	2,240	1,977	-	-
under/(over) provision in prior year	13	(19)	-	-
audit related work	79	48	-	-
non-audit work	614	41	-	-
Taxation services paid to				
KPMG Tax Services Sdn Bhd	1,540	1,276	7	7
Hire of plant and machinery	42,444	30,359	-	-
Rent on land and buildings/office space	12,323	9,750	96	96
Operating lease rentals				
- land and buildings	16,465	18,042	-	-
- plant and machinery	2,522	1,142	-	-
Depreciation of property, plant and equipment (Note 12)	429,812	429,748	106	56
Amortisation of prepaid lease payments (Note 14)	7,091	7,262	-	-
Amortisation of biological assets (Note 15)	74,115	71,549	-	-
Amortisation of intangible assets (Note 18)	2,395	2,163	-	-
Depreciation of investment property (Note 13)	943	928	-	-
Impairment of				
- property, plant and equipment (Note 12)	26,251	30,940	-	-
- prepaid lease payments (Note 14)	-	38	-	-
- trade receivables (Note 26)	463	7,681	-	-
- amount owing by a subsidiary (Note 19)	-	-	9	3
Impairment in value of				
- associate (Note 20)	-	1,231	-	1,231
- available-for-sale investments (Note 22)	579	32,625	-	-
Replanting expenditure	115,699	100,547	-	-
Property, plant and equipment written off	4,009	6,278	-	-
Personnel expenses (excluding key management personnel)				
- salary	1,170,467	1,121,898	1,321	1,253
- employer's statutory contributions	119,030	110,073	154	144
- defined contribution plans	10,568	6,038	-	-
Research and development expenditure	23,922	21,420	-	-
Provision/(Reversal) of retirement benefits (Note 35)	45,151	33,020	1	(84)
Reversal of retrenchment benefits	-	(31)	-	-
Write down of inventories (Note 25)	43,386	23,943*	-	-
Write off of trade receivables	165	255*	-	-

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Reversal of impairment of				
- prepaid lease payments (Note 14)	(58)	-	-	-
- trade receivables (Note 26)	(807)	(20)	-	-
Write back of slow moving inventories	(1,208)	(644)*	-	-
Write back of inventories written down to net realisable value	(7,877)	(943)*	-	-
Amortisation of deferred income (Note 34)	(7,926)	(6,252)	-	-
(Gain)/Loss on disposal of property, plant and equipment	(2,470)	(2,376)	61	-
Surplus on government acquisition of land	(24,034)	(4,892)	-	-
Surplus on disposal of land	(2,445)	(5,611)	-	-
Surplus on disposal of available-for-sale investments	(6,973)	(11,553)	(98)	(271)
Net loss/(gain) in foreign exchange	69,047	(355)	14,128	(5,565)
Rental income from land and buildings	(2,417)	(2,422)	-	-
Rental income from investment property (Note 13)	(2,161)	(2,480)	-	-
(Gain)/Loss on redemption of short term funds	(25)	1,155	-	623

\* Comparative figures have been restated to conform with current year's presentation.

### 6. FINANCE COSTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Interest expense/Profit payment of financial liabilities that are not at fair value through profit or loss</b>				
Interest expense				
Term loans	13,063	9,892	-	-
Advances from a subsidiary	-	-	6	30
Overdraft and other interests	48,328	46,063	78	-
	61,391	55,955	84	30
Profit payment on Islamic medium term notes	133,880	134,167	20,250	20,250
	195,271	190,122	20,334	20,280

### 7. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation is as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Short term benefits</b>				
Directors' remuneration				
Fees provided	1,954	1,682*	835	705
Other emoluments	15,568	13,942*	5,141	4,927
Benefits-in-kind	167	160*	29	23
	17,689	15,784	6,005	5,655

\* Comparative figures have been restated to conform with current year's presentation.

Key management personnel comprises Directors of the Group entities, who have authority and responsibility for planning, directing and controlling the activities of the Group entities either directly or indirectly.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 8. DIVIDEND INCOME

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Gross dividends from:</b>				
Available-for-sale investments				
Investment in shares quoted in Malaysia	1,295	2,227	-	-
Investment in shares quoted outside Malaysia	53,258	56,095	221	2,264
Investment in unquoted shares	578	1,442	13	877
Investment in wholesale funds	8,541	4,072	3,516	1,700
Fixed income trust funds	1,149	13,626	-	1,829
Quoted subsidiaries	-	-	250,451	247,951
Unquoted subsidiaries	-	-	219,420	14,525
	<b>64,821</b>	<b>77,462</b>	<b>473,621</b>	<b>269,146</b>

### 9. TAXATION

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Components of taxation</b>				
Current tax expense				
Malaysian taxation	189,149	225,287	73	480
Overseas taxation	148,764	183,611	702	1,306
	<b>337,913</b>	<b>408,898</b>	<b>775</b>	<b>1,786</b>
Deferred tax				
Relating to origination and reversal of temporary differences	1,557	9,054	-	-
Under/(Over) provision in respect of previous years	11,405	(3,461)	-	-
	<b>12,962</b>	<b>5,593</b>	<b>-</b>	<b>-</b>
	<b>350,875</b>	<b>414,491</b>	<b>775</b>	<b>1,786</b>
(Over)/Under provision of taxation in respect of previous years				
Malaysian taxation	(8,737)	1,493	(208)	(162)
Overseas taxation	8,886	7,424	-	-
	<b>149</b>	<b>8,917</b>	<b>(208)</b>	<b>(162)</b>
	<b>351,024</b>	<b>423,408</b>	<b>567</b>	<b>1,624</b>

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Reconciliation of effective taxation</b>				
Profit before taxation	<b>1,276,705</b>	1,622,131	<b>439,669</b>	256,106
Taxation at Malaysian income tax rate of 24% (2017: 24%)	<b>306,409</b>	389,311	<b>105,520</b>	61,465
Effect of different tax rates	<b>(2,964)</b>	(6,658)	<b>(984)</b>	(625)
Withholding tax on foreign dividend and interest income	<b>18,780</b>	36,625	-	-
Expenses not deductible for tax purposes	<b>92,654</b>	99,296	<b>14,214</b>	13,102
Tax exempt and non-taxable income	<b>(72,627)</b>	(102,706)	<b>(117,975)</b>	(72,156)
Tax incentives	<b>(3,548)</b>	(4,066)	-	-
Effect of reduction in Malaysian income tax rate on incremental chargeable income	<b>(399)</b>	(1,655)	-	-
Deferred tax (liabilities)/assets not recognised during the year	<b>(1,621)</b>	23,611	-	-
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	<b>(419)</b>	(3,797)	-	-
Tax effect on associates' and joint ventures' results	<b>(1,250)</b>	(731)	-	-
Recognition of deferred tax assets not taken up previously	<b>(62)</b>	(11,436)	-	-
Recognition of unutilised reinvestment allowance	-	(4,153)	-	-
Under/(Over) provision of taxation in respect of previous years	<b>149</b>	8,917	<b>(208)</b>	(162)
Under/(Over) provision of deferred tax in respect of previous years	<b>11,405</b>	(3,461)	-	-
Others	<b>4,517</b>	4,311	-	-
	<b>351,024</b>	423,408	<b>567</b>	1,624

The Malaysian corporate tax rate will be reduced to a range of 20% to 24% from the current year's tax rate of 24% for Years of Assessment 2017 and 2018. The reduction in income tax rate is based on the percentage of increase in chargeable income as compared to immediate preceding year of assessment.

The Company is able to distribute dividends out of its entire distributable reserves under the single tier income tax system.

### 10. EARNINGS PER SHARE

The earnings per share for the Group and the Company are calculated by dividing the profit for the year attributable to equity holders of the Company of RM465,476,000 (2017: RM586,646,000) for the Group and RM439,102,000 (2017: RM254,482,000) for the Company by the weighted average number of 401,232,000 (2017: 404,102,000) shares of the Company in issue during the year.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 11. DIVIDENDS

	<b>Group and Company</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Dividends recognised in the current year are:		
Final single tier dividend of 45 sen per share for the financial year ended 30 September 2017 was paid on 15 March 2018 (2017: single tier dividend of 40 sen per share was paid on 16 March 2017)	<b>180,400</b>	161,890
Interim single tier dividend of 15 sen per share for the financial year ended 30 September 2018 was paid on 9 August 2018 (2017: single tier dividend of 15 sen per share was paid on 10 August 2017)	<b>60,102</b>	60,488
	<b>240,502</b>	<b>222,378</b>

A final single tier dividend of 40 sen (2017: 45 sen) per share amounting to RM160,022,000 (2017: RM180,400,000) has been authorised by the Directors in respect of the financial year ended 30 September 2018. The dividend will be recognised in subsequent financial period.

### 12. PROPERTY, PLANT AND EQUIPMENT

Group Cost/Valuation	Freehold	Long Term	Buildings	Plant and	Vehicles	Equipment, Fittings, Etc	Capital	Total
	Land	Leasehold					Work-in-	
	RM'000	Land	RM'000	Machinery	RM'000	RM'000	Progress	RM'000
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 October 2016	854,398	265,899	1,409,510	5,111,350	433,568	445,259	215,991	8,735,975
Reclassifications	-	-	62,482	146,246	2,086	10,000	(222,515)	(1,701)
Additions	58,625	-	38,343	185,853	23,891	34,570	209,636	550,918
Disposals	(1,347)	(390)	(150)	(16,642)	(13,194)	(3,926)	-	(35,649)
Written off	-	-	(9,051)	(36,937)	(7,754)	(2,215)	(15)	(55,972)
Currency translation differences	17,056	570	7,737	77,716	(676)	1,834	4,210	108,447
At 30 September 2017	<b>928,732</b>	<b>266,079</b>	<b>1,508,871</b>	<b>5,467,586</b>	<b>437,921</b>	<b>485,522</b>	<b>207,307</b>	<b>9,302,018</b>
Reclassifications	-	-	29,949	165,868	1,854	3,484	(201,155)	-
Additions	29,371	-	28,430	111,668	39,548	14,430	159,143	382,590
Acquisitions through business combination	30,366	-	21,831	103,457	1,563	107,675	33,072	297,964
Disposals	(415)	(297)	(82)	(3,278)	(10,956)	(810)	-	(15,838)
Written off	-	-	(4,811)	(15,278)	(6,080)	(10,062)	(729)	(36,960)
Currency translation differences	(37,265)	(490)	(94,644)	(155,368)	(19,636)	(21,082)	(9,492)	(337,977)
At 30 September 2018	<b>950,789</b>	<b>265,292</b>	<b>1,489,544</b>	<b>5,674,655</b>	<b>444,214</b>	<b>579,157</b>	<b>188,146</b>	<b>9,591,797</b>
<b>Accumulated depreciation/ amortisation and impairment losses</b>								
At 1 October 2016								
Accumulated depreciation/amortisation	-	66,929	594,891	2,049,559	348,380	273,491	-	3,333,250
Accumulated impairment losses	-	8,015	4,663	50,139	-	2,752	-	65,569
	-	74,944	599,554	2,099,698	348,380	276,243	-	3,398,819
Reclassifications	-	-	-	(1,653)	-	(48)	-	(1,701)
Depreciation/Amortisation charge	-	3,273	64,219	296,462	32,219	40,920	-	437,093
Disposals	-	-	-	(9,810)	(10,679)	(1,958)	-	(22,447)
Impairment losses	-	-	-	30,940	-	-	-	30,940
Written off	-	-	(3,975)	(35,893)	(7,690)	(2,136)	-	(49,694)
Currency translation differences	-	56	32	21,721	(1,335)	1,068	-	21,542
At 30 September 2017								
Accumulated depreciation/amortisation	-	70,246	656,325	2,321,440	360,895	311,319	-	3,720,225
Accumulated impairment losses	-	8,027	3,505	80,025	-	2,770	-	94,327
	-	78,273	659,830	2,401,465	360,895	314,089	-	3,814,552

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

Group	Freehold Land RM'000	Long Term Leasehold Land RM'000	Buildings RM'000	Plant and Machinery RM'000	Vehicles RM'000	Equipment, Fittings, Etc RM'000	Capital Work-in-Progress RM'000	Total RM'000
At 30 September 2017								
Accumulated depreciation/amortisation	-	70,246	656,325	2,321,440	360,895	311,319	-	3,720,225
Accumulated impairment losses	-	8,027	3,505	80,025	-	2,770	-	94,327
Reclassifications	-	78,273	659,830 (4,479)	2,401,465 4,479	360,895	314,089	-	3,814,552
Depreciation/Amortisation charge	-	3,156	59,500	305,328	26,486	40,030	-	434,500
Disposals	-	-	(19)	(1,981)	(9,496)	(493)	-	(11,989)
Impairment losses	-	-	411	25,840	-	-	-	26,251
Written off	-	-	(3,324)	(14,348)	(6,178)	(9,101)	-	(32,951)
Currency translation differences	-	(188)	(32,901)	(69,376)	(16,402)	(10,936)	-	(129,803)
At 30 September 2018								
Accumulated depreciation/amortisation	-	73,370	675,193	2,546,659	355,305	330,891	-	3,981,418
Accumulated impairment losses	-	7,871	3,825	104,748	-	2,698	-	119,142
	-	81,241	679,018	2,651,407	355,305	333,589	-	4,100,560
<b>Carrying amounts</b>								
At 30 September 2017	928,732	187,806	849,041	3,066,121	77,026	171,433	207,307	5,487,466
At 30 September 2018	<b>950,789</b>	<b>184,051</b>	<b>810,526</b>	<b>3,023,248</b>	<b>88,909</b>	<b>245,568</b>	<b>188,146</b>	<b>5,491,237</b>
<b>Property, plant and equipment are included at cost or valuation as follows:</b>								
At 30 September 2017								
Cost	849,235	158,035	1,508,789	5,467,586	437,921	485,522	207,307	9,114,395
Valuation	79,497	108,044	82	-	-	-	-	187,623
	928,732	266,079	1,508,871	5,467,586	437,921	485,522	207,307	9,302,018
At 30 September 2018								
Cost	871,994	151,450	1,485,432	5,674,655	444,214	579,157	188,146	9,395,048
Valuation	78,795	113,842	4,112	-	-	-	-	196,749
	<b>950,789</b>	<b>265,292</b>	<b>1,489,544</b>	<b>5,674,655</b>	<b>444,214</b>	<b>579,157</b>	<b>188,146</b>	<b>9,591,797</b>

	Group	
	2018 RM'000	2017 RM'000
<b>Depreciation/Amortisation charge for the year is allocated as follows:</b>		
Recognised in statement of profit or loss (Note 5)		
Depreciation of property, plant and equipment	429,812	429,748
Capitalised in biological assets	4,688	7,345
	<b>434,500</b>	<b>437,093</b>

### Impairment testing

Property, plant and equipment are tested for impairment by comparing the carrying amount with the recoverable amount of the cash-generating unit ("CGU"). The recoverable amount of a CGU is determined based on value in use calculations using cash flow projections from the financial budgets and forecasts approved by management covering a period ranging from five years to fifteen years.

Key assumptions used in the value in use calculations are:

- the pre-tax discount rates which are the weighted average cost of capital used ranged from 5.2% to 13.0% (2017: 6.2% to 13.0%);
- the growth rate used for the plantation companies is determined based on the management's estimate of commodity prices, palm yields, oil extraction rates as well as cost of productions whilst growth rates of companies in other segments are determined based on the industry trends and past performances of the respective companies; and
- profit margins are projected based on historical profit margin achieved.

In assessing the value in use, the management is of the view that no foreseeable changes in any of the above key assumptions would cause the carrying amounts of the respective CGUs to materially exceed their recoverable amounts.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### Impairment losses

The impairment losses of the Group amounting RM4,626,000 for financial year ended 30 September 2018 were for methyl chloride plant and turbine alternator of subsidiaries amounted to RM2,341,000 and RM2,285,000 respectively which were no longer in use due to the unfavourable demand of its products. The impairment losses were included in other operating expenses.

The impairment losses of the Group amounted to RM21,625,000 (2017: RM30,940,000) for financial year ended 30 September 2018 was due to under performance of a specialised oleochemical plant. The impairment losses were included in other operating expenses.

The values and percentages assigned to the key assumptions used in the impairment testing of the specialised oleochemical plant represent management's assessment of future trends in the oleochemical industry based on internal sources (historical data).

The above estimates are particularly sensitive in the following areas:

- (i) an increase of 1 percentage point in the discount rate used would have increased the impairment loss by RM20,359,000.
- (ii) a 10% decrease in future sales would have increased the impairment loss by RM17,156,000.

<b>Company Cost</b>	<b>Vehicles RM'000</b>	<b>Equipment, Fittings, Etc RM'000</b>	<b>Total RM'000</b>
At 1 October 2016	798	171	969
Additions	-	7	7
Written off	-	(2)	(2)
At 30 September 2017	<b>798</b>	<b>176</b>	<b>974</b>
Additions	<b>694</b>	<b>14</b>	<b>708</b>
Disposal	<b>(631)</b>	-	<b>(631)</b>
At 30 September 2018	<b>861</b>	<b>190</b>	<b>1,051</b>
<b>Accumulated depreciation</b>			
At 1 October 2016	592	165	757
Depreciation charge	48	8	56
Written off	-	(2)	(2)
At 30 September 2017	<b>640</b>	<b>171</b>	<b>811</b>
Depreciation charge	<b>98</b>	<b>8</b>	<b>106</b>
Disposal	<b>(532)</b>	-	<b>(532)</b>
At 30 September 2018	<b>206</b>	<b>179</b>	<b>385</b>
<b>Carrying amounts</b>			
At 30 September 2017	158	5	163
At 30 September 2018	<b>655</b>	<b>11</b>	<b>666</b>

Certain freehold land and leasehold land of the Group were revalued by the respective subsidiaries' Directors on 1 October 1980 based on an opinion of value, using the "Investment Method Approach", by a professional firm of Chartered Surveyors on 22 November 1979. Certain freehold land of the Group were revalued by the respective subsidiaries' Directors based on an opinion of value, using "fair market value basis", by a firm of professional valuers on 10 June 1981.



# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

Certain leasehold land and buildings of the Group were revalued by the respective subsidiaries' Directors between 1978 and 1996, based on professional valuation on the open market basis and upon approval by the relevant government authorities.

Freehold land belonging to an overseas sub-subsidiary was revalued by the respective sub-subsidiary's Directors based on existing use and has been incorporated in the financial statements on 30 September 1989. Building of a sub-subsidiary had been revalued by the Directors on 28 February 1966.

It has never been the Group's policy to carry out regular revaluation of its property, plant and equipment.

The Group has availed itself to the transitional provision when the MASB first issued FRS 116<sup>2004</sup> *Property, Plant and Equipment* in 2000, and accordingly, the carrying amounts of these revalued property, plant and equipment have been retained on the basis of these valuations as though they have never been revalued. The carrying amounts of revalued property, plant and equipment, had these assets been carried at cost less accumulated depreciation/amortisation were as follows:

	Group	
	2018 RM'000	2017 RM'000
Freehold land	19,889	20,112
Leasehold land	29,889	30,410
	49,778	50,522

Certain property, plant and equipment of the Group with a total carrying amount of RM139,848,000 (2017: RM150,996,000) as at end of the financial year ended 30 September 2018 were charged to banks as security for borrowings (Note 36).

Certain property, plant and equipment of subsidiaries with a carrying amount of RM750,000 (2017: RM470,000) are held in trust by third parties.

The details of the properties held by the Group are shown on pages 162 to 171.

### 13. INVESTMENT PROPERTY

Group	Freehold Land RM'000	Building RM'000	Total RM'000
<b>Cost</b>			
At 1 October 2016 and 30 September 2017	11,149	46,428	57,577
Additions	-	73	73
At 30 September 2018	11,149	46,501	57,650
<b>Accumulated depreciation</b>			
At 1 October 2016	-	7,386	7,386
Depreciation charge	-	928	928
At 30 September 2017	-	8,314	8,314
Depreciation charge	-	943	943
At 30 September 2018	-	9,257	9,257
<b>Carrying amounts</b>			
At 30 September 2017	11,149	38,114	49,263
At 30 September 2018	11,149	37,244	48,393
		Group	
		2018	2017
		RM'000	RM'000
Fair value of investment property		93,000	88,000

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

Investment property comprises a commercial property that is leased to third parties and related parties. Each of the lease contains an initial non-cancellable period of 1 to 3 years (Note 41). Subsequent renewals are negotiated with the lessee at average renewal periods of 1 to 3 years. No contingent rents are charged.

The fair values of investment property above are determined based on comparison of similar properties in the same location and investment method that makes reference to recent transaction value. These are performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of property being valued. The fair values of the investment property are categorised at Level 3 of the fair value hierarchy and are estimated using unobservable inputs for the investment property.

The following are recognised in profit or loss in respect of investment property:

	Group	
	2018 RM'000	2017 RM'000
Rental income	2,161	2,480
Direct operating expenses	<u>(3,900)</u>	<u>(4,097)</u>

#### 14. PREPAID LEASE PAYMENTS

Group Cost	Long Term Leasehold Land RM'000	Short Term Leasehold Land RM'000	Total RM'000
	At 1 October 2016	46,626	346,179
Additions	-	9,132	9,132
Currency translation differences	1,047	(503)	544
At 30 September 2017	<u>47,673</u>	<u>354,808</u>	<u>402,481</u>
Additions	-	5,428	5,428
Acquisitions through business combination	-	81,634	81,634
Currency translation differences	(564)	(17,258)	(17,822)
At 30 September 2018	<u>47,109</u>	<u>424,612</u>	<u>471,721</u>
<b>Accumulated amortisation and impairment losses</b>			
At 1 October 2016			
Accumulated amortisation	4,608	48,169	52,777
Accumulated impairment losses	-	20,489	20,489
Amortisation charge	4,608	68,658	73,266
Impairment losses	589	6,673	7,262
Currency translation differences	-	38	38
At 30 September 2017	19	(89)	(70)
At 30 September 2017			
Accumulated amortisation	<u>5,216</u>	<u>54,753</u>	<u>59,969</u>
Accumulated impairment losses	-	20,527	20,527
Amortisation charge	5,216	75,280	80,496
Reversal of impairment	592	6,499	7,091
Currency translation differences	-	(58)	(58)
At 30 September 2018	(12)	(1,799)	(1,811)
At 30 September 2018			
Accumulated amortisation	<u>5,796</u>	<u>59,453</u>	<u>65,249</u>
Accumulated impairment losses	-	20,469	20,469
	<u>5,796</u>	<u>79,922</u>	<u>85,718</u>
<b>Carrying amounts</b>			
At 30 September 2017	42,457	279,528	321,985
At 30 September 2018	<u>41,313</u>	<u>344,690</u>	<u>386,003</u>

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

The Memorandum of Transfer of a long term leasehold land in favour of a sub-subsidiary, KLK Bioenergy Sdn Bhd with carrying amount of RM2,858,000 (2017: RM2,910,000), has been presented for registration at the relevant land registry previously. This matter is now pending issuance of the original document of the title from the said relevant land registry. The leasehold land cannot be transferred, charged or mortgaged without prior consent of the relevant authority of the Selangor State Government.

A short term leasehold land of the Group was revalued by the subsidiary's Directors on 1 October 1980 based on an opinion of value, using the "Investment Method Approach", by a professional firm of Chartered Surveyors on 22 November 1979.

The Group has retained the unamortised revalued amount as the surrogate carrying amount of prepaid lease payments in accordance with the transitional provision in FRS 117.67A when it first adopted FRS 117 Leases in 2006.

### Impairment testing

Impairment testing on prepaid lease payments is similar to that of property, plant and equipment as disclosed in Note 12.

The details of the prepaid lease payments of the Group are shown on pages 162 to 171.

## 15. BIOLOGICAL ASSETS

	Group	
	2018	2017
	RM'000	RM'000
<b>Plantation development expenditure (included under non-current assets)</b>		
<b>Cost/Valuation</b>		
At beginning of the year	3,167,604	3,021,453
Additions	105,066	159,168
Acquisitions through business combination	182,236	-
Disposals	(658)	(232)
Currency translation differences	(214,961)	(12,785)
At end of the year	<u>3,239,287</u>	<u>3,167,604</u>
<b>Accumulated amortisation</b>		
At beginning of the year	441,619	376,659
Amortisation charge	74,115	71,549
Currency translation differences	(53,063)	(6,589)
At end of the year	<u>462,671</u>	<u>441,619</u>
<b>Carrying amounts</b>	<u>2,776,616</u>	<u>2,725,985</u>
<b>Biological assets are included at cost or valuation as follows:</b>		
Cost	3,000,593	2,928,910
Valuation	238,694	238,694
	<u>3,239,287</u>	<u>3,167,604</u>

The biological assets of the Group stated at valuation, previously included in property, plant and equipment, were revalued by the respective subsidiaries' Directors based on independent professional valuations carried out between 1979 and 1991 on the open market value basis. These valuations were for special purposes. It has never been the Group's policy to carry out regular revaluation of its property, plant and equipment.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

The Group has availed itself to the transitional provision when the MASB first issued FRS 116<sub>2004</sub> *Property, Plant and Equipment* in 2000, and accordingly, the carrying amounts of these revalued biological assets have been retained on the basis of these valuations as though they have never been revalued. The carrying amounts of revalued biological assets of the Group, had these assets been carried at cost less accumulated amortisation were RM108,478,000 (2017: RM108,492,000).

	Group	
	2018	2017
	RM'000	RM'000
<b>Biological assets (included under current assets)</b>		
At net realisable value		
Growing crops	36,397	33,510
Livestock	5,509	4,296
	<b>41,906</b>	<b>37,806</b>

### 16. LAND HELD FOR PROPERTY DEVELOPMENT

	Group	
	2018	2017
	RM'000	RM'000
<b>Freehold land at cost</b>		
At beginning of the year	1,067,095	1,073,886
Additions	1,191	-
Transfer to property development costs	-	(6,791)
At end of the year	<b>1,068,286</b>	<b>1,067,095</b>
<b>Development expenditure at cost</b>		
At beginning of the year	24,376	56,426
Additions	7,745	17,129
Transfers to property development costs	-	(49,179)
At end of the year	<b>32,121</b>	<b>24,376</b>
<b>Total</b>	<b>1,100,407</b>	<b>1,091,471</b>

The details of the land held for property development by the Group are shown on pages 169 to 170.

### 17. GOODWILL ON CONSOLIDATION

	Group	
	2018	2017
	RM'000	RM'000
<b>Cost</b>		
At beginning of the year	352,949	349,930
Currency translation differences	(9,354)	3,019
At end of the year	<b>343,595</b>	<b>352,949</b>

#### Impairment testing

For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating units identified according to the Group's business segments.

Goodwill is tested for impairment on an annual basis. Impairment testing on goodwill is similar to that of property, plant and equipment as disclosed in Note 12.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 18. INTANGIBLE ASSETS

	Group	
	2018 RM'000	2017 RM'000
<b>Cost</b>		
At beginning of the year	65,488	61,768
Additions	1,762	1,426
Acquisitions through business combination	9,322	-
Currency translation differences	(2,288)	2,294
At end of the year	<u>74,284</u>	<u>65,488</u>
<b>Accumulated amortisation and impairment losses</b>		
At beginning of the year		
Accumulated amortisation	42,841	39,543
Accumulated impairment losses	7,322	7,149
	<u>50,163</u>	<u>46,692</u>
Amortisation charge	2,395	2,163
Currency translation differences	(1,632)	1,308
At end of the year		
Accumulated amortisation	43,796	42,841
Accumulated impairment losses	7,130	7,322
	<u>50,926</u>	<u>50,163</u>
<b>Carrying amounts</b>	<u>23,358</u>	<u>15,325</u>

The amortisation of intangible assets amounting to RM2,395,000 (2017: RM2,163,000) is included in administration expenses.

These assets consist mainly of trade marks and patent.

#### Impairment testing

Impairment testing on intangible assets is similar to that of property, plant and equipment as disclosed in Note 12.

### 19. INVESTMENTS IN SUBSIDIARIES AND AMOUNTS OWING BY/(TO) SUBSIDIARIES

	Company	
	2018 RM'000	2017 RM'000
<b>Investments in subsidiaries</b>		
Unquoted shares at cost	397,953	419,733
Quoted shares at cost	560,233	439,916
	<u>958,186</u>	<u>859,649</u>
Market value of shares		
In quoted corporations	12,502,502	12,179,342

#### Impairment testing

Impairment testing on investments in subsidiaries is similar to that of property, plant and equipment as disclosed in Note 12.

Details of the subsidiaries are shown in Note 43.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### Amounts owing by subsidiaries

	Company	
	2018 RM'000	2017 RM'000
Non-current assets	112,950	110,037
Current assets	3,231	1,659
	<b>116,181</b>	<b>111,696</b>

The management reviewed the expected repayments from subsidiaries and hence classified certain amounts owing by subsidiaries as non-current.

Amounts owing by subsidiaries, which comprise trade and non-trade, are unsecured with no fixed terms of repayment. These are non-interest bearing except for a total amount of RM112,950,000 and RM989,000 (2017: RM110,037,000 and Nil) under non-current and current assets respectively which are subject to interest charge of 6.00% (2017: 4.55% to 6.00%) per annum.

	Company	
	2018 RM'000	2017 RM'000
Impairment in amount owing by a subsidiary		
At beginning of the year	4,175	4,172
Impairment loss	9	3
At end of the year	<b>4,184</b>	<b>4,175</b>

The above amount owing by a subsidiary was impaired as the management was of the opinion that the amount cannot be recovered.

### Amount owing to a subsidiary

Amount owing to a subsidiary is non-trade, unsecured, repayable on demand and non-interest bearing.

## 20. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Shares at cost				
In unquoted corporations	115,405	127,382	4,153	4,153
Impairment in value of investments				
At beginning of the year	(3,252)	(2,021)	(3,252)	(2,021)
Impairment loss	-	(1,231)	-	(1,231)
At end of the year	(3,252)	(3,252)	(3,252)	(3,252)
Post-acquisition reserves	72,473	52,048	-	-
	<b>184,626</b>	<b>176,178</b>	<b>901</b>	<b>901</b>
Amount owing by an associate	939	1,502	-	-
	<b>185,565</b>	<b>177,680</b>	<b>901</b>	<b>901</b>

In previous year, an impairment loss amounting to RM1,231,000 was made as the associate was placed under members' voluntary winding up.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

The Group does not have any associate which is individually material to the Group as at 30 September 2018 and 30 September 2017.

	Group	
	2018 RM'000	2017 RM'000
Summary of financial information of associates:		
Non-current assets	990,751	978,301
Current assets	575,041	540,673
Non-current liabilities	(128,338)	(167,763)
Current liabilities	(237,591)	(187,493)
Revenue	738,882	652,885
Profit for the year	<u>33,547</u>	<u>36,523</u>

Details of the associates are shown in Note 43.

### 21. INVESTMENTS IN JOINT VENTURES

	Group	
	2018 RM'000	2017 RM'000
Shares at cost		
In unquoted corporations	100,615	104,574
Post-acquisition reserves	(42,749)	(34,290)
	<u>57,866</u>	<u>70,284</u>
Amounts owing by joint ventures	201,434	181,453
	<u>259,300</u>	<u>251,737</u>

The Group does not have any joint venture which is individually material to the Group as at 30 September 2018 and 30 September 2017.

	Group	
	2018 RM'000	2017 RM'000
Summary of financial information of joint ventures:		
Non-current assets	170,026	190,472
Current assets	663,348	779,412
Non-current liabilities	(312,011)	(270,222)
Current liabilities	(319,092)	(467,298)
Revenue	1,363,307	1,431,809
Profit/(Loss) for the year	<u>1,281</u>	<u>(1,066)</u>

The amounts owing by joint ventures are deemed as capital contribution to the joint ventures as the repayments of these amounts are neither fixed nor expected.

The amount owing by another joint venture, denominated in Australian Dollar, was given by a subsidiary which was incorporated in Australia. This amount is non-trade, unsecured with no fixed term of repayment and is subject to interest charge of 6% (2017: 6%) per annum.

Details of the joint ventures are shown in Note 43.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 22. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Equity investments</b>				
Shares at cost				
In unquoted corporations	45,216	46,599	12,425	12,425
Shares at fair value				
In Malaysia quoted corporations	39,235	63,180	-	-
In overseas quoted corporations	2,399,983	2,291,906	11,233	14,245
	2,439,218	2,355,086	11,233	14,245
	2,484,434	2,401,685	23,658	26,670
Impairment in value of investments				
At beginning of the year	(39,362)	(6,900)	-	-
Impairment losses	(579)	(32,625)	-	-
Reversal of impairment losses	600	1,349	-	-
Currency translation differences	1,955	(1,186)	-	-
At end of the year	(37,386)	(39,362)	-	-
	2,447,048	2,362,323	23,658	26,670
<b>Other investments</b>				
Wholesale funds at fair value				
In Malaysia	291,246	327,143	112,849	87,025
	2,738,294	2,689,466	136,507	113,695
Amounts owing by investee companies	46,679	38,589	-	-
	2,784,973	2,728,055	136,507	113,695
Market value				
Shares in quoted corporations	2,433,180	2,349,028	11,233	14,245
Wholesale funds	291,246	327,143	112,849	87,025
	2,724,426	2,676,171	124,082	101,270
Available-for-sale investments are disclosed under:				
Non-current assets	2,493,727	2,400,912	23,658	26,670
Current assets	291,246	327,143	112,849	87,025
	2,784,973	2,728,055	136,507	113,695

Out of the total impairment losses of RM32.6 million for the financial year ended 30 September 2017, RM32.1 million represented the full impairment on a non-core and non-performing investment in China. The impairment loss was included in other operating expenses.

The management classified wholesale funds under available-for-sale investments as current as these investments are expected to be redeemed within the next 12 months.

### 23. OTHER RECEIVABLE

Other receivable represents advances to plasma plantation projects.

Plantation subsidiaries in Indonesia have participated in the "Kredit Koperasi Primer untuk Anggotanya" scheme (herein referred to as plasma plantation projects) to provide financing and to assist in the development of oil palm plantations under this scheme for the benefit of the communities in the vicinity of their operations. The advances to plasma plantation projects are subject to interest charge of 8% (2017: 8%) per annum.



# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 24. DEFERRED TAXATION

Recognised deferred tax assets and liabilities are attributable to the following:

Group	Liabilities		Assets		Net	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Property, plant and equipment						
Capital allowances	62,269	(34,507)	(79,972)	(18,572)	(17,703)	(53,079)
Revaluation	117,949	93,428	-	-	117,949	93,428
Unutilised tax losses	-	-	(69,602)	(110,879)	(69,602)	(110,879)
Unutilised reinvestment allowance	-	-	(6,657)	(4,153)	(6,657)	(4,153)
Derivative financial instruments	-	633	(8,567)	(2,663)	(8,567)	(2,030)
Other items	14,520	11,262	(106,022)	(103,098)	(91,502)	(91,836)
Tax liabilities/(assets)	194,738	70,816	(270,820)	(239,365)	(76,082)	(168,549)
Set off of tax	126,721	213,745	(126,721)	(213,745)	-	-
Net tax liabilities/(assets)	321,459	284,561	(397,541)	(453,110)	(76,082)	(168,549)

Deferred tax liabilities and assets are offset above where there is a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred taxes relate to the same taxation authority.

The components and movements in deferred tax liabilities and deferred tax assets (before offsetting) are as follows:

Group	Property, Plant and Equipment		Other Taxable Temporary Differences	Unutilised Tax Losses	Unabsorbed Capital Allowances	Unutilised Reinvestment Allowance	Derivative Financial Instruments	Other Deductible Temporary Differences	Total
	Capital Allowances	Revaluation							
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 October 2016	(44,716)	94,464	7,022	(132,537)	(15,519)	-	2,811	(98,066)	(186,541)
Recognised in profit or loss	(1,080)	(2,376)	4,174	23,233	(134)	(4,153)	(571)	(10,039)	9,054
Recognised in equity	-	-	-	-	-	-	-	10,556	10,556
Under/(Over) provision in respect of previous years	8,074	-	-	(2,099)	(2,992)	-	(4,225)	(2,219)	(3,461)
Currency translation differences	3,215	1,340	66	524	73	-	(45)	(3,330)	1,843
At 30 September 2017	(34,507)	93,428	11,262	(110,879)	(18,572)	(4,153)	(2,030)	(103,098)	(168,549)
Recognised in profit or loss	59,205	(3,487)	3,372	10,099	(63,458)	4,162	(6,575)	(1,761)	1,557
Reclassification	(302)	-	-	-	-	-	-	302	-
Acquisitions through business combination	13,720	28,188	-	(2,424)	(7)	-	-	(614)	38,863
Recognised in equity	-	-	-	-	-	-	-	(1,480)	(1,480)
(Over)/Under provision in respect of previous years	(1,702)	680	-	24,114	(1,038)	(6,666)	-	(3,983)	11,405
Currency translation differences	25,855	(860)	(114)	9,488	3,103	-	38	4,612	42,122
At 30 September 2018	62,269	117,949	14,520	(69,602)	(79,972)	(6,657)	(8,567)	(106,022)	(76,082)

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

	Group	
	2018 RM'000	2017 RM'000
No deferred tax assets/(liabilities) have been recognised for the following items:		
Unabsorbed capital allowances	462,673	382,791
Deductible temporary differences	1,292	357
Investment tax allowance	1,795	-
Unutilised tax losses	441,777	422,203
Property, plant and equipment	<b>(695,738)</b>	<b>(615,866)</b>
	<b>211,799</b>	<b>189,485</b>

The investment tax allowance of a subsidiary amounting to RM1,795,000 (2017: Nil) will expire in year 2019.

	Group	
	2018 RM'000	2017 RM'000
Unutilised tax losses of RM2,594,000 (2017: RM3,556,000) will expire as follows under the respective tax legislation of countries in which certain sub-subsidiaries domicile:		
Year of expiry		
2019	2,471	3,528
2020	123	28
	<b>2,594</b>	<b>3,556</b>

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group can utilise the benefits therefrom.

Deferred tax liabilities have not been provided by a sub-subsidiary on the taxable temporary differences as the sub-subsidiary is unable to estimate reliably the commencement period of its pioneer status due to current market volatility which renders the achievability of future statutory income uncertain.

The Group has tax losses carried forward of RM720,221,000 (2017: RM867,660,000) which give rise to the recognised and unrecognised deferred tax assets in respect of unutilised tax losses above, which are subject to agreement by the tax authorities.

### 25. INVENTORIES

	Group	
	2018 RM'000	2017 RM'000
At cost		
Inventories of produce	1,137,723	1,040,685
Developed properties held for sale	53,503	7,035
Stores and materials	599,627	505,476
	<b>1,790,853</b>	<b>1,553,196</b>
At net realisable value		
Inventories of produce	350,528	280,437
Developed properties held for sale	209	209
Stores and materials	4,862	166
	<b>2,146,452</b>	<b>1,834,008</b>
Recognised in profit or loss:		
Inventories recognised as cost of sales	16,503,546	17,825,995
Write down of inventories	43,386	23,943
Write back of slow moving inventories	(1,208)	(644)
Write back of inventories written down to net realisable value	<b>(7,877)</b>	<b>(943)</b>

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 26. TRADE RECEIVABLES

	Group	
	2018 RM'000	2017 RM'000
Trade receivables	1,502,190	1,945,537
Allowance for impairment losses	<b>(26,540)</b>	<b>(27,846)</b>
	<b>1,475,650</b>	1,917,691
Accrued billings	<b>48,737</b>	-
	<b>1,524,387</b>	1,917,691

Included in trade receivables are amounts owing by related parties of RM69,299,000 (2017: RM79,467,000).

The ageing of trade receivables as at the end of the reporting period was:

	Gross RM'000	Individual Impairment RM'000	Collective Impairment RM'000	Net RM'000
<b>Group</b>				
<b>2018</b>				
Not past due	1,266,459	-	-	1,266,459
Past due 1 - 30 days	176,943	-	-	176,943
Past due 31 - 60 days	22,029	-	-	22,029
Past due 61 - 90 days	5,531	14	-	5,517
Past due 91 - 120 days	3,086	18	-	3,068
Past due more than 120 days	28,142	26,508	-	1,634
	<b>1,502,190</b>	<b>26,540</b>	-	<b>1,475,650</b>
<b>2017</b>				
Not past due	1,704,453	135	-	1,704,318
Past due 1 - 30 days	110,669	18	-	110,651
Past due 31 - 60 days	34,360	19	-	34,341
Past due 61 - 90 days	53,469	-	-	53,469
Past due 91 - 120 days	2,416	4	-	2,412
Past due more than 120 days	40,170	27,670	-	12,500
	<b>1,945,537</b>	<b>27,846</b>	-	<b>1,917,691</b>

The movements in the impairment losses of trade receivables during the year were:

	Group	
	2018 RM'000	2017 RM'000
At beginning of the year	27,846	19,842
Impairment losses	463	7,681
Reversal of impairment	<b>(807)</b>	(20)
Impairment losses written off	<b>(209)</b>	-
Currency translation differences	<b>(753)</b>	343
At end of the year	<b>26,540</b>	27,846

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the trade receivables of the Group that are neither past due nor impaired have been renegotiated during the financial year.

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that the recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

The Group's normal trade credit term ranges from 7 to 180 (2017: 7 to 180) days. Other credit terms are assessed and approved on a case-by-case basis.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 27. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Other receivables	274,999	367,175	96	3
Indirect tax receivables	269,681	221,102	-	-
Prepayments	64,955	67,002	-	-
Refundable deposits	38,472	54,570	-	8
	<b>648,107</b>	<b>709,849</b>	<b>96</b>	<b>11</b>

### 28. PROPERTY DEVELOPMENT COSTS

	Group	
	2018 RM'000	2017 RM'000
Property development costs comprise:		
Land costs	17,874	11,083
Development costs	365,840	221,638
	<b>383,714</b>	<b>232,721</b>
Transfer from land held for property development		
Land costs	-	6,791
Development costs	-	49,179
	-	55,970
Costs incurred during the year		
Land costs	7,994	-
Development costs	157,932	95,023
	<b>165,926</b>	<b>95,023</b>
	<b>549,640</b>	<b>383,714</b>
Costs recognised as an expense in profit or loss:		
Previous years	(225,834)	(146,547)
Current year	(127,757)	(79,287)
Transfer to inventories	(55,428)	(3,184)
	<b>140,621</b>	<b>154,696</b>

### 29. DERIVATIVE FINANCIAL INSTRUMENTS

The Group classifies derivative financial instruments as financial assets or liabilities at fair value through profit or loss.

Group	Contract/Notional Amount	Assets RM'000	Liabilities RM'000
	Net long/(short) RM'000		
<b>2018</b>			
Forward foreign exchange contracts	(880,831)	991	(11,817)
Commodities future contracts	68,675	68,243	(52,402)
Total derivative financial instruments		<b>69,234</b>	<b>(64,219)</b>
<b>2017</b>			
Forward foreign exchange contracts	(986,720)	18,330	(2,224)
Commodities future contracts	51,459	92,418	(102,419)
Total derivative financial instruments		<b>110,748</b>	<b>(104,643)</b>

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

The forward foreign exchange contracts are entered into by the Group 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 currencies on receipts and payments.

The commodities 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.

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

### 30. SHORT TERM FUNDS

	Group	
	2018 RM'000	2017 RM'000
Deposits with licensed banks	<b>195,579</b>	578,489

Short term funds represent funds placed in highly liquid money market instruments which are readily convertible to known amount of cash and have insignificant risk of changes in fair value with original maturities of more than three months.

The effective interest rates per annum of deposits with licensed banks at the end of the reporting dates were as follows:

	Group	
	2018	2017
Deposits with licensed banks	<b>1.53% to 6.00%</b>	0.75% to 7.00%

The maturities and repricing of deposits with licensed banks at the end of the reporting dates were as follows:

	Group	
	2018 RM'000	2017 RM'000
Maturities above 3 months to 1 year		
Deposits with licensed banks	<b>195,579</b>	578,489

Deposit with a licensed bank of the Group amounting to RM11,275,000 (2017: RM14,618,000) as at 30 September 2018 has been pledged for a banking facility granted to an outside party for the purpose of the "Kredit Koperasi Primer untuk Anggotanya" scheme in Indonesia.

### 31. CASH AND CASH EQUIVALENTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deposits with licensed banks	<b>942,162</b>	1,232,287	<b>34</b>	33
Fixed income trust funds, at fair value through profit or loss	<b>53,584</b>	-	-	-
Cash and bank balances	<b>566,240</b>	523,457	<b>182,620</b>	158,887
	<b>1,561,986</b>	1,755,744	<b>182,654</b>	158,920

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

Deposits with licensed banks and investments in fixed income trust funds in Malaysia represent short term investments in highly liquid money market. These investments are readily convertible to cash and have insignificant risk of changes in value with original maturities of three months or less.

Included in the Group's cash and bank balances as at 30 September 2018 was RM32,327,000 (2017: RM29,975,000) held under Housing Development Account. The utilisation of this fund is subject to the Housing Developers (Housing Development Account) (Amendment) Regulations 2002.

The effective interest rates per annum of deposits with licensed banks and fixed income trust funds at the end of the reporting dates were as follows:

	Group		Company	
	2018	2017	2018	2017
Deposits with licensed banks	<b>0.35% to 7.55%</b>	0.01% to 7.55%	<b>3.10% to 3.35%</b>	3.40%
Fixed income trust funds	<b>3.50% to 3.63%</b>	-	-	-

The maturities and repricing of deposits with licensed banks and fixed income trust funds as at the end of the reporting dates were as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Maturities of 3 months or below				
Deposits with licensed banks	<b>942,162</b>	1,232,287	<b>34</b>	33
Fixed income trust funds	<b>53,584</b>	-	-	-
	<b>995,746</b>	1,232,287	<b>34</b>	33

### 32. SHARE CAPITAL

	Group		Company	
	Number of Shares '000	RM'000	Number of Shares '000	RM'000
<b>Issued and fully paid</b>				
At 1 October 2016	435,951	435,951	435,951	435,951
Reclassification from capital redemption reserve pursuant to Section 618(2) of the Companies Act 2016	-	31,304	-	-
Transfer from retained earnings on redemption of redeemable preference shares	-	31,505	-	-
At 30 September 2017	<b>435,951</b>	<b>498,760</b>	<b>435,951</b>	<b>435,951</b>
Transfer from retained earnings on redemption of redeemable preference shares	-	10,929	-	-
At 30 September 2018	<b>435,951</b>	<b>509,689</b>	<b>435,951</b>	<b>435,951</b>
		<b>Group and Company</b>		
	<b>2018</b>	<b>2018</b>	2017	2017
	<b>Number of</b>		<b>Number of</b>	
	<b>Shares</b>		<b>Shares</b>	
	<b>'000</b>	<b>RM'000</b>	<b>'000</b>	<b>RM'000</b>
Treasury shares	<b>35,380</b>	<b>491,740</b>	33,078	446,671

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### Share capital

In accordance with Section 618(2) of the Companies Act 2016 which was effected on 31 January 2017,

- (i) the concept of authorised share capital was abolished;
- (ii) the shares of the Company ceased to have a par value; and
- (iii) the amount standing to the credit of the capital redemption reserve has become part of the Group's and the Company's share capital.

During the financial years ended 30 September 2018 and 30 September 2017, certain subsidiaries used the amount standing to the credit of their share premium accounts to provide for the premium paid on redemption of their redeemable preference shares which were issued before 31 January 2017 in accordance with Section 618(3) of the Companies Act 2016.

The holders of shares (except treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share without restrictions at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

### Treasury shares

Treasury shares relate to shares of the Company that are retained by the Company.

The shareholders of the Company renewed the authority granted to the Directors to buy back its own shares at the Annual General Meeting held on 13 February 2018. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the buy back plan can be applied in the best interests of the Company and its shareholders.

During the year, the Company bought back a total of 2,301,500 of its issued shares from the open market for a total cost of RM45,069,274. The average price paid for the shares bought back was RM19.51 per share. The shares bought back were financed by internally generated funds and borrowings and held as treasury shares.

Of the total 435,951,000 issued and fully-paid shares, 35,379,731 (2017: 33,078,231) are held as treasury shares by the Company as at 30 September 2018. As at this date, the number of outstanding shares issued and fully-paid, after deducting treasury shares held is 400,571,269 (2017: 402,872,769) shares.

### 33. RESERVES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-distributable				
Capital reserve	331,743	331,743	-	-
Revaluation reserve	4,639	4,716	16	16
Exchange fluctuation reserve	10,119	261,380	-	-
Fair value reserve	841,090	821,177	6,064	9,137
	<b>1,187,591</b>	1,419,016	<b>6,080</b>	9,153
Distributable				
Capital reserve	494,997	494,164	32,555	32,555
General reserve	7,035	7,035	6,739	6,739
Retained earnings	4,876,186	4,725,469	894,683	696,083
	<b>5,378,218</b>	5,226,668	<b>933,977</b>	735,377
	<b>6,565,809</b>	6,645,684	<b>940,057</b>	744,530

### Capital and general reserves

Non-distributable capital reserve mainly comprises post-acquisition reserve capitalised by subsidiaries for their bonus issues. Distributable capital reserve and general reserve comprise surpluses arising from disposals of quoted investments, properties and government acquisitions of land.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### Revaluation reserve

The Group's and the Company's revaluation reserve arose from revaluation of properties and the fair value adjustments on acquisition of a sub-subsiidiary, relating to previously held interest.

### Exchange fluctuation reserve

The exchange fluctuation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

### Fair value reserve

Fair value reserve comprises the cumulative net change in the fair value of available-for-sale investments until the investments are derecognised or impaired.

### Retained earnings

Of the Company's retained earnings at year end, RM491,740,388 (2017: RM446,671,114) was utilised for the purchase of the treasury shares and is considered as non-distributable. Details of treasury shares are disclosed in Note 32.

## 34. DEFERRED INCOME

	Group	
	2018	2017
	RM'000	RM'000
<b>Government grants</b>		
<b>At cost</b>		
At beginning of the year	150,662	143,823
Received during the year	9,826	6,194
Currency translation differences	(348)	645
At end of the year	<u>160,140</u>	<u>150,662</u>
<b>Accumulated amortisation</b>		
At beginning of the year	25,489	18,830
Amortisation charge	7,926	6,252
Currency translation differences	(226)	407
At end of the year	<u>33,189</u>	<u>25,489</u>
<b>Carrying amounts</b>	<u>126,951</u>	<u>125,173</u>
Deferred income is disclosed under:		
Non-current liabilities	119,004	117,365
Current liabilities	7,947	7,808
	<u>126,951</u>	<u>125,173</u>

The sub-subsiidiaries, KL-Kepong Oleomas Sdn Bhd, Palm-Oleo (Klang) Sdn Bhd and Davos Life Science Sdn Bhd received government grants from Malaysian Palm Oil Board which were conditional upon the construction of specific projects.

Another sub-subsiidiary, KLK Tensachem SA received government grants from its local government to finance its capital expenditure.

The government grants are to be amortised over the life of the assets when the assets are commissioned.



# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 35. PROVISION FOR RETIREMENT BENEFITS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Present value of funded obligations	244,415	248,079	-	-
Fair value of plan assets	(235,687)	(226,534)	-	-
	<b>8,728</b>	21,545	-	-
Unfunded obligations	<b>468,595</b>	466,743	<b>31</b>	30
Present value of net obligations	<b>477,323</b>	488,288	<b>31</b>	30

#### Defined benefit obligations

- (i) The Group's plantation and industrial chemical operations in Malaysia operate defined benefit plans based on the terms of the unions' collective agreements in Malaysia. These retirement benefit plans are unfunded. The benefits payable on retirement are based on the last drawn salaries, the length of service and the rates set out in the said agreements.

The present value of these unfunded defined benefit obligations as required by FRS 119 *Employee Benefits* has not been used in arriving at the provision as the amount involved is insignificant to the Group and the Company. Accordingly, no further disclosures as required by the standard are made.

- (ii) All the plantations subsidiaries in Indonesia operate unfunded defined benefit plans for all its eligible employees. The obligations of the retirement benefit plans are calculated using the projected unit credit method.
- (iii) A sub-subsidiary in Germany, KLK Emmerich GmbH, operates an unfunded retirement benefit plan for its eligible employees. The obligations of the retirement benefit plan are determined by an independent qualified actuary. The last actuarial valuation was on 30 September 2018.
- (iv) A sub-subsidiary in Switzerland, Kolb Distribution AG, makes contributions to a funded defined benefit plan that provides pension benefits for employees upon retirement. The assets of the plan are held as a segregated fund and administered by trustees.

This funded defined benefit obligation is determined by an independent qualified actuary on an annual basis.

The last actuarial valuation was on 30 June 2018 and was subsequently updated to take into consideration of the requirements of FRS 119 in order to assess liabilities of the plan as at 30 September 2018. The plan assets are stated at their market value as at 30 September 2018.

The defined benefit plans expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

These defined benefit plans are fully funded by the Group.

The Group expects RM20,279,000 in contributions to be paid to the defined benefit plans in the next financial year.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

<b>Movement in Net Defined Benefit Liabilities</b>	<b>Present Value of Funded Obligations RM'000</b>	<b>Unfunded Obligations RM'000</b>	<b>Fair Value of Plan Assets RM'000</b>	<b>Present Value of Net Obligations RM'000</b>
<b>Group</b>				
At 1 October 2016	240,890	464,742	(201,634)	503,998
<b>Included in profit or loss</b>				
Service cost	9,536	22,366	-	31,902
Past service cost	(10,419)	-	-	(10,419)
Remeasurement	-	18	-	18
Under provision	-	104	-	104
Administration cost	123	-	-	123
Interest cost/(income)	769	11,169	(646)	11,292
	9	33,657	(646)	33,020
<b>Included in other comprehensive income</b>				
Remeasurement gain				
Actuarial (gain)/loss from:				
- Financial assumptions	(12,437)	(30,182)	-	(42,619)
- Demographic assumptions	(5,069)	-	-	(5,069)
- Experience assumptions	12,046	2,520	-	14,566
Return on plan assets excluding interest income	-	-	(5,091)	(5,091)
	(5,460)	(27,662)	(5,091)	(38,213)
<b>Others</b>				
Contributions paid by employer	-	(25,440)	(7,501)	(32,941)
Employee contributions	5,397	-	(5,397)	-
Benefits deposited	1,816	-	(1,816)	-
Currency translation differences	5,427	21,446	(4,449)	22,424
At 30 September 2017	<b>248,079</b>	<b>466,743</b>	<b>(226,534)</b>	<b>488,288</b>
<b>Included in profit or loss</b>				
Service cost	6,620	24,674	-	31,294
Remeasurement	-	(90)	-	(90)
Under provision	-	35	-	35
Administration cost	120	-	-	120
Interest cost/(income)	1,678	13,651	(1,537)	13,792
	8,418	38,270	(1,537)	45,151
<b>Included in other comprehensive income</b>				
Remeasurement (gain)/loss				
Actuarial (gain)/loss from:				
- Financial assumptions	(9,274)	6,690	-	(2,584)
- Demographic assumptions	(1,343)	-	-	(1,343)
- Experience assumptions	4,864	4,488	-	9,352
Return on plan assets excluding interest income	-	-	(5,781)	(5,781)
	(5,753)	11,178	(5,781)	(356)
<b>Others</b>				
Contributions paid by employer	-	(24,019)	(7,379)	(31,398)
Employee contributions	5,321	-	(5,321)	-
Benefits paid	(3,748)	-	3,748	-
Acquisitions through business combination	-	1,814	-	1,814
Currency translation differences	(7,902)	(25,391)	7,117	(26,176)
At 30 September 2018	<b>244,415</b>	<b>468,595</b>	<b>(235,687)</b>	<b>477,323</b>

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

The amount of remeasurement gain of RM1,836,000 (2017: RM27,657,000) recognised in the other comprehensive income is net of deferred tax assets of RM1,480,000 (2017: deferred tax liabilities RM10,556,000) (Note 24).

	<b>Group</b>	
	<b>2018</b>	2017
	<b>RM'000</b>	RM'000
<b>Plan assets</b>		
Plan assets comprise:		
Equity funds quoted in Switzerland	<b>36,058</b>	35,623
Equity funds quoted in the United States of America	<b>30,092</b>	29,738
Bond funds quoted in Switzerland	<b>81,075</b>	81,506
Real estate funds quoted in Switzerland	<b>51,312</b>	50,708
Cash and cash equivalents	<b>17,418</b>	12,785
Other assets	<b>19,732</b>	16,174
	<b>235,687</b>	226,534

Fair value of the plan assets is based on the market price information and in the case of quoted securities is the published bid price.

The pension fund's board of trustees is responsible for the risk management of the funds. The cash funding of the plan is designed to ensure that present and future contributions should be sufficient to meet future liabilities.

	<b>Company</b>	
	<b>2018</b>	2017
	<b>RM'000</b>	RM'000
<b>Unfunded obligations</b>		
Movement in the unfunded defined benefit obligations		
At beginning of the year	<b>30</b>	114
Expense/(Income) recognised in profit or loss	<b>1</b>	(84)
At end of the year	<b>31</b>	30
Expense/(Income) recognised in profit or loss		
Current service cost	<b>3</b>	4
Interest cost	<b>1</b>	2
Over provision	<b>(3)</b>	(90)
	<b>1</b>	(84)
	<b>Group</b>	
	<b>2018</b>	2017
	%	%
<b>Actuarial assumptions</b>		
Principal actuarial assumptions of the funded plan operated by the sub-subsidiary in Switzerland (expressed as weighted averages):		
Discount rates	<b>0.7</b>	0.7
Future salary increases	<b>1.0</b>	1.5
Principal assumptions of the unfunded plan used by plantations subsidiaries in Indonesia:		
Discount rates	<b>8.3</b>	1.8 to 8.3
Future salary increases	<b>4.0 to 8.0</b>	2.5 to 11.0
Principal actuarial assumptions of the unfunded plan operated by the sub-subsidiary in Germany:		
Discount rate	<b>1.8</b>	1.8
Future salary increases	<b>3.0</b>	2.5
Future pension increases	<b>1.8</b>	1.8

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

As at the end of the reporting period, the weighted average duration of the funded defined benefit obligation was 13.9 years (2017: 14.4 years).

### Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	Group	
	Defined Benefit Obligation Increase RM'000	Decrease RM'000
<b>2018</b>		
Discount rate (0.25% movement)	(22,388)	24,426
Future salary growth (0.25% movement)	5,374	(4,929)
Life expectancy (1 year movement)	23,644	(23,589)
<b>2017</b>		
Discount rate (0.25% movement)	(23,226)	25,965
Future salary growth (0.25% movement)	22,665	(14,586)
Life expectancy (1 year movement)	14,864	(22,240)

Although the analysis does not account for the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

### 36. BORROWINGS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Non-current</b>				
Secured				
Term loan	35,085	31,104	-	-
Unsecured				
Term loans	427,014	436,064	-	-
Islamic medium term notes	3,100,000	3,100,000	500,000	500,000
	3,527,014	3,536,064	500,000	500,000
	3,562,099	3,567,168	500,000	500,000
<b>Current</b>				
Secured				
Term loan	10,198	11,739	-	-
Unsecured				
Bank overdrafts	89,034	124,124	-	-
Term loans	175,439	24,923	-	-
Export credit refinancing	83,620	225,059	-	-
Bankers' acceptance	427,614	350,787	-	-
Revolving credit	164,534	217,933	-	-
Trade financing	270,675	421,031	-	-
	1,210,916	1,363,857	-	-
	1,221,114	1,375,596	-	-
Total borrowings	4,783,213	4,942,764	500,000	500,000

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

- (a) In financial year ended 30 September 2013, the Company had issued RM500 million 10 years Sukuk Musharakah Islamic Medium Term Notes (“IMTN”) under the RM500 million Islamic Medium Term Notes Programme (“Programme”) at a periodic distribution rate of 4.05% per annum.

Salient features of the Programme are as follows:

- Total outstanding nominal value of the IMTN (collectively known as “Notes”) shall not exceed RM500 million.
  - The tenure of the Programme is up to 10 years from the date of the first issuance of any Notes under this Programme.
  - The IMTN has a maturity of more than 1 year and up to 10 years and on condition that the maturity dates of the IMTN do not exceed the tenure of the Programme. The IMTN may be non-profit bearing or bear profit at a rate determined at the point of issuance. The profit is payable semi-annually in arrears from the date of issuance of the IMTN with the last periodic distribution to be made on the maturity date.
  - Debt-to-equity ratio of the Group shall be maintained at not more than one time throughout the tenure of the Programme.
- (b) In financial year ended 30 September 2012, a subsidiary had issued RM300 million 5 years Sukuk Ijarah Islamic Medium Term Notes under the RM300 million Sukuk Ijarah Islamic Commercial Paper (“ICP”) and Medium Term Notes (“IMTN”) Programme (“1<sup>st</sup> Programme”) at par with a profit of 3.88% per annum.

Salient features of the 1<sup>st</sup> Programme are as follows:

- Total outstanding nominal value of the ICP and IMTN (collectively known as “Notes”) shall not exceed RM300 million.
- The tenure of the 1<sup>st</sup> Programme is up to 5 years from the date of the first issuance of any Notes under the 1<sup>st</sup> Programme.
- The ICP will be issued at a discount to the nominal value and has a maturity of either 1, 2, 3, 6, 9 or 12 months and on condition that the maturity dates of the ICP do not exceed the tenure of the 1<sup>st</sup> Programme. There will not be profit payable on the ICP issued under the 1<sup>st</sup> Programme in view that they are issued at a discount.
- The IMTN may be issued at a discount or at par to the nominal value and has a maturity of more than 1 year and up to 5 years and on condition that the maturity dates of the IMTN do not exceed the tenure of the 1<sup>st</sup> Programme. The IMTN may be non-profit bearing or bear profit at a rate determined at the point of issuance. The profit is payable semi-annually in arrears from the date of issue of the IMTN with the last profit payment to be made on the respective maturity dates.
- Debt-to-equity ratio of the subsidiary (group results) shall be maintained at not more than one time throughout the tenure of the 1<sup>st</sup> Programme.

The RM300 million IMTN under the 1<sup>st</sup> Programme was redeemed in October 2016.

- (c) In financial year ended 30 September 2012, a subsidiary had issued another RM1.0 billion 10 years Ringgit Sukuk Ijarah Islamic Medium Term Notes under the RM1.0 billion Sukuk Ijarah Multi-Currency Islamic Medium Term Notes (“MCIMTN”) Programme (“2<sup>nd</sup> Programme”) at par with a profit of 4.0% per annum.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

Salient features of the 2<sup>nd</sup> Programme are as follows:

- Total outstanding nominal value of the Ringgit Sukuk Ijarah and Non-Ringgit Sukuk Ijarah MCIMTN shall not exceed RM1.0 billion.
  - The tenure of the 2<sup>nd</sup> Programme is up to 10 years from the date of the first issuance of any MCIMTN under the 2<sup>nd</sup> Programme.
  - The MCIMTN has a maturity of more than 1 year and up to 10 years and on condition that the maturity dates of the MCIMTN do not exceed the tenure of the 2<sup>nd</sup> Programme. The MCIMTN may be non-profit bearing or bear profit at a rate determined at the point of issuance. The profit is payable semi-annually in arrears from the date of issue of the MCIMTN with the last profit payment to be made on the respective maturity dates.
  - Debt-to-equity ratio of the subsidiary (group results) shall be maintained at not more than one time throughout the tenure of the 2<sup>nd</sup> Programme.
- (d) In financial year ended 30 September 2015, a subsidiary had issued RM1.1 billion 10 years Ringgit Sukuk Ijarah Islamic Medium Term Notes under the RM1.6 billion Multi-Currency Sukuk Ijarah and/or Wakalah Islamic Medium Term Notes Programme (“3<sup>rd</sup> Programme”) at par with a profit of 4.58% per annum.

In financial year ended 30 September 2016, the subsidiary had issued the balance of the 3<sup>rd</sup> Programme of RM500 million 10 years Ringgit Sukuk Ijarah Islamic Medium Term Notes at par with a profit rate of 4.65% per annum.

Salient features of the 3<sup>rd</sup> Programme are as follows:

- The 3<sup>rd</sup> Programme shall comprise Ringgit denominated Islamic Medium Term Notes (“Ringgit Sukuk”) and non-Ringgit denominated Islamic Medium Term Notes (“Non-Ringgit Sukuk”) issuances.
  - The aggregate outstanding nominal value of the Ringgit Sukuk and Non-Ringgit Sukuk issued under the 3<sup>rd</sup> Programme shall not exceed RM1.6 billion (or its equivalent in foreign currencies).
  - The tenure of the 3<sup>rd</sup> Programme shall be more than 1 year and up to 12 years from the date of the first issuance of the programme.
  - The Ringgit Sukuk/Non-Ringgit Sukuk under the 3<sup>rd</sup> Programme may be issued under the Shariah principle(s) of Ijarah and/or Wakalah Bi Al-Istithmar.
  - The expected periodic distribution rate (under the principle of Wakalah Bi Al-Istithmar) or periodic distribution rate (under the principle of Ijarah) (if any) shall be determined at the point of issuance. For the Ringgit Sukuk/Non-Ringgit Sukuk with periodic distributions, the profit is payable semi-annually in arrears from the date of issuance of the Ringgit Sukuk/Non-Ringgit Sukuk with the last periodic distribution to be made on the relevant maturity dates.
  - Debt-to-equity ratio of the subsidiary (group results) shall be maintained at not more than one time throughout the tenure of the 3<sup>rd</sup> Programme.
- (e) The secured term loan of the Group is secured by way of a fixed charge on the property, plant and equipment of an overseas sub-subsiary with the carrying amount of RM139,848,000 (2017: RM150,996,000) as at 30 September 2018.
- (f) Certain unsecured term loans, bank overdrafts and revolving credit are supported by corporate guarantees of RM657.2 million (2017: RM804.6 million) issued by a subsidiary. The bank overdraft facilities are renewable annually.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

(g) The interest rates per annum applicable to borrowings for the year were as follows:

	Group		Company	
	2018	2017	2018	2017
Bank overdrafts	<b>0.33% to 2.00%</b>	0.33%	-	-
Term loans	<b>0.71% to 4.02%</b>	0.71% to 2.88%	-	-
Trade financing	<b>1.70% to 2.81%</b>	0.93% to 2.06%	-	-
Export credit refinancing	<b>3.48% to 4.20%</b>	3.40% to 3.60%	-	-
Bankers' acceptance	<b>3.11% to 4.57%</b>	3.07% to 4.04%	-	-
Revolving credit	<b>1.00% to 8.75%</b>	0.90% to 4.79%	<b>4.56%</b>	-
Islamic medium term notes	<b>4.00% to 4.65%</b>	3.88% to 4.65%	<b>4.05%</b>	4.05%

(h) An amount of RM862,343,000 (2017: RM1,074,536,000) of the Group's borrowings consists of floating rate borrowings which interest rates reprice within a year.

The Company did not have any floating rate borrowings as at end of both the financial years.

(i) Reconciliation of liabilities from secondary activities to the statements of financial position and statements of cash flows as follows:

	Group			Company	
	Term Loans RM'000	Short Term Borrowings RM'000	Islamic Medium Term Notes RM'000	Total RM'000	Islamic Medium Term Notes RM'000
At 1 October 2016	458,166	1,141,154	3,400,000	4,999,320	500,000
Cash flows					
Term loans received	116,249	-	-	116,249	-
Repayment of term loans	(91,855)	-	-	(91,855)	-
Redemption of Islamic medium term notes	-	-	(300,000)	(300,000)	-
Net drawdown of short term borrowings	-	58,510	-	58,510	-
Non-cash flows					
Currency translation differences	21,270	15,146	-	36,416	-
At 30 September 2017	<b>503,830</b>	<b>1,214,810</b>	<b>3,100,000</b>	<b>4,818,640</b>	<b>500,000</b>
Cash flows					
Term loans received	<b>218,800</b>	-	-	<b>218,800</b>	-
Repayment of term loans	<b>(57,277)</b>	-	-	<b>(57,277)</b>	-
Net repayment of short term borrowings	-	<b>(251,138)</b>	-	<b>(251,138)</b>	-
Non-cash flows					
Currency translation differences	<b>(17,617)</b>	<b>(17,229)</b>	-	<b>(34,846)</b>	-
At 30 September 2018	<b>647,736</b>	<b>946,443</b>	<b>3,100,000</b>	<b>4,694,179</b>	<b>500,000</b>

### 37. TRADE PAYABLES

	Group	
	2018 RM'000	2017 RM'000
Trade payables	<b>563,999</b>	802,300
Progress billings	<b>45</b>	6,811
	<b>564,044</b>	809,111

Included in trade payables are amounts owing to related parties of RM79,983,000 (2017: RM79,324,000).

The normal trade credit terms granted to the Group ranged from 7 to 90 (2017: 7 to 90) days.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 38. OTHER PAYABLES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Other payables	460,969	421,216	271	-
Accruals	404,803	354,379	10,273	10,939
Deposits received	507	411	-	-
Indirect tax payable	14,541	31,510	-	-
	<b>880,820</b>	<b>807,516</b>	<b>10,544</b>	<b>10,939</b>
Represented by:				
Payable not later than 1 year	880,738	807,516	10,544	10,939
Payable later than 1 year	82	-	-	-
	<b>880,820</b>	<b>807,516</b>	<b>10,544</b>	<b>10,939</b>

Other payables of the Group payable later than 1 year amounting to RM82,000 (2017: Nil) represent deposits which are payable upon the expiry of the tenancy agreement.

### 39. RELATED PARTY TRANSACTIONS

(a) The Company has a controlling related party relationship with all its subsidiaries. Significant inter-company transactions of the Company are as follows:

	Company	
	2018 RM'000	2017 RM'000
Rental paid to a subsidiary	96	96
Interest received from subsidiaries	7,029	8,281
Interest paid to a subsidiary	6	-



# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

(b) Significant related party transactions

Set out below are the significant related party transactions in the normal course of business for the financial year (in addition to related party disclosures mentioned elsewhere in the financial statements).

	Group	
	2018 RM'000	2017 RM'000
(i) Transactions with associates		
Processing fee earned	778	480
Sale of finished goods	318,824	7,951
Sale of electricity	1,073	693
Purchase of goods	1,268,263	1,278,632
Service charges paid	2,726	2,524
Research and development services paid	14,597	14,435
(ii) Transactions with companies in which certain Directors are common directors and/or have direct or deemed interest		
Sale of goods		
Taiko Marketing Sdn Bhd	292,390	270,504
Taiko Marketing (S) Pte Ltd	1,874	2,807
Chlor-AI Chemical Pte Ltd	7,817	8,982
Siam Taiko Marketing Co Ltd	3,224	3,611
Freight income earned		
Taiko Marketing Sdn Bhd	1,401	1,381
Chlor-AI Chemical Pte Ltd	637	252
Storage tanks rental received		
Taiko Marketing Sdn Bhd	3,970	3,709
Purchase of goods		
Taiko Marketing Sdn Bhd	65,741	43,327
Taiko Marketing (S) Pte Ltd	27,571	24,216
Taiko Acid Works Sdn Bhd	2,452	4,963
Borneo Taiko Clay Sdn Bhd	3,404	4,494
Bukit Katho Estate Sdn Bhd	4,457	4,894
Kampar Rubber & Tin Co Sdn Bhd	7,044	7,933
Kekal & Deras Sdn Bhd	1,577	1,998
Ladang Tai Tak (Kota Tinggi) Sdn Bhd	1,001	568
Malay Rubber Plantations (M) Sdn Bhd	6,651	8,521
P.T. Agro Makmur Abadi	84,940	81,734
P.T. Safari Riau	33,649	41,735
Taiko Clay Marketing Sdn Bhd	2,320	2,426
Taiko Drum Industries Sdn Bhd	2,986	2,715
Management fees paid		
Farming Management Services Pty Ltd	2,327	2,284
Aircraft operating expenses and management services paid		
Smooth Route Sdn Bhd	1,936	1,789
Supply of contract labours and engineering works		
K7 Engineering Sdn Bhd	1,245	2,946
Yeow Brothers Engineering Sdn Bhd	956	1,394
Sales commissions charged by		
Taiko Marketing Sdn Bhd	102	63



# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

(c) In the ordinary course of business, the Company has entered into various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions and hence, they are not provided for in the financial statements.

### 43. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

(a) The names of subsidiaries, associates and joint ventures are detailed below:

Subsidiaries	Country of Incorporation	Principal Country of Operation	Percentage of Equity Held		Principal Activities
			2018	2017	
<b>Held by the Company:</b>					
<b>MANUFACTURING</b>					
<b>CHEMICALS</b>					
See Sen Chemical Berhad †	Malaysia	Malaysia	61	61	Manufacturing of chemicals
Malay-Sino Chemical Industries Sendirian Berhad †	Malaysia	Malaysia	98	98	Manufacturing of chemicals
<b>INVESTMENT HOLDING</b>					
Batu Kawan Holdings Sdn Bhd †	Malaysia	Malaysia	100	100	Investment property
Caruso Enterprises Sdn Bhd †	Malaysia	Malaysia	100	100	Dormant
Whitmore Holdings Sdn Bhd †	Malaysia	Malaysia	100	100	Investment holding
Enternal Edge Sdn Bhd †	Malaysia	Malaysia	100	100	Investment holding
BKB Overseas Investments Ltd ††	British Virgin Islands	British Virgin Islands	100	100	Investment holding
Synergy Motion Sdn Bhd †	Malaysia	Malaysia	100	100	Investment holding
Caruso Ventures Pte Ltd †	Singapore	Singapore	100	100	Investment holding
<b>PLANTATIONS</b>					
<b>PENINSULAR MALAYSIA</b>					
Kuala Lumpur Kepong Berhad	Malaysia	Malaysia	47	47	Plantations
<b>Held through Subsidiaries:</b>					
<b>Malay-Sino Chemical Industries Sendirian Berhad:</b>					
<b>MANUFACTURING</b>					
<b>CHEMICALS AND</b>					
<b>TRANSPORTATION SERVICES</b>					
Malay-Sino Agro-Chemical Products Sdn Bhd †	Malaysia	Malaysia	100	100	Manufacture and sale of methyl chloride
Circular Agency Sdn Bhd †	Malaysia	Malaysia	100	100	General transportation services
North-South Transport Sdn Bhd †	Malaysia	Malaysia	100	100	General transportation services
Malay-Sino Properties Sdn Bhd †	Malaysia	Malaysia	100	100	Letting of storage warehouse facilities
Malay-Sino Chemical Holdings Berhad † (under application of strike off)	Malaysia	Malaysia	-	-	Struck off
<b>See Sen Chemical Berhad:</b>					
<b>MANUFACTURING</b>					
<b>CHEMICALS</b>					
See Sen Bulking Installation Sdn Bhd †	Malaysia	Malaysia	100	100	Dormant

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

Subsidiaries	Country of Incorporation	Principal Country of Operation	Percentage of Equity Held		Principal Activities
			2018	2017	
<b>Whitmore Holdings Sdn Bhd:</b>					
<b>PLANTATIONS</b>					
<b>INDONESIA</b>					
P.T. Satu Sembilan Delapan †	Indonesia	Indonesia	<b>92</b>	92	Plantations
P.T. Tekukur Indah †	Indonesia	Indonesia	<b>90</b>	90	Plantations
<b>Caruso Ventures Pte Ltd:</b>					
<b>INVESTMENT HOLDING</b>					
Caruso Australia Ventures Pty Ltd ††	Australia	Australia	<b>100</b>	100	Investment holding
Caruso Epping Pty Ltd ††	Australia	Australia	<b>100</b>	100	Trustee company
Caruso Epping Unit Trust ††	Australia	Australia	<b>100</b>	100	Joint venture partner in property development
Caruso Greenvale Pty Ltd ††	Australia	Australia	<b>100</b>	100	Trustee company
Caruso Greenvale Unit Trust ††	Australia	Australia	<b>100</b>	100	Joint venture partner in property development
Vivaldi Victoria Pty Ltd ††	Australia	Australia	<b>100</b>	100	Trustee company
Vivaldi Victoria Unit Trust ††	Australia	Australia	<b>100</b>	100	Dormant
<b>Kuala Lumpur Kepong Berhad:</b>					
<b>PLANTATIONS</b>					
<b>PENINSULAR MALAYSIA</b>					
Uni-Agro Multi Plantations Sdn Bhd	Malaysia	Malaysia	<b>51</b>	51	Plantations
Betatechnic Sdn Bhd	Malaysia	Malaysia	<b>100</b>	100	Operating biogas capture plants
Gunong Pertanian Sdn Bhd	Malaysia	Malaysia	<b>100</b>	100	Extraction of crude palm oil
KL-Kepong Edible Oils Sdn Bhd	Malaysia	Malaysia	<b>100</b>	100	Refining of palm products
Taiko Plantations Sdn Bhd †	Malaysia	Malaysia	<b>100</b>	100	Management of plantations
Golden Complex Sdn Bhd	Malaysia	Malaysia	<b>100</b>	100	Investment holding
Jasachem Sdn Bhd	Malaysia	Malaysia	<b>100</b>	100	Investment holding
KL-Kepong Plantation Holdings Sdn Bhd	Malaysia	Malaysia	<b>100</b>	100	Investment holding
Fajar Palmkel Sdn Bhd	Malaysia	Malaysia	<b>100</b>	100	Kernel crushing
Rubber Fibreboards Sdn Bhd (In Members' Voluntary Liquidation)	Malaysia	Malaysia	<b>100</b>	100	Dormant
Kulumpang Development Corporation Sdn Bhd (In Members' Voluntary Liquidation)	Malaysia	Malaysia	-	100	Liquidated
<b>SABAH</b>					
Bornion Estate Sdn Bhd	Malaysia	Malaysia	<b>63</b>	63	Plantations
KL-Kepong (Sabah) Sdn Bhd	Malaysia	Malaysia	<b>100</b>	100	Plantations
Sabah Cocoa Sdn Bhd	Malaysia	Malaysia	<b>100</b>	100	Plantations
KLK Premier Oils Sdn Bhd	Malaysia	Malaysia	<b>85</b>	85	Refining of palm products and kernel crushing
Golden Yield Sdn Bhd	Malaysia	Malaysia	<b>85</b>	85	Processing and marketing of oil palm products
Sabah Holdings Corporation Sdn Bhd	Malaysia	Malaysia	<b>70</b>	70	Investment holding

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

Subsidiaries	Country of Incorporation	Principal Country of Operation	Percentage of Equity Held		Principal Activities
			2018	2017	
<b>PLANTATIONS</b>					
<b>INDONESIA</b>					
P.T. ADEI Plantation & Industry †	Indonesia	Indonesia	95	95	Plantations, refining of palm products and kernel crushing
P.T. Alam Karya Sejahtera AKS †	Indonesia	Indonesia	62	62	Plantations
P.T. Anugrah Surya Mandiri †	Indonesia	Indonesia	95	95	Plantations
P.T. Bumi Makmur Sejahtera Jaya †	Indonesia	Indonesia	95	-	Plantations
P.T. Hutan Hijau Mas †	Indonesia	Indonesia	92	92	Plantations
P.T. Jabontara Eka Karsa †	Indonesia	Indonesia	95	95	Plantations
P.T. Karya Makmur Abadi †	Indonesia	Indonesia	90	90	Plantations
P.T. Langkat Nusantara Kepong †	Indonesia	Indonesia	60	60	Plantations
P.T. Malindomas Perkebunan †	Indonesia	Indonesia	92	92	Plantations
P.T. Menteng Jaya Sawit Perdana †	Indonesia	Indonesia	80	80	Plantations
P.T. Mulia Agro Permai †	Indonesia	Indonesia	90	90	Plantations
P.T. Parit Sembada †	Indonesia	Indonesia	90	90	Plantations
P.T. Perindustrian Sawit Synergi †	Indonesia	Indonesia	75	-	Refining of palm products and kernel crushing
P.T. Putra Bongan Jaya †	Indonesia	Indonesia	95	-	Plantations
P.T. Steelindo Wahana Perkasa †	Indonesia	Indonesia	95	95	Plantations, refining of palm products and kernel crushing
P.T. Sekarbumi Alamlestari †	Indonesia	Indonesia	65	65	Plantations
P.T. KLK Agriservindo †	Indonesia	Indonesia	100	100	Management of plantations
<b>SINGAPORE</b>					
Astra-KLK Pte Ltd #	Singapore	Singapore	51	51	Marketing of refined palm oil products and provision of logistics services related to palm products
Collingwood Plantations Pte Ltd †	Singapore	Singapore	**100	**100	Investment holding
KLK Agro Plantations Pte Ltd †	Singapore	Singapore	100	100	Investment holding
Agro Putra Pte Ltd † (formerly as Taiko Cambodia Rubber Pte Ltd)	Singapore	Singapore	100	100	Investment holding
Taiko Plantations Pte Ltd †	Singapore	Singapore	100	100	Management of plantations
<b>PAPUA NEW GUINEA</b>					
Ang Agro Forest Management Ltd †	Papua New Guinea	Papua New Guinea	**100	**100	Dormant
Kubahi Marine Services Ltd †	Papua New Guinea	Papua New Guinea	-	**100	Liquidated
<b>UNITED KINGDOM</b>					
Equatorial Palm Oil Plc †	United Kingdom	United Kingdom	63	63	Investment holding
<b>GUERNSEY</b>					
Equatorial Biofuels (Guernsey) Ltd †	Guernsey	Guernsey	63	63	Investment holding
<b>MAURITIUS</b>					
Liberian Palm Developments Ltd ††	Mauritius	Mauritius	82	82	Investment holding
EBF (Mauritius) Ltd ††	Mauritius	Mauritius	82	82	Investment holding
EPO (Mauritius) Ltd ††	Mauritius	Mauritius	82	82	Investment holding

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

Subsidiaries	Country of Incorporation	Principal Country of Operation	Percentage of Equity Held		Principal Activities
			2018	2017	
<b>PLANTATIONS</b>					
<b>LIBERIA</b>					
Liberia Forest Products Inc †	Liberia	Liberia	82	82	Plantations
LIBINC Oil Palm Inc †	Liberia	Liberia	82	82	Plantations
Equatorial Palm Oil (Liberia) Incorporated †	Liberia	Liberia	82	82	Management of plantations
Liberian Agriculture Developments Corporation †	Liberia	Liberia	82	82	Dormant
<b>MANUFACTURING</b>					
<b>OLEOCHEMICALS</b>					
Palm-Oleo Sdn Bhd	Malaysia	Malaysia	80	80	Manufacturing of fatty acids
Palm-Oleo (Klang) Sdn Bhd	Malaysia	Malaysia	80	80	Manufacturing of oleochemicals
KSP Manufacturing Sdn Bhd	Malaysia	Malaysia	80	80	Manufacturing of soap noodles
Palmamide Sdn Bhd	Malaysia	Malaysia	80	80	Manufacturing of industrial amides
KL-Kepong Oleomas Sdn Bhd	Malaysia	Malaysia	96	96	Manufacturing of fatty alcohol and methyl esters
Davos Life Science Sdn Bhd	Malaysia	Malaysia	100	100	Manufacturing of palm phytonutrients and other palm derivatives
KLK Bioenergy Sdn Bhd	Malaysia	Malaysia	96	96	Manufacturing of methyl esters
KLK Emmerich GmbH	Germany	Germany	100	100	Manufacturing of fatty acids and glycerine
Taiko Palm-Oleo (Zhangjiagang) Co Ltd †	People's Republic of China	People's Republic of China	80	80	Manufacturing and trading of fatty acids, glycerine, soap noodles, triacetin, special paper chemicals and surfactants
Shanghai Jinshan Jingwei Chemical Co Ltd †	People's Republic of China	People's Republic of China	100	100	Manufacturing of detergents, auxiliary materials for detergents and cosmetics and investment holding
P.T. KLK Dumai †	Indonesia	Indonesia	100	100	Manufacturing of basic organic chemicals from agricultural products
Capital Glogalaxy Sdn Bhd	Malaysia	Malaysia	100	100	Dormant
KLK Oleo (Shanghai) Co Ltd †	People's Republic of China	People's Republic of China	100	100	Trading and distribution of oleochemicals
KLK Tensachem SA #	Belgium	Belgium	100	100	Manufacturing of alcohol ether sulphates, alcohol sulphates and sulphonic acids
KL-Kepong Industrial Holdings Sdn Bhd	Malaysia	Malaysia	100	100	Investment holding
KLK Premier Capital Ltd	British Virgin Islands	Malaysia	80	80	Investment holding and trading in commodities

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

Subsidiaries	Country of Incorporation	Principal Country of Operation	Percentage of Equity Held		Principal Activities
			2018	2017	
<b>MANUFACTURING NON-IONIC SURFACTANTS AND ESTERS</b>					
Kolb Distribution AG †	Switzerland	Switzerland	100	100	Distribution of non-ionic surfactants and esters
Dr. W. Kolb AG †	Switzerland	Switzerland	100	100	Manufacturing of non-ionic surfactants and esters
Dr. W. Kolb Netherlands BV †	Netherlands	Netherlands	100	100	Manufacturing of non-ionic surfactants and esters
Kolb Distribution BV †	Netherlands	Netherlands	100	100	Distribution of non-ionic surfactants and esters
Kolb France SARL †	France	France	100	100	Distribution of non-ionic surfactants and esters
Dr. W. Kolb Deutschland GmbH †	Germany	Germany	100	100	Distribution of non-ionic surfactants and esters
KLK Kolb Specialties BV † (formerly known as Elementis Specialties Netherland BV)	Netherlands	Netherlands	100	-	Manufacturing and distribution of non-ionic surfactants and esters
KLK Chemicals Holding Netherlands BV †	Netherlands	Netherlands	100	-	Investment holding
<b>GLOVE PRODUCTS</b>					
KL-Kepong Rubber Products Sdn Bhd †	Malaysia	Malaysia	100	100	Manufacturing and trading in rubber products
Masif Latex Products Sdn Bhd †	Malaysia	Malaysia	100	100	Dormant
<b>PARQUET FLOORING</b>					
B.K.B. Hevea Products Sdn Bhd †	Malaysia	Malaysia	100	100	Manufacturing of parquet flooring products
B.K.B. Flooring Sdn Bhd †	Malaysia	Malaysia	100	100	Dormant
<b>NUTRACEUTICAL, COSMETOCEUTICAL &amp; PHARMACEUTICAL PRODUCTS</b>					
Davos Life Science Pte Ltd †	Singapore	Singapore	100	100	Sales of pharmaceutical and bio-pharmaceutical intermediates and fine chemicals and investment holding
Biogene Life Science Pte Ltd †	Singapore	Singapore	100	100	Research collaboration and investment holding
Centros Life Science Pte Ltd †	Singapore	Singapore	100	100	Sales of pharmaceutical and bio-pharmaceutical intermediates fine chemicals
<b>STORAGE &amp; DISTRIBUTION</b>					
Stolthaven (Westport) Sdn Bhd	Malaysia	Malaysia	51	51	Storing and distribution of bulk liquid

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

Subsidiaries	Country of Incorporation	Principal Country of Operation	Percentage of Equity Held		Principal Activities
			2018	2017	
<b>PROPERTIES</b>					
Colville Holdings Sdn Bhd	Malaysia	Malaysia	100	100	Property development
KL-K Holiday Bungalows Sdn Bhd	Malaysia	Malaysia	100	100	Operating holiday bungalows
KL-Kepong Complex Sdn Bhd	Malaysia	Malaysia	100	100	Property development
KL-Kepong Country Homes Sdn Bhd	Malaysia	Malaysia	100	100	Property development
KL-Kepong Property Development Sdn Bhd	Malaysia	Malaysia	100	100	Property development
KL-Kepong Property Management Sdn Bhd	Malaysia	Malaysia	100	100	Property management and property development
KLK Land Sdn Bhd	Malaysia	Malaysia	100	100	Investment holding
Kompleks Tanjung Malim Sdn Bhd	Malaysia	Malaysia	80	80	Property development
Palermo Corporation Sdn Bhd	Malaysia	Malaysia	100	100	Property development
Scope Energy Sdn Bhd	Malaysia	Malaysia	60	60	Property development
Selasih Ikhtisas Sdn Bhd	Malaysia	Malaysia	100	100	Property development
KLK Landscape Services Sdn Bhd	Malaysia	Malaysia	100	100	Dormant
KLK Park Homes Sdn Bhd	Malaysia	Malaysia	100	100	Dormant
KLK Retail Centre Sdn Bhd	Malaysia	Malaysia	100	100	Dormant
KLK Security Services Sdn Bhd	Malaysia	Malaysia	100	100	Dormant
Austerfield Corporation Sdn Bhd (In Members' Voluntary Liquidation)	Malaysia	Malaysia	-	100	Liquidated
Brecon Holdings Sdn Bhd (In Members' Voluntary Liquidation)	Malaysia	Malaysia	-	100	Liquidated
<b>INVESTMENT HOLDING</b>					
Ablington Holdings Sdn Bhd	Malaysia	Malaysia	100	100	Investment holding
Draw Fields Sdn Bhd	Malaysia	Malaysia	100	100	Investment holding
KL-Kepong Equity Holdings Sdn Bhd	Malaysia	Malaysia	100	100	Investment holding
Ortona Enterprise Sdn Bhd	Malaysia	Malaysia	100	100	Money lending
Quarry Lane Sdn Bhd	Malaysia	Malaysia	100	100	Investment holding
KL-Kepong International Ltd ††	Cayman Islands	Cayman Islands	100	100	Investment holding
KLK Overseas Investments Ltd ††	British Virgin Islands	British Virgin Islands	100	100	Investment holding
KLKI Holdings Ltd †	England	England	100	100	Investment holding
Kuala Lumpur-Kepong Investments Ltd †	England	Malaysia	100	100	Investment holding
Ladang Perbadanan-Fima Bhd	Malaysia	Malaysia	100	100	Dormant
Richinstock Sawmill Sdn Bhd	Malaysia	Malaysia	100	100	Dormant
Kersten Holdings Ltd ††	British Virgin Islands	British Virgin Islands	100	100	Investment holding
<b>OTHERS</b>					
Somerset Cuisine Ltd †	England	England	100	100	Manufacturing of jams and preserves
KLK Farms Pty Ltd #	Australia	Australia	100	100	Farming
KLK Assurance (Labuan) Ltd †	Malaysia	Malaysia	100	100	Offshore captive insurance
KLK Global Resourcing Sdn Bhd	Malaysia	Malaysia	100	100	Dormant
KLK Capital Resources (L) Ltd (In Members' Voluntary Liquidation)	Malaysia	Malaysia	-	100	Liquidated

† Companies not audited by KPMG.

# Companies audited by overseas affiliates of KPMG.

†† These companies are not required to be audited in the country of incorporation. The results of these companies are consolidated based on the unaudited financial statements.

\*\* The Group effectively hold 100% (2017: 100%) of Collingwood Plantations Pte Ltd and its subsidiaries with 82% (2017: 82%) held by KLK Group and 18% (2017: 18%) held by another subsidiary.



# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

A subsidiary has undertaken to provide financial support to certain sub-subsidiaries to enable them to continue to operate as going concerns.

Associates	Country of Incorporation	Percentage of Equity Held		Principal Activities
		2018	2017	
<b>Held by the Company:</b>				
Smith Zain (Penang) Sdn Bhd (In Members' Voluntary Liquidation)	Malaysia	42.1	42.1	Dormant
<b>Held through Subsidiaries:</b>				
<b>See Sen Chemical Berhad:</b>				
BASF See Sen Sdn Bhd	Malaysia	30.0	30.0	Manufacture of sulphuric acid products
<b>Caruso Ventures Pte Ltd:</b>				
Satterley Forrestfield Pty Ltd	Australia	40.0	40.0	Land development or subdivision
<b>Kuala Lumpur Kepong Berhad:</b>				
Applied Agricultural Resources Sdn Bhd	Malaysia	50.0	50.0	Agronomic service and research
Aura Muhibah Sdn Bhd	Malaysia	40.0	40.0	Property development
FKW Global Commodities (Pvt) Ltd	Pakistan	30.0	30.0	Trading in commodities
Kumpulan Sierramas (M) Sdn Bhd	Malaysia	50.0	50.0	Property development
Malaysia Pakistan Venture Sdn Bhd	Malaysia	37.5	37.5	Investment holding
MAPAK Edible Oils (Private) Ltd	Pakistan	30.0	30.0	Manufacturing and marketing of palm and other soft oils
MEO Trading Sdn Bhd	Malaysia	30.0	30.0	Trading in commodities
Phytopharma Co Ltd	Japan	22.8	22.8	Import, export and distribution of herbal medicine and raw materials thereof, raw materials of pharmaceutical and cosmetic products
<b>Joint Ventures</b>				
<b>Held through Subsidiaries:</b>				
<b>Caruso Ventures Pte Ltd:</b>				
Riverlee Caruso Epping Pty Ltd	Australia	50.0	50.0	Property development
Satterley Greendale Joint Venture	Australia	25.0	25.0	Land development or subdivision
<b>Kuala Lumpur Kepong Berhad:</b>				
P.T. Kreasijaya Adhikarya	Indonesia	50.0	50.0	Refining of crude palm oil and bulking installation
Rainbow State Ltd	British Virgin Islands	50.0	50.0	Owning and operating of aircraft

(b) Acquisitions and disposals of subsidiaries and sub-subsidiaries  
**2018**

**Purchase of shares from non-controlling interests**

In 2018, the Company acquired an additional 0.47% equity interest that it did not already own in Kuala Lumpur Kepong Berhad ("KLK") from non-controlling interests.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

The effect of the acquisition of 0.47% equity interest in KLK on the financial position of the Group was summarised below:

	RM'000
Consideration paid	120,317
Less: Net assets acquired from non-controlling interests	(56,975)
Effect of changes in shareholdings in KLK	<u>63,342</u>

### **Acquisition of subsidiaries**

- (i) On 28 February 2018, Kolb Distribution AG, a wholly-owned subsidiary of KLK Group, had completed the acquisition of 100% equity interest in KLK Kolb Specialties BV (formerly known as Elementis Specialties Netherlands BV) ("KKS") together with its surfactant chemicals assets and business in Delden, the Netherlands for a cash consideration of RM191,044,000.

The Delden site will expand the existing Kolb business portfolio in terms of product range and market coverage. The use of the Delden site as another hub for the Group's market penetration strategy will further accelerate growth in the Group's downstream chemical specialties business in Europe. KKS comes with a large established customer base and is expected to generate overall benefit to the Group's chemical business.

The recognised amounts of assets acquired and liabilities assumed at the date of acquisition were:

	RM'000
Property, plant and equipment	183,721
Intangible assets	9,322
Inventories	35,549
Trade and other receivables	45,000
Cash and cash equivalents	11,089
Trade and other payables	(80,904)
Deferred tax liabilities	(12,733)
Total identifiable net assets	<u>191,044</u>
Purchase consideration settled in cash and cash equivalents	191,044
Fair value of identifiable net assets	<u>(191,044)</u>
Goodwill on consolidation	<u>-</u>
Purchase consideration settled in cash and cash equivalents	191,044
Cash and cash equivalents acquired	(11,089)
Net cash outflow arising from acquisition of the subsidiary	<u>179,955</u>

In the 7 months to 30 September 2018, the subsidiary contributed revenue of RM211.493 million and profit of RM3.459 million. If the acquisition had occurred on 1 October 2017, management estimated that consolidated revenue would have been RM19.383 billion and consolidated profit for the financial year ended 30 September 2018 would have been RM936.128 million.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

- (ii) On 30 August 2018, KLK had completed the acquisition of 95% equity interest in P.T. Putra Bongan Jaya (“PBJ”) for a cash consideration of RM58,819,000.

PBJ is a company incorporated in Indonesia and is principally involved in establishment and operation of oil palm plantation and participation in the crude vegetable oil industry. The acquisition is in the ordinary course of business of KLK Group and is also in line with KLK’s business direction to expand its plantation land bank.

The recognised amounts of assets acquired and liabilities assumed at the date of acquisition were:

	<b>RM’000</b>
Property, plant and equipment	<b>114,226</b>
Prepaid lease payments	<b>66,227</b>
Biological assets	<b>173,499</b>
Other receivable – Advance to Plasma plantation projects	<b>10,691</b>
Inventories	<b>3,334</b>
Trade and other receivables	<b>22,616</b>
Cash and cash equivalents	<b>39,137</b>
Trade and other payables	<b>(52,634)</b>
Provision for retirement benefits	<b>(1,189)</b>
Borrowings	<b>(291,432)</b>
Deferred tax liabilities	<b>(22,560)</b>
Total identifiable net assets	<b>61,915</b>
Purchase consideration settled in cash and cash equivalents	<b>58,819</b>
Non-controlling interests	<b>3,096</b>
Fair value of identifiable net assets	<b>(61,915)</b>
Goodwill on consolidation	<b>-</b>
Purchase consideration settled in cash and cash equivalents	<b>58,819</b>
Cash and cash equivalents acquired	<b>(39,137)</b>
Net cash outflow arising from acquisition of the subsidiary	<b>19,682</b>

KLK Group incurred acquisition-related costs of RM149,000 related to professional fees which have been included in other operating expenses in profit or loss.

In the 1 month to 30 September 2018, the subsidiary contributed revenue of RM493,000 and incurred a loss of RM170,000. If the acquisition had occurred on 1 October 2017, management estimated that consolidated revenue would have been RM18.969 billion and consolidated profit for the financial year ended 30 September 2018 would have been RM921.302 million.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

- (iii) On 7 September 2018, KL-Kepong Plantation Holdings Sdn Bhd, a wholly-owned subsidiary of KLK Group, had completed the acquisition of 95% equity interest in P.T. Bumi Makmur Sejahtera Jaya ("BMSJ") for a cash consideration of RM10,561,000.

The acquisition is in line with KLK strategy to further increase the Group's oil palm plantation area in Indonesia.

The recognised amounts of assets acquired and liabilities assumed at the date of acquisition were:

	RM'000
Property, plant and equipment	17
Prepaid lease payments	15,407
Biological assets	8,737
Other receivable – Advance to Plasma plantation projects	868
Inventories	377
Trade and other receivables	594
Cash and cash equivalents	4,173
Trade and other payables	(344)
Tax payable	(136)
Provision for retirement benefits	(625)
Borrowings	(14,381)
Deferred tax liabilities	(3,570)
Total identifiable net assets	<u>11,117</u>
Purchase consideration settled in cash and cash equivalents	10,561
Non-controlling interests	556
Fair value of identifiable net assets	<u>(11,117)</u>
Goodwill on consolidation	<u>-</u>
Purchase consideration settled in cash and cash equivalents	10,561
Cash and cash equivalents acquired	(4,173)
Net cash outflow arising from acquisition of the subsidiary	<u>6,388</u>

If the acquisition had occurred on 1 October 2017, management estimated that consolidated revenue would have been RM18.966 billion and consolidated profit for the financial year ended 30 September 2018 would have been RM925.432 million.

### **Subscription of shares in a subsidiary**

On 31 May 2018, KL-Kepong Plantation Holdings Sdn Bhd, a wholly-owned subsidiary of KLK Group, subscribed for 75% equity interest in P.T. Perindustrian Sawit Synergy ("PSS") for a cash consideration of RM46,780,000.

The purpose of PSS is to build, own and operate an integrated palm oil refinery complex which comprises a new palm oil refinery plant and new palm kernel crushing plant in East Kalimantan, Indonesia. The subscription of shares in PSS is in line with KLK Group's existing strategy to expand its involvement in downstream businesses by increasing its presence in the refinery and kernel crushing and strengthen its presence in East Kalimantan, Indonesia.

### **Incorporation of a subsidiary**

Subsidiary incorporated during the financial year ended 30 September 2018 was as follows:

Subsidiary Incorporated	Group's Percentage of Equity Held	Date of Incorporation
KLK Chemicals Holding Netherlands BV	100	19 January 2018

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

2017

### Purchase of shares from non-controlling interests

- (i) In 2017, the Company acquired an additional 11.8% equity interest that it did not already own in Malay-Sino Chemical Industries Sendirian Berhad ("MSCI") from non-controlling interests.

The effect of the acquisition of 11.8% equity interest in MSCI on the financial position of the Group was summarised below:

	RM'000
Consideration paid	88,133
Less: Net assets acquired from non-controlling interests	(61,928)
Effect of changes in shareholdings in MSCI	<u>26,205</u>

- (ii) In January 2017, KLK Overseas Investments Ltd ("KLKOI"), a wholly-owned subsidiary of KLK Group, acquired an additional 31% equity interest for a cash consideration of RM4 in Collingwood Plantations Pte Ltd ("Collingwood"), a 69% owned subsidiary of the Group. Upon the completion of this acquisition, the Group's shareholdings in Collingwood increased to 100%.

The effect of the acquisition of 31% equity interest in Collingwood on the financial position of the Group was summarised below:

	RM'000
Consideration paid	-*
Less: Net assets acquired from non-controlling interests	(7,598)
Effect of changes in shareholdings in Collingwood	<u>7,598</u>

\* Consideration paid was only RM4

- (c) Material non-controlling interests

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

	2018			2017		
	Kuala Lumpur Kepong Berhad RM'000	Other Subsidiaries with Immaterial NCI RM'000	Total RM'000	Kuala Lumpur Kepong Berhad RM'000	Other Subsidiaries with Immaterial NCI RM'000	Total RM'000
NCI percentage of ownership interest and voting interest	53%			53%		
Carrying amount of NCI	<u>6,520,003</u>	<u>36,837</u>	<u>6,556,840</u>	6,632,358	39,681	6,672,039
Profit allocated to NCI	<u>455,635</u>	<u>4,570</u>	<u>460,205</u>	598,931	13,146	612,077

### Summary of financial information before inter-company elimination:

Total assets	18,996,056	19,504,114
Total liabilities	(6,685,209)	(7,064,072)
Revenue	18,400,500	21,004,036
Profit for the year	804,104	1,066,879
Net (decrease)/increase in cash and cash equivalents	<u>(80,687)</u>	<u>414,067</u>
Dividend paid to NCI	<u>34,329</u>	<u>50,526</u>

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 44. SEGMENT INFORMATION – GROUP

The Group has 4 reportable segments which are the Group's strategic business units. The strategic business units offer different products and are managed separately as they require different technology and marketing strategies. The Company's Managing Director and the Chief Executive Officer of KLK Group review internal management reports of each of the strategic business units on a monthly basis.

The reportable segments are summarised below:

Plantation	Cultivation and processing of palm and rubber products, refining of palm products, kernel crushing and trading of palm products
Manufacturing	Manufacturing of chemicals and transportation services, oleochemicals, non-ionic surfactants and esters, rubber gloves, parquet flooring products, pharmaceutical products and storing and distribution of bulk liquid
Property development	Development of residential and commercial properties
Investment holding/Others	Placement of deposits with licensed banks, investment in fixed income trust funds, investment in quoted and unquoted corporations, investment in wholesale funds, letting out of office space and car parks, farming, management services and money lending

The accounting policies of the reportable segments are the same as described in Note 3.26.

Inter-segment pricing is determined based on negotiated terms in a manner similar to transactions with third parties.

Performance is measured based on segment profit before tax as included in the internal management reports that are reviewed by the Company's Managing Director and the Chief Executive Officer of KLK Group. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate with these industries.

Segment assets exclude tax assets.

Segment liabilities exclude tax liabilities.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### (a) Business segment

	Plantation RM'000	Manufacturing RM'000	Property Development RM'000	Investment Holding/ Others RM'000	Elimination RM'000	Consolidated RM'000
<b>2018</b>						
Revenue						
Sales to external customers	7,942,328	10,586,709	177,676	259,644	-	18,966,357
Inter-segment sales	851,220	-	-	745,220	(1,596,440)	-
Total revenue	<b>8,793,548</b>	<b>10,586,709</b>	<b>177,676</b>	<b>1,004,864</b>	<b>(1,596,440)</b>	<b>18,966,357</b>
Results						
Operating results	742,140	574,274	35,648	151,510	(36,804)	1,466,768
Finance costs	(9,477)	(63,766)	-	(158,832)	36,804	(195,271)
Share of profits of equity accounted associates, net of tax	7,122	1,457	2,190	1,874	-	12,643
Share of (losses)/profits of equity accounted joint ventures, net of tax	(12,128)	-	-	4,693	-	(7,435)
Segment results	<b>727,657</b>	<b>511,965</b>	<b>37,838</b>	<b>(755)</b>	<b>-</b>	<b>1,276,705</b>
Profit before taxation						1,276,705
Tax expense						(351,024)
Profit for the year						<b>925,681</b>
Assets						
Operating assets	6,556,890	6,842,072	1,477,059	4,626,943	-	19,502,964
Associates	72,268	9,457	73,669	30,171	-	185,565
Joint ventures	153,964	-	-	105,336	-	259,300
Segment assets	<b>6,783,122</b>	<b>6,851,529</b>	<b>1,550,728</b>	<b>4,762,450</b>	<b>-</b>	<b>19,947,829</b>
Tax assets						459,846
Total assets						<b>20,407,675</b>
Liabilities						
Segment liabilities	1,268,745	2,358,528	107,623	3,161,674	-	6,896,570
Tax liabilities						370,507
Total liabilities						<b>7,267,077</b>
Other information						
Depreciation of property, plant and equipment	143,526	273,503	911	11,872	-	429,812
Depreciation of investment property	-	-	-	943	-	943
Amortisation of prepaid lease payments	5,942	1,149	-	-	-	7,091
Amortisation of biological assets	74,115	-	-	-	-	74,115
Non-cash expenses						
Property, plant and equipment written off	3,165	844	-	-	-	4,009
Provision for retirement benefits	27,071	18,062	-	18	-	45,151
Amortisation of intangible assets	-	2,395	-	-	-	2,395
Impairment of						
- property, plant and equipment	-	26,251	-	-	-	26,251
- available-for-sale investments	579	-	-	-	-	579
Write down of inventories	31,741	11,611	-	34	-	43,386

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

	Plantation RM'000	Manufacturing RM'000	Property Development RM'000	Investment Holding/ Others RM'000	Elimination RM'000	Consolidated RM'000
2017						
Revenue						
Sales to external customers	10,765,551	10,345,242	141,521	296,008	-	21,548,322
Inter-segment sales	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 profits/(losses) of equity accounted associates, net of tax	10,652	1,334	1,027	(23)	-	12,990
Share of (losses)/profits of equity accounted joint ventures, net of tax	(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
Tax expense						(423,408)
Profit for the year						1,198,723
Assets						
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	6,934,023	7,458,340	1,456,759	4,689,341	-	20,538,463
Tax assets						492,692
Total assets						21,031,155
Liabilities						
Segment liabilities	1,528,013	2,559,816	67,139	3,122,527	-	7,277,495
Tax liabilities						383,848
Total liabilities						7,661,343
Other information						
Depreciation of property, plant and equipment	156,821	259,177	976	12,774	-	429,748
Depreciation of investment property	-	-	-	928	-	928
Amortisation of prepaid lease payments	6,066	1,254	-	-	(58)	7,262
Amortisation of biological assets	71,549	-	-	-	-	71,549
Non-cash expenses						
Property, plant and equipment written off	5,119	1,158	1	-	-	6,278
Provision for/(Reversal of) retirement benefits	23,228	9,823	-	(31)	-	33,020
Reversal of retrenchment exercise	-	(31)	-	-	-	(31)
Amortisation of intangible assets	-	2,163	-	-	-	2,163
Impairment of						
- property, plant and equipment	-	30,940	-	-	-	30,940
- prepaid lease payments	-	38	-	-	-	38
- available-for-sale investments	-	-	-	32,625	-	32,625
Write down of inventories	9,092	14,778	-	73	-	23,943



# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

Additions to non-current assets, other than financial instruments (including investments in associates and joint ventures) and deferred tax assets, are as follows:

	Plantation RM'000	Manufacturing RM'000	Property Development RM'000	Investment Holding/ Others RM'000	Total RM'000
<b>2018</b>					
Capital expenditure	282,338	153,034	1,366	56,418	493,156
Land held for property development	-	-	8,936	-	8,936
Intangible assets	-	1,762	-	-	1,762
	<b>282,338</b>	<b>154,796</b>	<b>10,302</b>	<b>56,418</b>	<b>503,854</b>
<b>2017</b>					
Capital expenditure	375,602	299,764	514	43,338	719,218
Land held for property development	-	-	17,129	-	17,129
Intangible assets	-	1,426	-	-	1,426
	<b>375,602</b>	<b>301,190</b>	<b>17,643</b>	<b>43,338</b>	<b>737,773</b>

(b) Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets. The amounts of non-current assets do not include financial instruments (including investment in associates and joint ventures) and deferred tax assets.

(i) Revenue from external customers by geographical location of customers

	2018 RM'000	2017 RM'000
Malaysia	2,985,351	3,103,103
Far East	4,104,179	4,826,479
Middle East	363,334	328,689
South East Asia	4,114,164	5,826,078
Southern Asia	1,753,317	1,838,105
Europe	4,811,824	4,593,877
North America	327,946	314,306
South America	66,679	75,159
Australia	134,162	173,363
Africa	142,651	170,029
Others	162,750	299,134
	<b>18,966,357</b>	<b>21,548,322</b>

(ii) Non-current assets other than financial instruments (including investments in associates and joint ventures) and deferred tax assets and additions to capital expenditure by geographical location of assets

	Non-current Assets		Additions to Capital Expenditure	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Malaysia	4,731,789	4,809,017	139,409	220,845
Indonesia	2,675,219	2,587,498	167,129	222,181
Australia	450,308	450,195	55,532	43,145
People's Republic of China	357,841	401,007	3,390	18,545
Europe	1,463,704	1,360,686	63,012	159,658
Liberia	454,829	398,453	64,633	54,191
Others	35,919	37,588	51	653
	<b>10,169,609</b>	<b>10,044,444</b>	<b>493,156</b>	<b>719,218</b>

(c) There is no single customer with revenue equal or more than 10% of the Group's revenue.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 45. FINANCIAL INSTRUMENTS

#### (a) Categories of financial instruments

Financial instruments of the Group and the Company are categorised as follows:

- (i) Loans and receivables (“L&R”);
- (ii) Fair value through profit or loss (“FVTPL”);
- (iii) Available-for-sale financial assets (“AFS”); and
- (iv) Financial liabilities measured at amortised cost (“FL”).

	Carrying Amounts RM'000	L&R RM'000	FVTPL RM'000	AFS RM'000	FL RM'000
<b>Group</b>					
<b>2018</b>					
<b>Financial assets</b>					
Available-for-sale investments	2,784,973	-	-	2,784,973	-
Trade receivables	1,524,387	1,524,387	-	-	-
Other receivables, net of prepayments	313,471	313,471	-	-	-
Derivative financial assets	69,234	-	69,234	-	-
Fixed income trust funds	53,584	-	53,584	-	-
Cash, deposits and bank balances	1,703,981	1,703,981	-	-	-
	<b>6,449,630</b>	<b>3,541,839</b>	<b>122,818</b>	<b>2,784,973</b>	<b>-</b>
<b>Financial liabilities</b>					
Borrowings	4,783,213	-	-	-	4,783,213
Trade payables	564,044	-	-	-	564,044
Other payables	866,279	-	-	-	866,279
Derivative financial liabilities	64,219	-	64,219	-	-
	<b>6,277,755</b>	<b>-</b>	<b>64,219</b>	<b>-</b>	<b>6,213,536</b>
<b>2017</b>					
<b>Financial assets</b>					
Available-for-sale investments	2,728,055	-	-	2,728,055	-
Trade receivables	1,917,691	1,917,691	-	-	-
Other receivables, net of prepayments	421,745	421,745	-	-	-
Derivative financial assets	110,748	-	110,748	-	-
Cash, deposits and bank balances	2,334,233	2,334,233	-	-	-
	<b>7,512,472</b>	<b>4,673,669</b>	<b>110,748</b>	<b>2,728,055</b>	<b>-</b>
<b>Financial liabilities</b>					
Borrowings	4,942,764	-	-	-	4,942,764
Trade payables	809,111	-	-	-	809,111
Other payables	776,006	-	-	-	776,006
Derivative financial liabilities	104,643	-	104,643	-	-
	<b>6,632,524</b>	<b>-</b>	<b>104,643</b>	<b>-</b>	<b>6,527,881</b>
<b>Company</b>					
<b>2018</b>					
<b>Financial assets</b>					
Available-for-sale investments	136,507	-	-	136,507	-
Other receivables, net of prepayments	96	96	-	-	-
Amounts owing by subsidiaries	116,181	116,181	-	-	-
Cash, deposits and bank balances	182,654	182,654	-	-	-
	<b>435,438</b>	<b>298,931</b>	<b>-</b>	<b>136,507</b>	<b>-</b>
<b>Financial liabilities</b>					
Borrowings	500,000	-	-	-	500,000
Other payables	10,544	-	-	-	10,544
Amount owing to a subsidiary	384	-	-	-	384
	<b>510,928</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>510,928</b>

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

	Carrying Amounts RM'000	L&R RM'000	FVTPL RM'000	AFS RM'000	FL RM'000
<b>Company</b>					
2017					
<b>Financial assets</b>					
Available-for-sale investments	113,695	-	-	113,695	-
Other receivables, net of prepayments	11	11	-	-	-
Amounts owing by subsidiaries	111,696	111,696	-	-	-
Cash, deposits and bank balances	158,920	158,920	-	-	-
	<b>384,322</b>	<b>270,627</b>	<b>-</b>	<b>113,695</b>	<b>-</b>
<b>Financial liabilities</b>					
Borrowings	500,000	-	-	-	500,000
Other payables	10,939	-	-	-	10,939
	<b>510,939</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>510,939</b>

(b) Net gains and losses arising from financial instruments

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Net gains/(losses) on:				
Financial instruments at fair value through profit or loss	<b>6,235</b>	17,664	-	1,276
Available-for-sale investments				
- recognised in other comprehensive income	<b>67,001</b>	541,541	<b>(2,628)</b>	4,098
- reclassified from equity to profit or loss	<b>7,783</b>	5,560	<b>445</b>	323
- recognised in profit or loss	<b>63,093</b>	31,212	<b>3,750</b>	4,841
	<b>137,877</b>	578,313	<b>1,567</b>	9,262
Loans and receivables	<b>(9,690)</b>	81,719	<b>(5,954)</b>	15,428
Financial liabilities measured at amortised cost	<b>(198,448)</b>	(205,751)	<b>(20,334)</b>	(20,280)
	<b>(64,026)</b>	471,945	<b>(24,721)</b>	5,686

(c) Financial risk management

The Group has exposure to the following risks from the use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

(d) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and investment securities and derivative assets used for hedging. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries.

(i) Receivables

*Risk management objectives, policies and processes for managing the risk*

Management has a credit policy in place and exposure to credit risk is monitored on an on-going basis. Credit worthiness review is regularly performed for new customers and existing customers who trade on credit, to mitigate exposure on credit risk. Where appropriate, the Group requires its customers to provide collateral before approvals are given to trade on credit.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statements of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due the agreed credit periods, which are deemed to have higher credit risk, are monitored individually.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

None of the receivables are secured by financial guarantees given by banks, shareholders or directors of the customers.

The exposure of credit risk for trade receivables as at the end of the reporting period by business segment was:

	Group	
	2018 RM'000	2017 RM'000
Plantation	416,697	736,061
Manufacturing	1,014,043	1,149,290
Property development	90,271	28,478
Others	3,376	3,862
	<b>1,524,387</b>	<b>1,917,691</b>

(ii) Investments and other financial assets

*Risk management objectives, policies and processes for managing the risk*

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group. Transactions involving derivative financial instruments are with approved financial institutions.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the Group invested in both domestic and overseas securities. The maximum exposure to credit risk is represented by the carrying amounts in the statements of financial position.

In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations.

The investments and other financial assets are unsecured.

(iii) Financial guarantees

*Risk management objectives, policies and processes for managing the risk*

The Group provides unsecured financial guarantees to banks in respect of banking facilities granted to certain sub-subsidiaries. The Group monitors on an ongoing basis the results of the sub-subsidiaries and repayments made by the sub-subsidiaries.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, there was no indication that any subsidiary and/or sub-subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

(iv) Inter-company balances

*Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

*Impairment losses*

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries are not recoverable. The Company does not specifically monitor the ageing of current advances to the subsidiaries. Nevertheless, these advances have been overdue for less than a year. Non-current loans to subsidiaries are not overdue.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

(e) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains sufficient levels of cash and cash equivalents and adequate amounts of credit facilities to meet its working capital requirements. In addition, the Group strives to maintain flexibility in funding by keeping its credit lines available at a reasonable level. As far as possible, the Group raises funding from financial institutions and prudently balances its portfolio with some short and long term funding so as to achieve overall cost effectiveness.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at end of the reporting period based on undiscounted contractual payments:

	Carrying Amounts RM'000	Contractual Interest/ Coupon Rate	Contractual Cash Flows RM'000	Less than 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
<b>Group</b>							
<b>2018</b>							
Borrowings	4,783,213	0.33% to 8.75%	5,596,071	1,361,591	238,230	1,711,018	2,285,232
Trade payables	564,044	-	564,044	564,044	-	-	-
Other payables	866,279	-	866,279	866,197	82	-	-
Derivative financial liabilities	64,219	-	64,219	64,219	-	-	-
	<b>6,277,755</b>		<b>7,090,613</b>	<b>2,856,051</b>	<b>238,312</b>	<b>1,711,018</b>	<b>2,285,232</b>
<b>2017</b>							
Borrowings	4,942,764	0.33% to 4.57%	5,902,078	1,522,287	302,008	1,699,164	2,378,619
Trade payables	809,111	-	809,111	809,111	-	-	-
Other payables	776,006	-	776,006	776,006	-	-	-
Derivative financial liabilities	104,643	-	104,643	104,643	-	-	-
	<b>6,632,524</b>		<b>7,591,838</b>	<b>3,212,047</b>	<b>302,008</b>	<b>1,699,164</b>	<b>2,378,619</b>
<b>Company</b>							
<b>2018</b>							
Borrowings	500,000	4.05%	621,611	20,250	20,306	60,750	520,305
Other payables	10,544	-	10,544	10,544	-	-	-
Amount owing to a subsidiary	384	-	384	384	-	-	-
	<b>510,928</b>		<b>632,539</b>	<b>31,178</b>	<b>20,306</b>	<b>60,750</b>	<b>520,305</b>
<b>2017</b>							
Borrowings	500,000	4.05%	641,861	20,250	20,250	60,805	540,556
Other payables	10,939	-	10,939	10,939	-	-	-
	<b>510,939</b>		<b>652,800</b>	<b>31,189</b>	<b>20,250</b>	<b>60,805</b>	<b>540,556</b>

(f) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows.

(i) Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases, inter-company advances and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Pound Sterling ("GBP"), Euro, Australian Dollar ("AUD"), Singapore Dollar ("SGD"), Indonesian Rupiah ("Rp") and Papua New Guinean Kina ("PGK").

*Risk management objectives, policies and processes for managing the risk*

Foreign currencies exposures of the Group are hedged through forward exchange contracts. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward exchange contracts are rolled over at maturity.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### Exposure to foreign currency risk

The Group's significant exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

Group	Denominated in foreign currencies					Rp RM'000
	USD RM'000	GBP RM'000	Euro RM'000	AUD RM'000	SGD RM'000	
<b>2018</b>						
Trade and other receivables	358,704	12,010	303,785	3,926	2,313	3,057
Deposits with licensed banks under short term funds	-	-	-	-	6,446	-
Cash and cash equivalents	252,317	1,236	110,803	11,744	83,871	2
Borrowings	(186,695)	-	(199,465)	-	-	-
Trade and other payables	(93,928)	(323)	(175,451)	(740)	(2,869)	(388)
Forward exchange contracts	(10,504)	-	(347)	2	-	-
Exposure in the statement of financial position	<b>319,894</b>	<b>12,923</b>	<b>39,325</b>	<b>14,932</b>	<b>89,761</b>	<b>2,671</b>
<b>2017</b>						
Trade and other receivables	413,900	12,543	268,932	3,786	3,055	23,671
Deposits with licensed banks under short term funds	1,482	-	-	-	6,533	-
Cash and cash equivalents	134,510	1,807	46,808	20,238	83,941	3
Borrowings	(232,875)	-	-	-	-	-
Trade and other payables	(121,588)	(397)	(130,343)	(115)	(2,453)	(438)
Forward exchange contracts	16,306	(2)	(286)	-	-	-
Exposure in the statement of financial position	<b>211,735</b>	<b>13,951</b>	<b>185,111</b>	<b>23,909</b>	<b>91,076</b>	<b>23,236</b>
<b>Company</b>						
<b>2018</b>						
Cash and cash equivalents	105,265	-	-	11,560	48,961	-
Other payables	-	-	-	(257)	-	-
Exposure in the statement of financial position	<b>105,265</b>	<b>-</b>	<b>-</b>	<b>11,303</b>	<b>48,961</b>	<b>-</b>
<b>2017</b>						
Other receivables	-	-	-	1,628	-	-
Cash and cash equivalents	26,270	-	-	48	47,004	-
Exposure in the statement of financial position	<b>26,270</b>	<b>-</b>	<b>-</b>	<b>1,676</b>	<b>47,004</b>	<b>-</b>

### Currency risk sensitivity analysis

The sensitivities of the Group's profit after tax and equity to the possible change in the following foreign currencies against the respective functional currencies of the Group entities are shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

A 5% strengthening of the functional currencies of the Group entities against the foreign currencies at the end of the reporting period would have increased/(decreased) profit after tax and equity by the amounts shown below:

Group	2018		2017	
	Profit/(Loss) RM'000	Equity RM'000	Profit/(Loss) RM'000	Equity RM'000
Functional currency/Foreign currency				
RM/GBP	(293)	(37,067)	(262)	(35,108)
RM/Euro	6,932	-	6,411	-
RM/AUD	(702)	(742)	(199)	(1,004)
RM/USD	23,248	-	29,314	-
RM/SGD	(4,591)	(1,006)	(4,612)	(1,262)
RM/Rp	(21)	-	(1,163)	-
CHF/Euro	(1,899)	-	(7,633)	-
SGD/USD	(1,081)	-	-	-
Rmb/USD	(614)	-	147	-
Euro/USD	(7,721)	-	(6,767)	-
Rp/USD	8,530	-	7,942	-
USD/GBP	(21)	-	(26)	-
USD/AUD	-	-	(1,025)	-
USD/RM	(690)	-	(922)	-

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

Company	2018		2017	
	Profit/(Loss) RM'000	Equity RM'000	Profit/(Loss) RM'000	Equity RM'000
Functional currency/Foreign currency				
RM/USD	(5,263)	-	(1,314)	-
RM/SGD	(2,448)	(562)	(2,350)	(550)
RM/AUD	(565)	-	(30)	-

A 5% weakening of the functional currencies of the Group entities against the foreign currencies at the end of the reporting period would have equal but opposite effect on profit after tax and equity.

(ii) Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's floating rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Fixed income trust funds, wholesale funds, deposits with licensed banks, short term receivables and payables are not significantly exposed to interest rate risk.

*Risk management objectives, policies and processes for managing the risk*

The Group through its Treasury Committee reviews the funding requirements for its business operations and capital expenditures and adopts a policy to secure an appropriate mix of fixed and floating rate exposure suitable for the Group.

To achieve this objective, the Group has obtained the most competitive cost of capital through the issuance of Islamic medium term notes, long term and short term borrowings and trade financing facilities.

*Exposure to interest rate risk*

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Fixed rate instruments				
Financial assets	1,204,699	1,810,866	34	33
Financial liabilities	(3,920,870)	(3,868,227)	(500,000)	(500,000)
	<b>(2,716,171)</b>	<b>(2,057,361)</b>	<b>(499,966)</b>	<b>(499,967)</b>
Floating rate instruments				
Financial assets	199,164	247,652	-	-
Financial liabilities	(862,343)	(1,074,537)	-	-
	<b>(663,179)</b>	<b>(826,885)</b>	<b>-</b>	<b>-</b>

*Interest rate risk sensitivity analysis*

*Fair value sensitivity analysis for fixed rate instruments*

The Group does not account for any fixed rate financial liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

*Cash flow sensitivity analysis for floating rate instruments*

A change of 50 basis points in interest rates at the end of the reporting period would have increased/ (decreased) profit after tax and equity by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Group	2018		2017	
	Profit/(Loss) RM'000	Equity RM'000	Profit/(Loss) RM'000	Equity RM'000
Floating rate instruments				
Increase by 50 basis points	(3,292)	-	(4,102)	-
Decrease by 50 basis points	3,292	-	4,102	-

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

As the Company did not have any floating rate instruments as at 30 September 2018 and 30 September 2017, a change in interest rates would not have any impact to the profit after tax and equity of the Company.

- (iii) Equity price risk  
Equity price risk arises from the Group's investments in equity securities.

*Risk management objectives, policies and processes for managing the risk*

Management of the Group monitors the equity investments on a portfolio basis. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Risk Management Committee of the Group.

*Equity price risk sensitivity analysis*

The analysis assumes that all other variables remain constant.

A 5% higher in equity prices at the end of the reporting period would have increased the Group's and the Company's equity by RM120,917,000 (2017: RM116,384,000) and RM562,000 (2017: RM712,000) respectively. A 5% lower in equity prices would have equal but opposite effect on equity.

- (iv) Commodity price risk  
The Group is exposed to price fluctuation risk on commodities mainly of palm oil and rubber.

*Risk management objectives, policies and processes for managing the risk*

The prices of these commodities are subject to fluctuations due to uncontrollable factors such as weather, global demand and global production of similar and competitive crops. The Group mitigates the risk to the price volatility through hedging in the futures market and where deemed prudent, the Group sells forwards in the physical market.

*Commodity price risk sensitivity analysis*

A 5% increase/(decrease) of the commodities price at the end of the reporting period, with all other variables held constant, would have increased/(decreased) profit after tax and equity by the amounts shown below:

	2018		2017	
	Profit/(Loss) RM'000	Equity RM'000	Profit/(Loss) RM'000	Equity RM'000
Group				
5% increase in commodities prices	3,506	-	754	-
5% decrease in commodities prices	(3,506)	-	(754)	-

- (g) Fair value of financial instruments  
The carrying amounts of cash and bank balances, deposits with licensed banks, short term receivables and payables and short term borrowings reasonably approximate fair values due to the relatively short term nature of these financial instruments.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

The fair values of other financial assets and liabilities, together with the carrying amounts shown in the statements of financial position, are as follows:

	Carrying Amounts/Fair Values	
	2018 RM'000	2017 RM'000
<b>Group</b>		
Investments in quoted shares	2,433,180	2,349,028
Investments in wholesale funds	291,246	327,143
Fixed income trust funds	53,584	-
Derivative financial instruments		
Forward foreign exchange contracts	(10,826)	16,158
Commodities future contracts	15,841	(10,001)
Other receivable – Advance to Plasma plantation projects	220,110	237,516
Borrowings	(4,783,213)	(4,942,764)



# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

	Carrying Amounts/Fair Values	
	2018	2017
Company	RM'000	RM'000
Investments in quoted shares	11,233	14,245*
Investments in wholesale funds	112,849	87,025
Amounts owing by subsidiaries	116,181	111,696
Amount owing to a subsidiary	(384)	-
Borrowings	(500,000)	(500,000)

\* Comparative figures have been restated to conform with current year's presentation.

(h) Fair value hierarchy

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed.

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
<b>Group</b>				
<b>2018</b>				
<b>Fair value of financial instruments carried at fair value</b>				
Investments in quoted shares	2,433,180	-	-	2,433,180
Investments in wholesale funds	291,246	-	-	291,246
Fixed income trust funds	-	53,584	-	53,584
Derivative financial instruments				
Forward foreign exchange contracts	-	(10,826)	-	(10,826)
Commodities future contracts	15,841	-	-	15,841
	<b>2,740,267</b>	<b>42,758</b>	<b>-</b>	<b>2,783,025</b>
<b>Fair value of financial instruments not carried at fair value</b>				
Other receivable – Advance to Plasma plantation projects	-	-	220,110	220,110
Borrowings	-	-	(4,783,213)	(4,783,213)
	<b>-</b>	<b>-</b>	<b>(4,563,103)</b>	<b>(4,563,103)</b>
<b>2017</b>				
<b>Fair value of financial instruments carried at fair value</b>				
Investments in quoted shares	2,349,028	-	-	2,349,028
Investments in wholesale funds	327,143	-	-	327,143
Derivative financial instruments				
Forward foreign exchange contracts	-	16,158	-	16,158
Commodities future contracts	(10,001)	-	-	(10,001)
	<b>2,666,170</b>	<b>16,158</b>	<b>-</b>	<b>2,682,328</b>
<b>Fair value of financial instruments not carried at fair value</b>				
Other receivable - Advance to Plasma plantation projects	-	-	237,516	237,516
Borrowings	-	-	(4,942,764)	(4,942,764)
	<b>-</b>	<b>-</b>	<b>(4,705,248)</b>	<b>(4,705,248)</b>

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>Company</b>				
<b>2018</b>				
<b>Fair value of financial instruments carried at fair value</b>				
Investments in quoted shares	11,233	-	-	11,233
Investments in wholesale funds	112,849	-	-	112,849
	<b>124,082</b>	<b>-</b>	<b>-</b>	<b>124,082</b>
<b>Fair value of financial instruments not carried at fair value</b>				
Amounts owing by subsidiaries	-	-	116,181	116,181
Amount owing to a subsidiary	-	-	(384)	(384)
Borrowings	-	-	(500,000)	(500,000)
	<b>-</b>	<b>-</b>	<b>(384,203)</b>	<b>(384,203)</b>
<b>2017</b>				
<b>Fair value of financial instruments carried at fair value</b>				
Investments in quoted shares	14,245*	-	-	14,245*
Investments in wholesale funds	87,025	-	-	87,025
	<b>101,270*</b>	<b>-</b>	<b>-</b>	<b>101,270*</b>
<b>Fair value of financial instruments not carried at fair value</b>				
Amounts owing by subsidiaries	-	-	111,696*	111,696*
Borrowings	-	-	(500,000)	(500,000)
	<b>-</b>	<b>-</b>	<b>(388,304)*</b>	<b>(388,304)*</b>

\* Comparative figures have been restated to conform with current year's presentation.

The following summarises the methods used in determining the fair values of financial instruments reflected in the above table.

### Level 1 Fair Value

#### Investments in quoted shares and commodities future contracts

The fair values of investments that are quoted in an active market and commodities future contracts are determined by reference to their quoted closing bid price at the end of the reporting period.

### Level 2 Fair Value

#### Investments in wholesale funds and fixed income trust funds

The fair value of investments in wholesale funds and fixed income trust funds are based on the net assets value of the funds at the end of the reporting period.

#### Forward foreign exchange contracts

The fair value of forward foreign exchange contracts is based on their quoted price at the end of the reporting period.

### Level 3 Fair Value

#### Financial instruments not carried at fair value

Fair value of the following financial instruments not carried at fair value, which is determined for disclosure purposes, is calculated based on present value of future cash flows discounted at the market rate of interest at the end of reporting date:

- Other receivable - Advance to Plasma plantations projects
- Borrowings
- Amounts owing by subsidiaries
- Amount owing to a subsidiary

### Transfer between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2017: no transfer in either directions).

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 46. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The net debt-to-equity ratios at the end of the reporting period were:

	Group	
	2018 RM'000	2017 RM'000
Total borrowings (Note 36)	<b>4,783,213</b>	4,942,764
Less: Short term funds (Note 30)	<b>(195,579)</b>	(578,489)
Less: Cash and cash equivalents (Note 31)	<b>(1,561,986)</b>	(1,755,744)
Net debt	<b>3,025,648</b>	2,608,531
Total equity	<b>13,140,598</b>	13,369,812
Net debt-to-equity ratio	<b>0.23</b>	0.20

There were no changes in the Group's approach to capital management during the year.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

The Group is required to maintain the debt-to-equity ratio at not more than one time throughout the tenure of the Islamic Medium Term Notes Programmes (Note 36).

### 47. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to 30 September 2018 until the date of this financial statements, the Company bought back a total of 516,000 of its issued shares from the open market for a total cost of RM8,683,000. The average price paid for the shares bought back was RM16.77 per share. The shares bought back were financed by internally generated funds and borrowings and held as treasury shares.

### 48. AUTHORISATION FOR ISSUE

The financial statements were authorised for issue by the Board of Directors on 10 December 2018.

# BATU KAWAN BERHAD

## Statement by Directors and Statutory Declaration

### Statement by Directors Pursuant to Section 251 (2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 67 to 153 are drawn up in accordance with the Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 2018 and of their financial performance and cash flows for the financial year then ended.

On behalf of the Board

**DATO' LEE HAU HIAN**  
(Managing Director)

**DATO' YEOH ENG KHOON**  
(Director)

10 December 2018

### Statutory Declaration Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Chong See Teck, being the officer primarily responsible for the financial management of Batu Kawan Berhad, do solemnly and sincerely declare that the financial statements set out on pages 67 to 153 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared )  
by the abovenamed at Ipoh in the )  
State of Perak Darul Ridzuan )  
on 10 December 2018. )

**CHONG SEE TECK**  
(MIA 8726)

Before me:

**WONG HOCK SENG**  
Commissioner for Oaths  
Ipoh,  
Perak Darul Ridzuan,  
Malaysia.

# BATU KAWAN BERHAD

## Independent Auditors' Report to the Members

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Batu Kawan Berhad, which comprise the statements of financial position as at 30 September 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 67 to 153.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 September 2018, and of their financial performance and their cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

#### Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

##### 1. Carrying Value of Goodwill

Refer to Note 3.1(d) – Significant accounting policy: "Goodwill" and Note 17 – "Goodwill on consolidation", to the financial statements.

##### The key audit matter

Over the years, the Group has expanded its activities through the acquisition of subsidiaries and as a result, the Group's net assets as at 30 September 2018 included a significant amount of goodwill of RM344 million.

In light of the palm product prices challenges, there was a risk that the carrying value of the cash generating units to which the Group's goodwill was allocated may exceed the recoverable amount and therefore an impairment was required.

This was one of the key judgemental areas we focused in our audit because the assessment of the carrying value of goodwill required the Group to exercise significant judgement due to the inherent uncertainty involved in forecasting and discounting future cash flows which were used as the basis for the assessment of recoverable amount.

# BATU KAWAN BERHAD

## Independent Auditors' Report to the Members (Continued)

### **How the matter was addressed in our audit**

We have evaluated the Group's forecasting procedures (upon which projections were based) and the appropriateness of the discounted future cash flow models. We assessed the historical accuracy of forecasts by comparing the actual results for the year with the original forecasts.

We challenged the Group's key assumptions such as projected economic growth, weighted average cost of capital, operational costs in plantation, inflation rate, crude palm oil prices and volumes which were approved by: making comparisons with actual results, externally derived data and industry norms.

We also considered the adequacy of the Group's disclosures in respect of impairment testing and assessed the sensitivity of the impairment calculations by factoring changes to variables in the key assumptions.

### **2. Carrying Value of Property, Plant and Equipment**

Refer to Note 3.3 – Significant accounting policy: "Property, plant and equipment" and Note 12 – "Property, plant and equipment", to the financial statements.

#### **The key audit matter**

Property, plant and equipment represents the single largest category of assets on the statement of financial position of the Group of RM5.5 billion as at 30 September 2018.

During the year, the specialised oleochemical plant of a subsidiary was under performing and an impairment was required and provided for.

This was one of the key judgemental areas we focused in our audit because the cash flow projections prepared by the Group involved significant judgement, particularly in estimating future revenue, discount rate, long term growth rate and palm products prices.

#### **How the matter was addressed in our audit**

We considered the appropriateness of Directors' assessment on the existence of impairment indicators for property, plant and equipment. We challenged the Group's assumptions on the recoverability on the cash flow projections which are based on projected revenue growth, discount rate, long term growth rate and palm products prices and compared against the actual results, externally derived data and industry norms.

We also considered the adequacy of the Group's disclosures in respect of impairment testing and assessed the sensitivity of the outcome of the impairment assessment to changes in key assumptions.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

### **Information Other than the Financial Statements and Auditors' Report Thereon**

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

# BATU KAWAN BERHAD

## Independent Auditors' Report to the Members (Continued)

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the Directors for the Financial Statements**

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

# BATU KAWAN BERHAD

## Independent Auditors' Report to the Members (Continued)

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 43 to the financial statements.

### Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**KPMG PLT**  
(LLP0010081-LCA & AF 0758)  
Chartered Accountants

IPOH

10 December 2018

**CHEW BENG HONG**  
Partner  
Approval Number: 02920/02/2020 J  
Chartered Accountant



# BATU KAWAN BERHAD

## Analysis of Shareholdings

At 3 December 2018

Issued and Fully Paid-up Capital : RM435,951,000 (including 35,512,231 treasury shares)  
 Class of Shares : Ordinary Shares  
 Voting Rights : One (1) vote per share in the case of a poll and one (1) vote per person on a show of hands

### DISTRIBUTION OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	96	1.94	2,855	0.00
100 – 1,000	1,587	32.09	1,142,274	0.28
1,001 – 10,000	2,421	48.95	9,073,397	2.27
10,001 – 100,000	681	13.77	20,416,938	5.10
100,001 – less than 5% of issued shares	159	3.21	158,337,388	39.54
5% and above of issued shares	2	0.04	211,465,917	52.81
<b>TOTAL</b>	<b>4,946</b>	<b>100.00</b>	<b>400,438,769</b>	<b>100.00</b>

### THIRTY LARGEST SECURITIES ACCOUNT HOLDERS

Name	No. of Shares	% of Issued Share Capital <sup>^</sup>
1. Arusha Enterprise Sdn Bhd	189,754,667	47.39
2. Yeoh Chin Hin Investments Sdn Berhad	21,711,250	5.42
3. High Quest Holdings Sdn Bhd	14,002,726	3.50
4. CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB Bank for Di-Yi Sdn Bhd (PB)	12,739,771	3.18
5. CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB for Heah Seok Yeong Realty Sdn Berhad (PB)	10,000,000	2.50
6. Maybank Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lembaga Kemajuan Tanah Persekutuan (415321)	10,000,000	2.50
7. Lee Chan Investments Sdn Bhd	9,159,275	2.29
8. Decarats MG Sdn Bhd	8,000,000	2.00
9. ABB Nominee (Tempatan) Sdn Bhd - Pledged Securities Account for Lembaga Kemajuan Tanah Persekutuan (FELDA)	7,000,000	1.75
10. Teoh Guat Eng Holdings Sdn Bhd	6,132,188	1.53
11. CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB for Heah Seok Yeong Realty Sdn Berhad (PB)	4,850,000	1.21
12. Di-Yi Sdn Bhd	3,510,180	0.88
13. Key Development Sdn Berhad	3,476,300	0.87
14. Malay-Sino Formic Acid Sdn Bhd	3,083,450	0.77
15. Malay Rubber Plantations (Malaysia) Sdn Berhad	2,792,250	0.70
16. Steppe Structure Sdn Bhd	2,224,250	0.56
17. Chinchoo Investment Sdn Berhad	2,170,600	0.54
18. Citigroup Nominees (Asing) Sdn Bhd - CBNY for Dimensional Emerging Markets Value Fund	2,037,250	0.51
19. Lee Oi Loon	1,749,771	0.44
20. Lee Soon Hian	1,739,771	0.43
21. Gan Teng Siew Realty Sdn Berhad	1,718,200	0.43
22. Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (Aberdeen)	1,620,000	0.40
23. Arusha Enterprise Sdn Bhd	1,500,000	0.37
24. CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB for Lyne Ching Sdn Berhad (PB)	1,485,000	0.37

# BATU KAWAN BERHAD

## Analysis of Shareholdings (Continued)

At 3 December 2018

Name	No. of Shares	% of Issued Share Capital <sup>^</sup>
25. CIMSEC Nominees (Tempatan) Sdn Bhd - Exempt An for CGS-CIMB Securities (Singapore) Pte Ltd (Retail Clients)	1,405,700	0.35
26. HSBC Nominees (Asing) Sdn Bhd - Exempt An for the Hongkong and Shanghai Banking Corporation Limited (HBAP-SGDIV-ACCL)	1,200,000	0.30
27. Citigroup Nominees (Tempatan) Sdn Bhd - Kumpulan Wang Persaraan (Diperbadankan) (Aberdeen)	1,150,000	0.29
28. Key Development Sdn Berhad	1,134,250	0.28
29. Rengo Malay Estate Sendirian Berhad	1,057,500	0.26
30. Lee Nyit Kean	1,045,030	0.26
<b>TOTAL</b>	<b>329,449,379</b>	<b>82.28</b>

<sup>^</sup> Calculated based on 400,438,769 shares (excluding 35,512,231 treasury shares).

### SUBSTANTIAL SHAREHOLDERS

According to the Register of Substantial Shareholders required to be kept under Section 144 of the Companies Act 2016 ("Act"), the following are the substantial shareholders of the Company:

Name	Direct Interest		Deemed Interest		Total	
	No. of Shares	%^	No. of Shares	%^	No. of Shares	%^
Arusha Enterprise Sdn Bhd	191,554,667	47.84	5,875,700 <sup>1</sup>	1.47	197,430,367	49.30
Yeoh Chin Hin Investments Sdn Berhad	21,711,250	5.42	-	-	21,711,250	5.42
Di-Yi Sdn Bhd	16,249,951	4.06	197,438,754 <sup>1</sup>	49.31	213,688,705	53.36
High Quest Holdings Sdn Bhd	14,952,726	3.73	197,438,754 <sup>1</sup>	49.31	212,391,480	53.04
Dato' Lee Hau Hian	1,425,530	0.36	212,531,980 <sup>3</sup>	53.07	213,957,510	53.43
Tan Sri Dato' Seri Lee Oi Hian	854,355	0.21	213,728,705 <sup>2</sup>	53.37	214,583,060	53.59
Dato' Yeoh Eng Khoon	315,000	0.08	21,802,250 <sup>4</sup>	5.44	22,117,250	5.52
Wan Hin Investments Sdn Berhad	8,387	*	197,430,367 <sup>1</sup>	49.30	197,438,754	49.31
Grateful Blessings Inc	-	-	213,688,705 <sup>1</sup>	53.36	213,688,705	53.36
Grateful Blessings Foundation	-	-	213,688,705 <sup>1</sup>	53.36	213,688,705	53.36
Cubic Crystal Corporation	-	-	212,391,480 <sup>1</sup>	53.04	212,391,480	53.04
High Quest Anstalt	-	-	212,391,480 <sup>1</sup>	53.04	212,391,480	53.04

<sup>^</sup> Calculated based on 400,438,769 shares (excluding 35,512,231 treasury shares).

#### Notes:

\* Less than 0.01%.

<sup>1</sup> Deemed interest by virtue of Section 8(4) of the Act.

<sup>2</sup> Deemed interest through the shares held by his children. Tan Sri Dato' Seri Lee Oi Hian is also deemed to have an interest by virtue of Section 8(4) of the Act although he does not have any economic or beneficial interest in the shares of the Company as his deemed interest is held via the interest of his family members as discretionary beneficiaries of Grateful Blessings Foundation (which said family members' interest is held subject to the discretion of Grateful Blessings Foundation Council).

<sup>3</sup> Deemed interest through the shares held by his child and by virtue of Section 8(4) of the Act.

<sup>4</sup> Deemed interest through the shares held by his spouse and children, and by virtue of Section 8(4) of the Act.

# BATU KAWAN BERHAD

## Analysis of Shareholdings (Continued)

At 3 December 2018

### DIRECTORS' INTEREST

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016 ("Act"), the Directors' interests in the Company and its subsidiaries and/or related corporations are as follows:

**Company:**  
**Batu Kawan Berhad**

Name	Direct Interest		Deemed Interest	
	No. of Shares	% <sup>^</sup>	No. of Shares	% <sup>^</sup>
Tan Sri Dato' Seri Lee Oi Hian	854,355	0.21	213,728,705 <sup>1</sup>	53.37
Dato' Lee Hau Hian	1,425,530	0.36	212,531,980 <sup>2</sup>	53.07
Dato' Yeoh Eng Khoon	315,000	0.08	21,802,250 <sup>3</sup>	5.44
R. M. Alias	-	-	-	-
Mr. Quah Chek Tin	-	-	-	-
Tan Sri Rastam Bin Mohd Isa	-	-	-	-
Dr. Tunku Alina Binti Raja Muhd Alias	-	-	-	-

<sup>^</sup> Calculated based on 400,438,769 shares (excluding 35,512,231 treasury shares).

**Notes:**

- Deemed interest through the shares held by his children. Tan Sri Dato' Seri Lee Oi Hian is also deemed to have an interest by virtue of Section 8(4) of the Act although he does not have any economic or beneficial interest in the shares of the Company as his deemed interest is held via the interest of his family members as discretionary beneficiaries of Grateful Blessings Foundation (which said family members' interest is held subject to the discretion of Grateful Blessings Foundation Council).
- Deemed interest through the shares held by his child and by virtue of Section 8(4) of the Act.
- Deemed interest through the shares held by his spouse and children, and by virtue of Section 8(4) of the Act.

**Subsidiary:**  
**Kuala Lumpur Kepong Berhad**

Name	Direct Interest		Deemed Interest	
	No. of Shares	% <sup>^</sup>	No. of Shares	% <sup>^</sup>
R. M. Alias	337,500	0.03	1,000	*
Tan Sri Dato' Seri Lee Oi Hian	72,000	0.01	501,372,027	47.08
Dato' Lee Hau Hian	83,250	0.01	501,372,027	47.08
Dato' Yeoh Eng Khoon	335,000	0.03	4,764,850	0.45
Dr. Tunku Alina Binti Raja Muhd Alias	1,000	*	-	-

<sup>^</sup> Calculated based on 1,064,965,692 shares (excluding 2,539,000 treasury shares).

\* Less than 0.01%.

By virtue of their deemed interests in the shares of the Company, Tan Sri Dato' Seri Lee Oi Hian and Dato' Lee Hau Hian are deemed to have an interest in the shares of the other subsidiaries of the Company to the extent of the Company's interest in the respective subsidiaries.

Other than as disclosed above, none of the other Directors has any interest in the shares of its related corporations.

# BATU KAWAN BERHAD

## Properties Held by the Group

At 30 September 2018

Location	Tenure	Year Lease Expiring	Titled Area Hectares#	Description / Existing Use	Year of Acquisition / Last Revaluation	Age of Buildings (Years)	Net Carrying Amounts RM'000
<b>PLANTATIONS</b>							
<b>MALAYSIA</b>							
<b>Kedah</b>							
Ladang Pelam Baling	Freehold	–	2,959	Oil palm and rubber estate	1986 1992	–	50,971
Ladang Batu Lintang Serdang	Freehold	–	1,808	Oil palm estate and palm oil mill	1986	32	27,992
Ladang Buntar Serdang	Freehold	–	547	Oil palm estate	1986	–	14,110
<b>Perak</b>							
Ladang Lekir Manjung	Freehold	–	3,307	Oil palm estate	2008	–	175,033
Ladang Changkat Chermin Manjung	Leasehold	2080	2,525	Oil palm estate and palm oil mill	2008	35	103,366
Ladang Raja Hitam Manjung	Freehold	–	1,497	Oil palm estate	2008	–	78,749
Ladang Kuala Kangsar Padang Rengas	Freehold Leasehold	– 2896	1,007 333	Oil palm and rubber estate	1979* 2016	–	64,686
Ladang Subur Batu Kurau	Freehold	–	1,290	Oil palm estate	1986	–	14,808
Ladang Glenealy Parit	Freehold	–	1,059	Oil palm estate	1992	–	15,485
Ladang Serapoh Parit	Freehold	–	936	Oil palm and rubber estate	1979* 1992	–	9,238
Ladang Allagar Trong	Freehold Leasehold	– 2908	525 248	Oil palm estate	1986	–	10,771
<b>Selangor</b>							
Ladang Changkat Asa Hulu Selangor	Freehold	–	1,543	Oil palm and rubber estate, palm oil mill and rubber factory	1979*	38 43	17,142
Ladang Tuan Mee Sungai Buloh	Freehold	–	1,480	Oil palm estate and palm oil mill	1979*	45	17,013
Ladang Kerling Kerling	Freehold	–	1,222	Oil palm and rubber estate	1979* 1985 2002	–	54,772

# Titled area is in hectares except otherwise indicated

\* Year of last revaluation

**BATU KAWAN BERHAD**  
**Properties Held by the Group (Continued)**  
 At 30 September 2018

Location	Tenure	Year Lease Expiring	Titled Area Hectares#	Description / Existing Use	Year of Acquisition / Last Revaluation	Age of Buildings (Years)	Net Carrying Amounts RM'000
<b>Negeri Sembilan</b>							
Ladang Ayer Hitam Bahau	Freehold	–	2,640	Oil palm estate	1985	–	38,680
Ladang Batang Jelai Rompin	Freehold	–	2,119	Oil palm and rubber estate	1985	–	32,061
Ladang Jeram Padang Bahau	Freehold	–	2,114	Oil palm and rubber estate, palm oil mill rubber factory and biogas power plant	1985	29 29 –	36,429
Ladang Kombok Rantau	Freehold	–	1,910	Oil palm and rubber estate	1985	–	32,427
Ladang Ulu Pedas Pedas	Freehold	–	922	Oil palm estate	1985	–	17,538
Ladang Gunong Pertanian Simpang Durian	Leasehold	2077	686	Oil palm estate	1985	–	9,264
<b>Johor</b>							
Ladang Landak Paloh	Leasehold	2068 and 2078	4,451	Oil palm estate	1979*	–	41,732
Ladang Kekayaan Paloh	Leasehold	2068 and 2078	4,436	Oil palm estate palm oil mill and biogas power plant	1979*	12 3	62,273
Ladang Voules Segamat	Freehold	–	2,969	Oil palm and rubber estate and rubber factory	1979*	45	25,887
Ladang Paloh Paloh	Freehold	–	2,003	Oil palm estate	1979*	–	28,860
Ladang Fraser Kulai	Freehold	–	1,915	Oil palm estate	1979*	–	22,303
Ladang New Pogoh Segamat	Freehold	–	1,545	Oil palm and rubber estate	1979*	–	14,052
Ladang Sungei Peggeli Bandar Tenggara	Leased property	2087	942	Oil palm estate	1988	–	9,120
Ladang Ban Heng Pagoh, Muar	Freehold	–	631	Oil palm estate	1979*	–	8,398
Ladang Sungai Bekok Bekok	Freehold	–	625	Oil palm estate	1979*	–	7,971

# Titled area is in hectares except otherwise indicated

\* Year of last revaluation

**BATU KAWAN BERHAD**  
**Properties Held by the Group (Continued)**  
 At 30 September 2018

Location	Tenure	Year Lease Expiring	Titled Area Hectares#	Description / Existing Use	Year of Acquisition / Last Revaluation	Age of Buildings (Years)	Net Carrying Amounts RM'000
Ladang See Sun Renggam	Freehold	–	589	Oil palm estate	1984	–	9,807
KL-Kepong Edible Oils Pasir Gudang	Leasehold	2045	5	Refinery	1985	35	1,666
<b>Pahang</b>							
Ladang Sungei Kawang Lanchang	Freehold	–	1,889	Oil palm and rubber estate	1979*	–	15,188
Ladang Renjok Bentong	Freehold	–	1,578	Oil palm and rubber estate	1979*	–	16,230
Ladang Tuan Bentong	Freehold Leasehold	– 2030 and 2057	910 443	Oil palm and rubber estate	1979*	–	10,031
Ladang Selborne Padang Tengku, Kuala Lipis	Freehold	–	1,258	Rubber estate	1992	–	16,434
Ladang Kemasul Mengkarak	Freehold	–	459	Oil palm and rubber estate	1983	–	991
<b>Kelantan</b>							
Ladang Kuala Gris Kuala Krai	Freehold	–	2,429	Oil palm and rubber estate and rubber factory	1992	18	31,221
Ladang Kerilla Tanah Merah	Freehold	–	2,176	Oil palm and rubber estate and rubber factory	1992	43	27,509
Ladang Pasir Gajah Kuala Krai	Freehold Leasehold	– 2907	952 1,155	Oil palm estate and palm oil mill	1981*	37	21,989
Ladang Sungai Sokor Tanah Merah	Freehold	–	1,603	Oil palm and rubber estate	1992	–	17,185
Ladang Kuala Hau Machang	Freehold Leasehold	– 2326	305 242	Rubber estate	1980*	–	3,151
<b>Sabah</b>							
<b>Tawau Region</b>							
Ladang Jatika	Leasehold	Between 2068 and 2083	3,508	Oil palm estate	1991	–	46,096

# Titled area is in hectares except otherwise indicated

\* Year of last revaluation

**BATU KAWAN BERHAD**  
**Properties Held by the Group (Continued)**  
 At 30 September 2018

Location	Tenure	Year Lease Expiring	Titled Area Hectares#	Description / Existing Use	Year of Acquisition / Last Revaluation	Age of Buildings (Years)	Net Carrying Amounts RM'000
Ladang Sigalong	Leasehold	Between 2063 and 2079	2,864	Oil palm estate	1983	–	25,648
Ladang Pangeran	Leasehold	Between 2063 and 2080	2,855	Oil palm estate and palm oil mill	1983	17	40,503
Ladang Sri Kunak	Leasehold	Between 2063 and 2076	2,770	Oil palm estate	1983	–	33,112
Ladang Pang Burong	Leasehold	Between 2063 and 2080	2,548	Oil palm estate	1983	–	32,316
Ladang Pinang	Leasehold	Between 2068 and 2085	2,420	Oil palm estate	1983	–	35,839
Ladang Tundong	Leasehold	Between 2063 and 2073	2,155	Oil palm estate palm oil mills and biogas power plant	1983	31 and 35 7	24,940
Ladang Ringlet	Leasehold	Between 2065 and 2081	1,834	Oil palm estate	1989	–	15,461
<b>Lahad Datu Region</b>							
Ladang Tungku	Leasehold	2085	3,418	Oil palm estate	1991*	–	27,109
Ladang Bornion	Leasehold	2078	3,233	Oil palm estate and palm oil mill	1992	20	37,611
Ladang Bukit Tabin	Leasehold	2079	2,916	Oil palm estate	1993	–	33,949
Ladang Segar Usaha	Leasehold	2077	2,792	Oil palm estate	1990*	–	30,993
Ladang Rimmer	Leasehold	2085	2,730	Oil palm estate	1991*	–	23,824
Ladang Sungai Silabukan	Leasehold	2079	2,654	Oil palm estate	1993	–	31,115
Ladang Lungmanis	Leasehold	2085	1,656	Oil palm estate and palm oil mill	1991*	18	15,697
KLK Premier Oils	Leasehold	2066	4	Kernel crushing plant and refinery	1998	15 11	10,965
	Leasehold	2110	2	PKC warehouse	2007	9	5,100

# Titled area is in hectares except otherwise indicated

\* Year of last revaluation

**BATU KAWAN BERHAD**  
**Properties Held by the Group (Continued)**  
 At 30 September 2018

Location	Tenure	Year Lease Expiring	Titled Area Hectares#	Description / Existing Use	Year of Acquisition / Last Revaluation	Age of Buildings (Years)	Net Carrying Amounts RM'000
<b>INDONESIA</b>							
<b>Belitung Island</b>							
Kebun Steelindo Wahana Perkasa	Hak Guna Usaha	2020	14,065	Oil palm estate, palm oil mill, refinery, kernel crushing plant and biogas power plant	1994	19 5 5 5	38,912
Kebun Parit Sembada	Hak Guna Usaha	2020	3,990	Oil palm estate and palm oil mill	2003	11	11,602
Kebun Alam Karya Sejahtera	Hak Guna Usaha	2050 and 2053	2,335	Oil palm estate	2010	–	53,242
<b>Sumatra Riau Region</b>							
Kebun Mandau	Hak Guna Usaha	2020	14,837	Oil palm estate, palm oil mill, kernel crushing plant refinery and biogas power plant	1996	15 11 5 5	153,209
Kebun Nilo	Hak Guna Usaha	2028	12,860	Oil palm estate and palm oil mills	1996	16 and 7	135,492
	Izin Lokasi	–	1,363	Oil palm estate	2005		11,027
Kebun Sekarbumi Alamlestari	Hak Guna Usaha	2024	6,200	Oil palm estate and palm oil mill	2009	22	67,935
<b>North Sumatra Region</b>							
PT Langkat Nusantara Kepong **	Leased property	2039	21,372	Oil palm estate and palm oil mill	2009	4	256,521
<b>East Kalimantan</b>							
Kebun Jabontara Eka Karsa Berau	Hak Guna Usaha	2033	14,086	Oil palm estate and palm oil mill	2006	3	233,911
Kebun Putra Bongan Jaya	Hak Guna Usaha	2044	11,602	Oil palm estate	2018	–	239,689
	Izin Lokasi	2020	4,460	–	2018	–	
Kebun Malindomas Perkebunan Berau	Hak Guna Usaha	2043	7,971	Oil palm estate	2007	–	117,653
Kebun Hutan Hijau Mas Berau	Hak Guna Usaha	2029 and 2043	7,317	Oil palm estate and palm oil mill and biogas power plant	2007 2009	10 2	95,336
Kebun Anugrah Surya Mandiri Berau	Hak Guna Usaha	2048	2,682	Oil palm estate	2012	–	6,442

\*\* PT Langkat Nusantara Kepong operates on the property owned by the joint venture partner, PT Perkebunan Nusantara II.

# Titled area is in hectares except otherwise indicated



**BATU KAWAN BERHAD**  
**Properties Held by the Group (Continued)**  
 At 30 September 2018

Location	Tenure	Year Lease Expiring	Titled Area Hectares#	Description / Existing Use	Year of Acquisition / Last Revaluation	Age of Buildings (Years)	Net Carrying Amounts RM'000
Kebun Satu Sembilan Delapan Berau	Hak Guna Usaha	Between 2029 and 2044	5,728	Oil palm estate and palm oil mill	Between 2008 and 2009	4	112,039
Kebun Tekukur Indah Berau	Izin Lokasi	-	2,030	Oil palm estate	Between 2012 and 2016	-	8,322
<b>Central Kalimantan</b>							
Kebun Karya Makmur Abadi	Hak Guna Usaha	2051	9,397	Oil palm estate and palm oil mill	2007	3	255,103
	Izin Prinsip	2019	3,406	Oil palm estate			
Kebun Mulia Agro Permai	Hak Guna Usaha	2040	9,056	Oil palm estate and palm oil mill	2006	5	180,629
Kebun Menteng Jaya Sawit Perdana	Izin Lokasi	2020	5,893	Oil palm estate	2007	-	40,617
<b>LIBERIA</b>							
Palm Bay Estate Grand Bassa County	Leasehold	2057	13,007	Oil palm estate and palm oil mill	2013 2018	- <1	246,005
Butaw Estate Sinoe County	Leasehold	2057	8,011	Oil palm estate	2013	-	110,626
<b>MANUFACTURING MALAYSIA</b>							
KL-Kepong Oleomas Klang, Selangor	Leasehold	2097	19	Oleochemicals factory	2004	9 to 12	41,159
Palm-Oleo Rawang, Selangor	Freehold	-	15	Oleochemicals, soap noodles and industrial amides factories	1991 1994	22 and 27	14,948
Malay-Sino Chemical Industries Lot 3557 and 4524, Kawasan Perindustrian Teluk Kalung, Kemaman, Terengganu	Leasehold	2056 and 2059	14	Chemical factory	Between 1996 and 2011	7 to 20	21,035
See Sen Chemical Lot 2989 and 3558 Kawasan Perindustrian Teluk Kalung, Kemaman, Terengganu	Leasehold	2055	12	Chemical factory	1995	22	4,051
Palm-Oleo (Klang) Klang, Selangor	Leased property	2088	7	Oleochemicals factory	2007	27 and 37	27,845

# Titled area is in hectares except otherwise indicated

**BATU KAWAN BERHAD**  
**Properties Held by the Group (Continued)**  
 At 30 September 2018

Location	Tenure	Year Lease Expiring	Titled Area Hectares#	Description / Existing Use	Year of Acquisition / Last Revaluation	Age of Buildings (Years)	Net Carrying Amounts RM'000
Malay-Sino Chemical Industries Lot 70810 and 70811 4½ Miles, Jalan Lahat Ipoh, Perak	Leasehold	2074	5	Chemical factory and Methyl Chloride factory	1996* 2011	42 8	4,054 228
B.K.B. Hevea Products Ipoh, Perak	Leasehold	2089	5	Parquet factory	1994	24	3,415
KL-Kepong Rubber Products Ipoh, Perak	Freehold	–	3	Rubber gloves factory	2012	34	15,426
See Sen Chemical PT 6326, Bandar Sri Sendayan Seremban, Negeri Sembilan	Freehold	–	2	Chemical factory	2013	4	9,390
See Sen Chemical PTD 21873, Pasir Gudang Industrial Estate, Pasir Gudang, Johor	Leasehold	2039	2	Chemical factory	1979	33	1,517
KLK Bioenergy Shah Alam, Selangor	Leasehold	2074	1	Biodiesel plant	2009	33	3,112
Malay-Sino Chemical Industries Lot 541, Kg Acheh Industrial Estate, Sitiawan, Perak	Leasehold	2087	1	Industrial land with warehouse	1996*	29	583
See Sen Chemical Lot 5441 Kawasan Perindustrian Teluk Kalung, Kemaman, Terengganu	Leasehold	2056	9,013 sq m	Acid pipeline	2003	–	98
Malay-Sino Properties Lot 9878, Kg Acheh Industrial Estate Sitiawan, Perak	Leasehold	2093	4,282 sq m	Industrial land with warehouse	1996*	23	214
<b>INDONESIA</b>							
PT KLK Dumai Dumai Timur, Riau	Leased property	2031	12,876 sq m	Oleochemicals factory	2011	4	19,047
<b>BELGIUM</b>							
KLK Tensachem SA Ougree	Freehold	–	10	Surfactant factory	2014	11 to 88	22,411

# Titled area is in hectares except otherwise indicated

\* Year of last revaluation

**BATU KAWAN BERHAD**  
**Properties Held by the Group (Continued)**  
 At 30 September 2018

Location	Tenure	Year Lease Expiring	Titled Area Hectares#	Description / Existing Use	Year of Acquisition / Last Revaluation	Age of Buildings (Years)	Net Carrying Amounts RM'000
<b>CHINA</b>							
Taiko Palm-Oleo (Zhangjiagang) Zhangjiagang City, Jiangsu	Leasehold	2054	20	Oleochemicals factory	2004	13	38,459
Shanghai Jinshan Jingwei Chemical Jinshan, Shanghai	Leasehold	2052	2	Oleochemicals factory	2008	13	2,743
<b>GERMANY</b>							
KLK Emmerich Emmerich Am Rhein	Freehold	–	21	Oleochemicals factory	2010	25 to 65	16,914
KLK Emmerich Dusseldorf	Leasehold	2104	6	Oleochemicals factory	2015	13 to 108	43,307
<b>NETHERLANDS</b>							
Dr. W. Kolb Netherlands BV Moerdijk	Freehold	–	8	Ethoxylation factory	2007	25	86,835
KLK Kolb Specialties BV Delden	Freehold	–	17	Chemical specialty factory	2018	15 to 71	50,587
<b>SWITZERLAND</b>							
Dr. W. Kolb AG Hedingen	Freehold	–	2	Ethoxylation factory	2007	18 to 54	70,716
<b>PROPERTIES MALAYSIA</b>							
KL-Kepong Country Homes Ijok, Selangor	Freehold	–	110	Property development	1979	–	27,681
	Freehold	–	666	Property development	1979	–	12,450
	Leasehold	2082, 2108 and 2117	11	operating as oil palm estate	2010 2018	–	–
Colville Holdings Setul, Negeri Sembilan	Freehold	–	421	Property development operating as oil palm estate	1985	–	10,429
KL-Kepong Property Development Gombak, Selangor	Freehold	–	403	Property development operating as oil palm estate	2004	–	142,043
Palermo Corporation Bagan Samak, Kedah	Freehold	–	351	Property development operating as oil palm estate	1986	–	13,017

# Titled area is in hectares except otherwise indicated

**BATU KAWAN BERHAD**  
**Properties Held by the Group (Continued)**  
 At 30 September 2018

Location	Tenure	Year Lease Expiring	Titled Area Hectares#	Description / Existing Use	Year of Acquisition / Last Revaluation	Age of Buildings (Years)	Net Carrying Amounts RM'000
Scope Energy Tanjung Kupang, Johor	Freehold	–	203	Property development	2016	–	883,814
Kompleks Tanjong Malim Hulu Selangor, Selangor	Freehold	–	172	Property development operating as oil palm estate	1979	–	7,617
KL-Kepong Property Management Paloh, Johor	Freehold	–	26	Property development operating as oil palm estate	1979*	–	391
KL-Kepong Complex Sungai Buloh, Selangor	Freehold	–	8	Property development	1979	–	2,806
<b>INVESTMENT PROPERTY</b>							
<b><u>MALAYSIA</u></b>							
Batu Kawan Holdings Menara KLK No 1, Jalan PJU 7/6 Mutiara Damansara Petaling Jaya, Selangor	Freehold	–	5,730 sq m	Office building	2003	9	48,393
<b><u>OTHER PROPERTIES</u></b>							
<b><u>MALAYSIA</u></b>							
Stolthaven (Westport) Klang, Selangor	Leased property	2024	12	Bulking installation	2006 2014	4 and 20	13,789
See Sen Bulking Installation Lot 4735, Kawasan Perindustrian Teluk Kalung Kemaman, Terengganu	Leasehold	2025	5	Vacant industrial land	2018*	–	1,200
Circular Agency Lot 202186, 202187 and 202188, Zarib Industrial Park, Lahat Ipoh, Perak	Leasehold	2092	1	Land with office building and workshop	1996*	24	2,063
Wisma Taiko, 1, Jalan S.P.	Freehold	–	2,984 sq m	Head office building	1983	33	3,605
Seenivasagam Ipoh, Perak	Leasehold	2892	2,408 sq m		2000		1,597
Kelkay Bulking Installation Port Klang, Selangor	Leased property	2013	3,351 sq m	Bulking installation	1975 2014	43	344

# Titled area is in hectares except otherwise indicated

\* Year of last revaluation

**BATU KAWAN BERHAD**  
**Properties Held by the Group (Continued)**  
 At 30 September 2018

Location	Tenure	Year Lease Expiring	Titled Area Hectares#	Description / Existing Use	Year of Acquisition / Last Revaluation	Age of Buildings (Years)	Net Carrying Amounts RM'000
<b>INDONESIA</b>							
SWP Bulking Installation Belitung	Hak Guna Bangunan	2035	20	Bulking installation and jetty	2005	9 and 13 12	9,672
PT Steelindo Wahana Perkasa Belitung	Hak Guna Bangunan	2026	49,875 sq m	Office and warehouse	2018	19 and 19	2,445
PT Hutan Hijau Mas Berau, Kalimantan Timur	Hak Pakai	2035	8	Jetty	2010	4	1,781
3, 5, 6 & 7, Block C Ruko Puri Mutiara Sunter Agung Tanjung Priok Jakarta Utara	Hak Guna Bangunan	2027	300 sq m	Office building	2007	11	42
<b>AUSTRALIA</b>							
Chilimony Farm Northampton Western Australia	Freehold	–	16,189	Cereal and cattle farm	2012 2013	–	87,116
Wyunga Farm Dandaragan Western Australia	Freehold	–	14,418	Cereal and cattle farm	2013 2014 2016	–	102,649
Erregulla Farm Mingenew Western Australia	Freehold	–	10,238	Cereal and sheep farm	1989* 2018	–	38,202
Warrenning Gully Farm Williams Western Australia	Freehold	–	5,119	Cereal and sheep farm	1989* 2014	–	29,468
Jonlorrie Farm York Western Australia	Freehold	–	4,927	Cereal and sheep farm	2013 2014	–	71,821
Tatchbrook Farm Arthur River Western Australia	Freehold	–	6,516	Cereal and sheep farm	2015 2016 2017	–	53,455

# Titled area is in hectares except otherwise indicated

\* Year of last revaluation

# PROXY FORM

**BATU KAWAN BERHAD** (6292-U)

No. of Shares Held	CDS Account No.	Tel. No.

I/We \_\_\_\_\_  
(Full Name in Block Letters)

NRIC/Passport/Company No. \_\_\_\_\_

of \_\_\_\_\_

being (a) member(s) of BATU KAWAN BERHAD hereby appoint

\_\_\_\_\_ NRIC/Passport No. \_\_\_\_\_  
(Full Name in Block Letters)

\*and/or \_\_\_\_\_ NRIC/Passport No. \_\_\_\_\_  
(Full Name in Block Letters)

or failing him THE CHAIRMAN OF THE MEETING as my/our proxy/proxies to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at WEIL Hotel, Ballroom 1, Level 6, 292 Jalan Sultan Idris Shah, 30000 Ipoh, Perak Darul Ridzuan, Malaysia on Tuesday, 19 February 2019 at 2.30 p.m. and at any adjournment thereof, and to vote as indicated below:

Resolution	Relating to:	For	Against
1	Re-election of the following Directors in accordance with the Company's Constitution: Tan Sri Dato' Seri Lee Oi Hian		
2	Mr. Quah Chek Tin		
3	Dr. Tunku Alina Binti Raja Muhd Alias		
4	Payment of Directors' fees		
5	Payment of Directors' benefits		
6	Appointment of Messrs BDO as Auditors and their remuneration		
7	Proposed Renewal of Authority to Buy Back Shares		
8	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
9	Proposed Renewal of Authority for Directors to Allot and Issue New BKB Shares in relation to the Dividend Reinvestment Plan		

Please indicate with a tick (✓) how you wish your vote to be cast

For appointment of two (2) proxies, percentage of shareholding to be represented by the proxies:	
	Percentage (%)
Proxy 1	
Proxy 2	

\_\_\_\_\_  
Signature of Shareholder

Date: \_\_\_\_\_

**Notes:**

- (a) A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may, but need not be a member of the Company. A member shall not be entitled to appoint more than two (2) proxies to attend at the same meeting. Where a member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
- (b) Where the proxy form is executed by a corporation, it must be either under the hand of its officer or attorney duly authorised.
- (c) If a member having appointed a proxy to attend a general meeting attends such meeting in person, the appointment of such proxy shall be null and void in respect of such meeting and his proxy shall not be entitled to attend such meeting.
- (d) Where a member is an exempt authorised nominee, as defined under the Securities Industry (Central Depositories) Act 1991, who holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- (e) Where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
- (f) The instrument appointing a proxy, to be valid, must be deposited at the Registered Office of the Company at Bangunan Mayban Trust Ipoh, Level 9, No. 28, Jalan Tun Sambanthan, 30000 Ipoh, Perak Darul Ridzuan, Malaysia not less than twenty-four (24) hours before the time appointed for taking of the poll.
- (g) If neither "for" nor "against" is indicated above, the proxy will vote or abstain as he thinks fit.
- (h) Only members whose names appear on the General Meeting Record of Depositors or Register of Members as at 11 February 2019 shall be entitled to attend or appoint proxies in his stead or in the case of a corporation, a duly authorised representative to attend, speak and vote in his stead.
- (i) Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of Annual General Meeting shall be put to vote by poll.

**Personal Data Privacy**

By submitting the duly executed proxy form, the member consents to the Company (and/or its agents/service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010, for the purpose of the Annual General Meeting, including any adjournment thereof.



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**THE COMPANY SECRETARIES  
BATU KAWAN BERHAD  
Bangunan Mayban Trust Ipoh  
Level 9  
No. 28, Jalan Tun Sambanthan  
30000 Ipoh  
Perak Darul Ridzuan  
Malaysia**

Affix Stamp  
Here

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# BATU KAWAN BERHAD

## Administrative Details

### for the Fifty-Fourth Annual General Meeting

**DATE** : TUESDAY, 19 FEBRUARY 2019  
**TIME** : 2.30 P.M.  
**VENUE** : WEIL HOTEL, BALLROOM 1, LEVEL 6, 292 JALAN SULTAN IDRIS SHAH,  
30000 IPOH, PERAK, DARUL RIDZUAN, MALAYSIA.

#### 1. PARKING

- a) Parking is available at Level 3, 4 and 5 of WEIL Hotel.
- b) Please bring your parking ticket to the registration counter located at the foyer of Ballroom 1 for validation during your registration. We will exchange your ticket with a complimentary parking ticket.
- c) There will be no replacement in the event that you lose or misplace your parking ticket.
- d) Valet parking is not complimentary.

#### 2. REGISTRATION

- a) Registration will start at 1.30 p.m. at the foyer of Ballroom 1 on Level 6 of WEIL Hotel and will end at a time directed by the Chairman of the Annual General Meeting ("AGM").
- b) Please produce your original Identity Card ("IC") or passport at the registration counter for verification and registration. Please make sure you collect your IC or passport thereafter.
- c) Upon completion of the registration process, you will be given an identification wristband to enter the meeting hall.
- d) No person will be allowed to register on behalf of another person even with the original IC or passport of that other person.
- e) The registration counter will handle only verification of identity and registration. If you have any enquiries, please proceed to the Help Desk.

#### 3. 2018 ANNUAL REPORT

The 2018 Annual Report is available on the websites of Batu Kawan Berhad, [www.bkawan.com.my](http://www.bkawan.com.my) and Bursa Malaysia Securities Berhad, [www.bursamalaysia.com](http://www.bursamalaysia.com).

#### 4. HELP DESK

- a) Please proceed to the Help Desk located at the foyer of Ballroom 1 for any clarification or enquiries.
- b) The Help Desk will also handle revocation of proxy appointments.

#### 5. ENQUIRIES

If you have any enquiries prior to the AGM, please contact the following persons during office hours:

**Batu Kawan Berhad**  
**Corporate Secretarial Department**

Contact Persons	Tel
Company Secretaries	+605-240 8000

**Symphony Share Registrars Sdn Bhd**

Contact Persons	Tel
(i) Puan Martini Mat Som	+603-7841 8284
(ii) Cik Haresha Binti Firdauz	+603-7841 8068

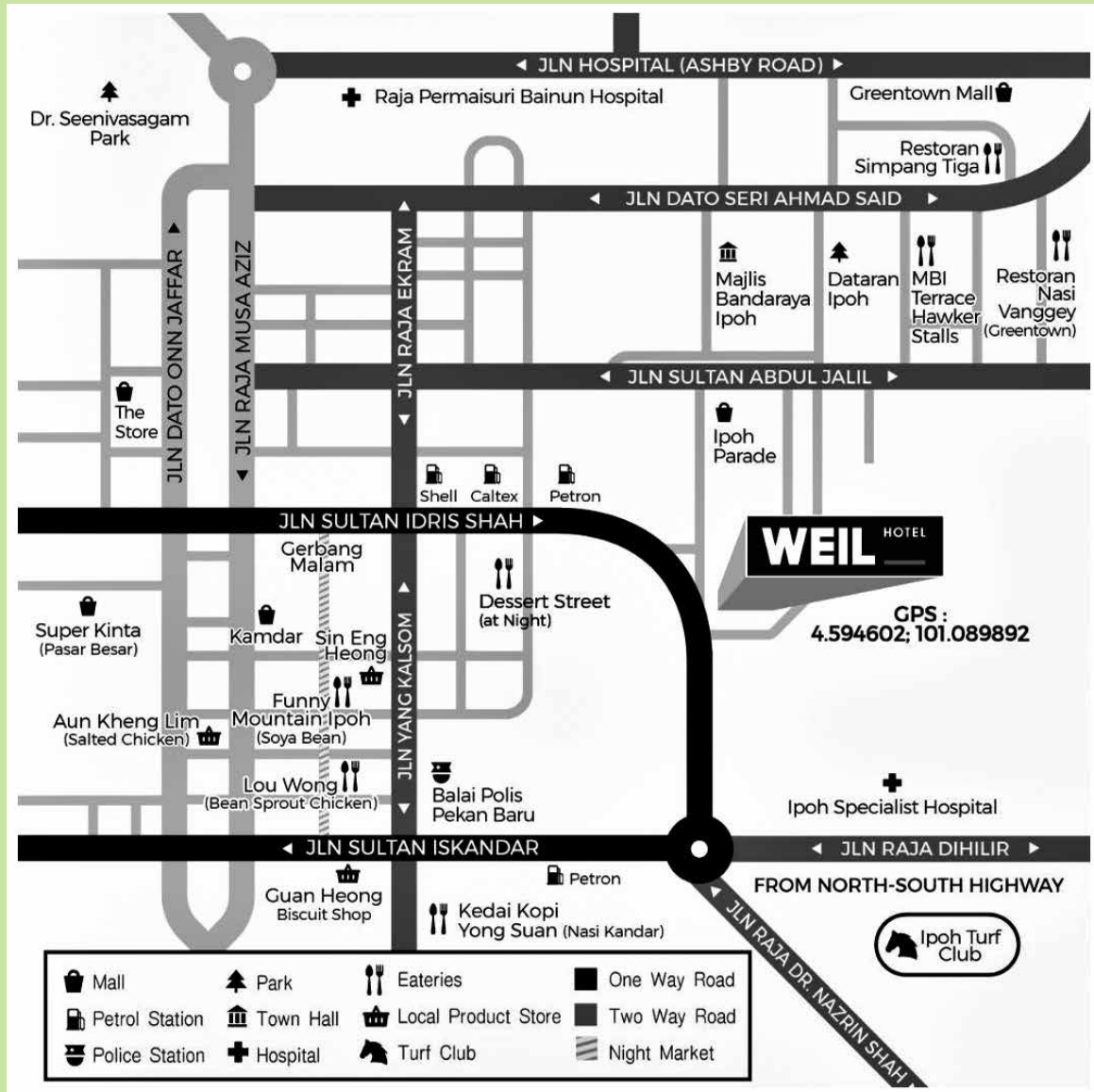


# BATU KAWAN BERHAD

## Administrative Details

### for the Fifty-Fourth Annual General Meeting (Continued)

## LOCATION MAP TO WEIL HOTEL



**WEIL HOTEL, BALLROOM 1, LEVEL 6,  
292, JALAN SULTAN IDRIS SHAH,  
30000 IPOH, PERAK DARUL RIDZUAN,  
MALAYSIA**

