

BATU KAWAN BERHAD (6292-U)

ANNUAL REPORT FOR THE YEAR ENDED 30 SEPTEMBER

2008

BATU KAWAN BERHAD

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BATU KAWAN BERHAD

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Forty-fourth ANNUAL GENERAL MEETING of the members of the Company will be held at its Registered Office, Wisma Taiko, 1, Jalan S. P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan, Malaysia on Wednesday, 18 February 2009 at 2.15 p.m. for the following purposes:-

1. To receive and adopt the Financial Statements for the year ended 30 September 2008 and the Directors' and Auditors' Reports thereon. (Ordinary Resolution 1)
2. To sanction the payment of a Final Dividend for the year ended 30 September 2008. (Ordinary Resolution 2)
3. To re-elect the following Directors:-
 - (a) Dato' Lee Hau Hian (Ordinary Resolution 3)
 - (b) Yeoh Eng Khoon (Ordinary Resolution 4)
4. To consider and, if thought fit, pass resolutions pursuant to Section 129(6) of the Companies Act, 1965 to re-appoint the following as Directors of the Company to hold office until the next Annual General Meeting of the Company:-
 - (a) R.M. Alias (Ordinary Resolution 5)
 - (b) Tan Sri Dato' Thong Yaw Hong (Ordinary Resolution 6)
 - (c) Dato' Mustafa bin Mohd Ali (Ordinary Resolution 7)
5. To approve Directors' fees for the year ended 30 September 2008 amounting to RM742,000 (2007 : RM629,000). (Ordinary Resolution 8)
6. To appoint Auditors and to authorise the Directors to fix their remuneration. (Ordinary Resolution 9)
7. As SPECIAL BUSINESS, to consider and, if thought fit, pass the following Resolutions:-
 - (a) PROPOSED AUTHORITY TO BUY BACK ITS OWN SHARES BY THE COMPANY (Ordinary Resolution 10)

"THAT authority be given to the Directors for the Company to buy back such amount of shares of RM1 each in the Company ("Proposed Authority to Buy Back Shares") as may be determined by the Directors from time to time through Bursa Malaysia Securities Berhad ("Bursa Securities") upon such terms and conditions as the Directors may deem fit and expedient in the best interests of the Company provided that the aggregate number of shares purchased pursuant to this resolution does not exceed 10% of the issued and paid-up share capital of the Company (or equivalent to 42,648,600 shares in the Company based on its adjusted issued and paid-up share capital [excluding treasury shares] of 426,486,000 shares of RM1 each as at 9 December 2008) and that an amount not exceeding the total audited retained profits of the Company be allocated for the Proposed Authority to Buy Back Shares (as at 30 September 2008, the retained profits of the Company was RM263,484,000) AND THAT the Directors may resolve to cancel the shares so purchased and/or retain the shares so purchased as treasury shares which may be distributed as dividends to the shareholders of the Company and/or resold on Bursa Securities and/or cancelled;

AND THAT the Directors be and are hereby empowered to do all such acts and things to give full effect to the Proposed 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 the 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 Securities or any other relevant authority."

BATU KAWAN BERHAD

Notice of Annual General Meeting (Continued)

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

(Ordinary Resolution 11)

"THAT subject to the Companies Act, 1965, the Memorandum and Articles of Association of the Company and the 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 PART B Section 2.2(b) of the Circular to Shareholders dated 23 December 2008 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 ("the Mandate").

THAT such authority shall commence upon the passing of this 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 143(1) of the Companies Act, 1965 but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965; 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."

8. To transact any other ordinary business.

By Order of the Board
J.C. LIM
CHONG SEE TECK
(Secretaries)

Ipoh,
Perak Darul Ridzuan,
Malaysia.

23 December 2008

BATU KAWAN BERHAD

Notice of Annual General Meeting (Continued)

NOTES:-

- (1) A member of the Company entitled to attend and vote at the meeting is entitled to appoint only one proxy to vote in his stead. The proxy need not be a member of the Company.
- (2) The instrument appointing the proxy, to be valid, must be deposited at the Registered Office of the Company at Wisma Taiko, 1, Jalan S. P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan, not less than 48 hours before the time for holding the meeting.
- (3) The Final Dividend, if approved, will be paid on 19 March 2009 to all shareholders on the Register of Members as at 20 February 2009.

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

- (i) securities deposited into the Depositor's Securities Account before 12.30 p.m. on 18 February 2009 in respect of securities which are exempted from mandatory deposit;
 - (ii) securities transferred into the Depositor's Securities Account before 4.00 p.m. on 20 February 2009 in respect of transfers; and
 - (iii) securities bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.
- (4) Profile of the Directors (together with their attendance in Board Meetings) standing for re-election or re-appointment as Directors of the Company under Resolutions 3 to 7 are shown on pages 8 to 10 of this 2008 Annual Report. Their interests in the shares of the holding company and its related corporations as well as their interests in the shares of the Company and its subsidiaries are set out on pages 33 to 36.
 - (5) Ordinary Resolution 10 under item 7(a), if passed, is to give authority to 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.
 - (6) Ordinary Resolution 11 under item 7(b), 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 Proposed Shareholders' Mandate under Ordinary Resolution 11 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.

For Ordinary Resolutions 10 and 11 mentioned above, further information is set out in the Circular to Shareholders of the Company which is despatched together with the Company's 2008 Annual Report.

(A proxy form is attached with this Annual Report)

BATU KAWAN BERHAD

Notis Mesyuarat Agung Tahunan

DENGAN INI DIBERITAHU bahawa MESYUARAT AGUNG TAHUNAN pemegang-pemegang saham Syarikat yang Ke Empat Puluh Empat akan diadakan di Pejabat Berdaftar di Wisma Taiko, 1, Jalan S. P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan, Malaysia pada hari Rabu, 18 Februari 2009 pada jam 2.15 petang untuk tujuan-tujuan berikut:-

1. Menerima dan meluluskan Penyata Kewangan bagi tahun berakhir 30 September 2008 dan Laporan Lembaga Pengarah dan Juruaudit. (Resolusi Biasa 1)
2. Meluluskan bayaran Dividen Akhir bagi tahun berakhir 30 September 2008. (Resolusi Biasa 2)
3. Melantik semula Pengarah-Pengarah berikut:-
 - (a) Dato' Lee Hau Hian (Resolusi Biasa 3)
 - (b) Yeoh Eng Khoon (Resolusi Biasa 4)
4. Mempertimbangkan dan sekiranya wajar, meluluskan resolusi menurut Seksyen 129(6) Akta Syarikat, 1965 bagi melantik semula penama berikut sebagai Pengarah Syarikat untuk berkhidmat hingga Mesyuarat Agung Tahunan Syarikat tahun berikutnya:-
 - (a) R.M. Alias (Resolusi Biasa 5)
 - (b) Tan Sri Dato' Thong Yaw Hong (Resolusi Biasa 6)
 - (c) Dato' Mustafa bin Mohd Ali (Resolusi Biasa 7)
5. Meluluskan bayaran yuran Pengarah-Pengarah sebanyak RM742,000 bagi tahun berakhir 30 September 2008 (2007 : RM629,000). (Resolusi Biasa 8)
6. Melantik Juruaudit dan memberi kuasa kepada para Pengarah menetapkan ganjaran Juruaudit. (Resolusi Biasa 9)
7. Sebagai URUSAN KHAS, untuk menimbang dan sekiranya bersesuaian meluluskan yang berikut sebagai Resolusi-Resolusi:-
 - (a) CADANGAN MEMBERI KUASA MEMBELI BALIK SAHAM SENDIRI OLEH SYARIKAT (Resolusi Biasa 10)

"BAHAWA kuasa diberi kepada Pengarah-Pengarah untuk Syarikat membeli balik saham bernilai RM1 setiap satu dalam Syarikat ("Cadangan Memberi Kuasa Membeli Balik Saham") dengan amaunnya ditentukan oleh Pengarah-Pengarah dari masa ke semasa melalui Bursa Malaysia Securities Berhad ("Bursa Securities") mengikut syarat-syarat yang dianggap oleh Pengarah-Pengarah sesuai dan wajar demi kepentingan Syarikat tertakluk kepada jumlah saham yang dibeli melalui resolusi ini tidak melebihi 10% dari jumlah modal saham terbitan dan berbayar Syarikat (bersamaan dengan 42,648,600 saham Syarikat berdasarkan modal saham terbitan dan berbayar yang telah diubahsuai [tidak termasuk saham perbendaharaan] sebanyak 426,486,000 saham bernilai RM1 setiap satu pada 9 Disember 2008) dan amaun yang tidak melebihi jumlah keuntungan terkumpul Syarikat yang telah diaudit akan diperuntukkan untuk Cadangan Memberi Kuasa Membeli Balik Saham (pada 30 September 2008, keuntungan terkumpul Syarikat adalah sebanyak RM263,484,000) DAN BAHAWA Pengarah-Pengarah boleh meresolusikan untuk membatalkan saham yang dibeli dan/atau menyimpan saham yang dibeli sebagai saham perbendaharaan di mana ianya boleh diagih sebagai dividen kepada pemegang-pemegang saham Syarikat dan/atau dijual semula melalui Bursa Securities dan/atau dibatalkan;

DAN BAHAWA Pengarah-Pengarah diberi kuasa membuat segala tindakan dan perkara yang perlu untuk melaksanakan dengan penuh Cadangan Memberi Kuasa Membeli Balik Saham dengan penuh kuasa untuk menyetujui sebarang syarat, ubahsuai, nilai, perubahan dan/atau pindaan (jika ada) yang dikuatkuasakan oleh pihak berkuasa berkenaan;

DAN BAHAWA kuasa tersebut akan bermula apabila resolusi ini diluluskan dan akan tamat pada penghabisan Mesyuarat Agung Tahunan Syarikat tahun hadapan berikutan dengan kelulusan resolusi biasa ini atau penamatan jangkamasa dalam tempoh di mana Mesyuarat Agung Tahunan hadapan yang dikehendaki oleh undang-undang perlu diadakan (kecuali dibatalkan atau diubahsuai melalui resolusi biasa pemegang-pemegang saham Syarikat dalam Mesyuarat Agung) tetapi tidak menjejaskan penyempurnaan pembelian oleh Syarikat sebelum tarikh tamat dan, dalam keadaan apa pun, seharusnya mengikut peruntukan dalam garis panduan yang dikeluarkan oleh Bursa Securities atau mana-mana pihak berkuasa berkenaan."

BATU KAWAN BERHAD

Notis Mesyuarat Agung Tahunan (Sambungan)

(b) CADANGAN PEMEGANG-PEMEGANG SAHAM MEMBERI MANDAT UNTUK MELULUSKAN TRANSAKSI DAGANGAN SERING BERULANG DENGAN PIHAK-PIHAK YANG BERKAITAN

(Resolusi Biasa 11)

“BAHAWA, tertakluk kepada Akta Syarikat, 1965, Tatacara dan Tataurus Syarikat dan Peraturan Bursa Malaysia Securities Berhad, kelulusan diberikan kepada Syarikat dan/atau subsidiari-subsidiarinya untuk mementerai perjanjian atau menangani transaksi dengan pihak-pihak yang berkaitan seperti yang tertera di BAHAGIAN B Seksyen 2.2(b) dalam Surat Pekeliling kepada pemegang-pemegang saham bertarikh 23 Disember 2008 yang melibatkan kepentingan Pengarah-pengarah atau pemegang saham utama atau pihak-pihak yang berkaitan dengan Pengarah-pengarah atau pemegang-pemegang saham utama (“Pihak-pihak berkaitan”) syarikat dan/atau subsidiari-subsidiarinya sekiranya transaksi-transaksi tersebut adalah:-

- (i) sering berulang dan bersifat dagangan;
- (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 pemegang-pemegang saham minoriti (“Mandat”).

DAN BAHAWA, mandat tersebut akan berkuatkuasa sebaik sahaja resolusi ini diluluskan dan berkuatkuasa sehingga:-

- (i) penamatan Mesyuarat Agung Tahunan Syarikat 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 143(1) Akta Syarikat, 1965 (tetapi tidak dilanjutkan kepada lanjutan yang dibenarkan dibawah seksyen 143(2) Akta Syarikat, 1965 tersebut); atau
- (iii) dimansuhkan atau diubah oleh suatu resolusi yang diluluskan oleh pemegang-pemegang saham dalam mesyuarat agung;

yang mana lebih terdahulu.

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

8. Menguruskan lain-lain perkara biasa.

Dengan Perintah Lembaga Pengarah

J. C. LIM

CHONG SEE TECK

(Setiausaha-Setiausaha)

Ipoh,
Perak Darul Ridzuan,
Malaysia.

23 Disember 2008

BATU KAWAN BERHAD

Notis Mesyuarat Agung Tahunan (Sambungan)

NOTA-NOTA:-

- (1) Seorang pemegang saham Syarikat yang berhak menghadiri dan mengundi di mesyuarat ini adalah berhak melantik seorang proksi sahaja untuk menghadiri dan mengundi bagi pihaknya. Proksi tersebut tidak semestinya seorang pemegang saham Syarikat.
- (2) Suratcara perlantikan proksi, supaya ianya sah, hendaklah sampai ke Pejabat Berdaftar Syarikat di Wisma Taiko, 1, Jalan S. P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan, tidak kurang daripada 48 jam sebelum mesyuarat ini diadakan.
- (3) Dividen Akhir, jika diluluskan, akan dibayar pada 19 Mac 2009 kepada semua pemegang-pemegang saham yang didaftarkan dalam Buku Pendaftaran Ahli seperti pada 20 Februari 2009.

Seseorang pendeposit dengan Bursa Malaysia Depository Sdn Bhd hanya layak untuk menerima dividen berhubung dengan:-

- (i) saham yang didepositkan ke dalam akaun sekuriti pendeposit sebelum pukul 12.30 petang pada 18 Februari 2009 berhubung dengan saham yang dikecualikan daripada deposit mandatori;
 - (ii) saham yang dipindahkan ke dalam akaun sekuriti pendeposit sebelum pukul 4.00 petang pada 20 Februari 2009 berhubung dengan pindahan; dan
 - (iii) saham yang dibeli di Bursa Malaysia Securities Berhad pada dasar bersama kelayakan menurut Peraturan Bursa Malaysia Securities Berhad.
- (4) Profil para pengarah (bersama dengan kehadiran mereka dalam Mesyuarat Lembaga Pengarah) yang akan dipilih atau dilantik semula sebagai pengarah-pengarah syarikat untuk resolusi-resolusi 3 hingga 7 tertera pada mukasurat 8 hingga 10 dalam Laporan Tahunan 2008. Kepentingan saham mereka di dalam syarikat induk dan syarikat-syarikat berkaitan dengannya serta kepentingan saham di dalam Syarikat dan subsidiari-subsidiari tertera pada mukasurat 33 hingga 36.
 - (5) Cadangan Resolusi Biasa 10 di bawah perenggan 7(a) jika diluluskan bertujuan memberi kuasa kepada para pengarah untuk membeli balik saham Syarikat pada satu masa bila mana terma dan syarat-syarat pengarah-pengarah mendapati sesuai dengan kepentingan Syarikat. Bidang kuasa ini akan luput pada Mesyuarat Agung Tahunan yang akan datang melainkan sekiranya diimansuhkan atau diubah melalui resolusi biasa Syarikat dalam suatu mesyuarat umum.
 - (6) Cadangan Resolusi Biasa 11 di bawah perenggan 7(b) jika diluluskan akan membenarkan Kumpulan menjalankan transaksi-transaksi sering berulang bersifat dagangan dengan pihak-pihak berkaitan dalam transaksi perniagaan biasa atas syarat-syarat komersil yang tidak memberikan apa-apa kelebihan kepada pihak berkaitan dan tidak merugikan atau menjejaskan kepentingan pemegang-pemegang saham minoriti.

Dengan mendapatkan mandat pemegang saham yang dicadangkan dalam Resolusi Biasa 11 dan memperbaharui setiap tahun, keperluan untuk mengadakan mesyuarat-mesyuarat yang berasingan dari masa ke semasa untuk mendapatkan kelulusan pemegang saham 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 dan peluang perniagaan yang sedia ada kepada Kumpulan.

Untuk Resolusi Biasa 10 dan 11, penerangan lanjut berkenaan dengan perkara-perkara tersebut di atas adalah terkandung di dalam Surat Pekeliling kepada Pemegang Saham yang telah disertakan bersama dengan Laporan Tahunan 2008.

(Sesalinan borang proksi dikembalikan bersama Laporan Tahunan ini).

BATU KAWAN BERHAD

Corporate Information

BOARD OF DIRECTORS

Dato' Seri Lee Oi Hian - Non-Independent Non-Executive Chairman
Dato' Lee Hau Hian - Managing Director
YM Tengku Robert Hamzah - Senior Independent Non-Executive Director
R.M. Alias - Independent Non-Executive Director
Tan Sri Dato' Thong Yaw Hong - Independent Non-Executive Director
Dato' Mustafa bin Mohd Ali - Independent Non-Executive Director
Dato' Lee Soon Hian - Non-Independent Non-Executive Director
Yeoh Eng Khoon - Independent Non-Executive Director

SECRETARIES

J.C. Lim
Chong See Teck

REGISTERED OFFICE / PRINCIPAL PLACE OF BUSINESS

Wisma Taiko,
1, Jalan S. P. Seenivasagam,
30000 Ipoh,
Perak Darul Ridzuan, Malaysia.
Tel : 605-2417844
Fax : 605-2548054
Email : cosec@bkawan.com.my

SHARE REGISTRARS

Symphony Share Registrars Sdn Bhd,
55, Medan Ipoh 1A,
Medan Ipoh Bistari,
31400 Ipoh,
Perak Darul Ridzuan, Malaysia.
Tel : 605-5474833
Fax : 605-5474363

PLACE OF INCORPORATION AND DOMICILE

In Malaysia as a public limited liability company

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad

AUDITORS

Ernst & Young
Chartered Accountants

BANKERS

Malayan Banking Berhad
Public Bank Berhad
Standard Chartered Bank Malaysia Berhad

BATU KAWAN BERHAD

Profile of the Directors

The Board of Directors comprises a Non-Independent Non-Executive Chairman, a Managing Director and six (6) Non-Executive Directors, five (5) of whom are independent.

The Board meets quarterly and additional Board Meetings are held as and when required. The Board met four (4) times during the financial year ended 30 September 2008.

Particulars of the Directors are as follows:-

DATO' SERI LEE OI HIAN

Malaysian, aged 57, joined the Board on 1 June 1979 and is the Non-Independent Non-Executive Chairman of Batu Kawan Berhad ("BKB"). He is also the CEO of Kuala Lumpur Kepong Berhad and a director of Yule Catto & Co. plc, which is listed on the London Stock Exchange. He is the current Chairman of the Malaysian Palm Oil Council. He also serves as trustee member of several social organisations.

He graduated from the University of Malaya with a Bachelor of Agricultural Science (Honours) degree and obtained his Masters in Business Administration from Harvard Business School, U.S.A.

He is the brother of Dato' Lee Hau Hian and Dato' Lee Soon Hian who are also Directors of BKB. He is deemed connected with Wan Hin Investments Sdn Berhad which is the holding company of BKB and holding company of Arusha Enterprise Sdn Bhd, a substantial shareholder of BKB. He is deemed interested in various related parties transactions with the BKB Group. He attended all the four (4) Board of Directors' meetings held during the financial year ended 30 September 2008. He has not been convicted of any offence.

DATO' LEE HAU HIAN

Malaysian, aged 55, Managing Director of BKB, joined the Board on 20 December 1993.

Dato' Lee Hau Hian is a director of Kuala Lumpur Kepong Berhad and Yule Catto & Co. plc, a company listed on the London Stock Exchange. He is the President of the Perak Chinese Maternity Association and the Treasurer of the Perak Entrepreneur & Skills Development Centre. He also serves as a director of Yayasan De La Salle and See Sen Chemical Berhad, and is a trustee of Yayasan KLK and Tan Sri Lee Loy Seng Foundation.

He graduated with a Bachelor of Science (Economics) degree from the London School of Economics and has a MBA degree from Stanford University, U.S.A.

He is the brother of Dato' Seri Lee Oi Hian and Dato' Lee Soon Hian who are also Directors of BKB. He is deemed connected with Wan Hin Investments Sdn Berhad which is the holding company of BKB and holding company of Arusha Enterprise Sdn Bhd, a substantial shareholder of BKB. He is deemed interested in various related parties transactions with the BKB Group. He attended all the four (4) Board of Directors' meetings held during the financial year ended 30 September 2008. He has not been convicted of any offence.

YM TENGKU ROBERT HAMZAH

Malaysian, aged 69, Senior Independent Non-Executive Director, joined the Board on 1 May 1976. He is the Chairman of the Audit Committee and a member of the Nomination Committee of the Board.

He is also a director of Kuala Lumpur Kepong Berhad and Tan Sri Lee Loy Seng Foundation. An architect by profession, he graduated from AA School of Architecture, and is a member of Persatuan Arkitek Malaysia and Lembaga Arkitek Malaysia. He is the Chairman of T.R. Hamzah & Yeang Sdn Bhd since 1976.

He has no family relationship with any director/major shareholder of BKB. He is deemed interested in various transactions between the BKB Group and certain companies carried out in the ordinary course of business by virtue of his common directorships in these companies. He attended all the four (4) Board of Directors' meetings held during the financial year ended 30 September 2008. He has not been convicted of any offence.

BATU KAWAN BERHAD

Profile of the Directors (Continued)

R.M. ALIAS

Malaysian, aged 76, Independent Non-Executive Director, has served on the Board since 1 December 1979. He is the Chairman of the Remuneration Committee of the Board.

He holds a Bachelor of Arts (Honours) degree from the 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, U.S.A.

He is the Non-Executive Chairman of Kuala Lumpur Kepong Berhad and a Director of a listed company, Cerebos Pacific Limited (Singapore). He is also a trustee of Yayasan KLK and Tan Sri Lee Loy Seng Foundation.

He has no family relationship with any director/major shareholder of BKB. He is deemed interested in various transactions between the BKB Group and certain companies carried out in the ordinary course of business by virtue of his common directorships in these companies. He attended all the four (4) Board of Directors' meetings held during the financial year ended 30 September 2008. He has not been convicted of any offence.

TAN SRI DATO' THONG YAW HONG

Malaysian, aged 78, Independent Non-Executive Director, joined the Board on 23 January 1987. He is the Chairman of the Nomination Committee of the Board and a member of the Audit Committee and Remuneration Committee.

Tan Sri Thong is the Co-Chairman of Public Bank Berhad and Public Mutual Berhad and Chairman of Berjaya Sports Toto Berhad. He is also a director of Kuala Lumpur Kepong Berhad, Glenealy Plantations (Malaya) Bhd, HHB Holding Bhd, Malaysian South-South Corporation Bhd, Public Islamic Bank Berhad, Public Investment Bank Bhd and LPI Capital Bhd. He had served in the Economic Planning Unit in the Prime Minister's Department since 1957 and became its Director-General from 1971 to 1978 and served as Secretary-General, Ministry of Finance from 1979 until his retirement in 1986. He was formerly the Chairman of the Employees Provident Fund Board. He currently serves as a member on the Boards of Trustees of Program Pertukaran Fellowship Perdana Menteri Malaysia, Tun Razak Foundation, Malaysian Institute of Economic Research and Yayasan Wah Seong. He is a member of the Working Group of the Executive Committee for the Economic Council and National Implementation Task Force ("NITF"), and also a member of the Investment Committee for the Unit Trust Funds managed by Public Mutual Berhad.

He graduated with a Bachelor of Arts (Honours) degree in Economics from University of Malaya and a Masters degree in Public Administration from Harvard University, and has attended the Advanced Management Program from Harvard Business School. Tan Sri was the Pro-Chancellor of Universiti Putra Malaysia until June 2006. He was conferred the Honorary Doctorate of Economics by Universiti Putra Malaysia on 17 September 2006.

He has no family relationship with any director/major shareholder of BKB. He is deemed interested in transactions between the BKB Group and certain companies carried out in the ordinary course of business by virtue of his common directorships in these companies. He attended all the four (4) Board of Directors' meetings held during the financial year ended 30 September 2008. He has not been convicted of any offence.

DATO' MUSTAFA BIN MOHD ALI

Malaysian, aged 71, Independent Non-Executive Director, joined the Board on 31 October 1994. He is a member of the Remuneration Committee of the Board.

He is a Cambridge University Economics graduate and has attended the Harvard Business School's Advanced Management Program. He served 26 years with the Malaysian Tobacco Company including a 2¹/₂ years' assignment as Corporate Planning Officer at British-American Tobacco Co. London, and was its Managing Director prior to joining Sime Darby Berhad on 1 July 1988. He worked for some six years with Sime Darby in various senior management positions before his retirement in February 1994. He was a Business Adviser to Kumpulan Guthrie Bhd from April 1994 to June 2002. He is also a director of another listed company, namely, Affin Holdings Berhad. He is a trustee of British Graduate Association and Harvard Business School Alumni Association of Malaysia.

He has no family relationship with any director/major shareholder of BKB and does not have any conflict of interest with BKB. He attended all the four (4) Board of Directors' meetings held during the financial year ended 30 September 2008. He has not been convicted of any offence.

BATU KAWAN BERHAD

Profile of the Directors (Continued)

DATO' LEE SOON HIAN

Malaysian, aged 51, Non-Independent Non-Executive Director, joined the Board on 17 February 1998. He is a member of the Nomination Committee of the Board.

He brings along to BKB his wide experience in manufacturing and marketing.

He is the brother of Dato' Seri Lee Oi Hian and Dato' Lee Hau Hian who are also Directors of BKB. He is deemed interested in various related parties transactions with the BKB Group. He attended all the four (4) Board of Directors' meetings held during the financial year ended 30 September 2008. He has not been convicted of any offence.

YEOH ENG KHOON

Malaysian, aged 61, Independent Non-Executive Director, was appointed to the Board on 24 February 2005. He is a member of the Audit Committee of the Board.

He is also a director of Kuala Lumpur Kepong Berhad and See Sen Chemical Berhad, and a trustee of Yayasan KLK. He has previous work experience in banking, manufacturing and the retail business.

He obtained a degree of Bachelor of Arts (Honours) in Economics (Business Administration) from the University of Malaya in 1968 and was called to the Bar of England and Wales at Lincoln's Inn in 1979.

He has no family relationship with any director/major shareholder of BKB. He is deemed interested in various transactions between the BKB Group and certain companies carried out in the ordinary course of business by virtue of his common directorships in these companies. He has attended all the four (4) Board of Directors' Meetings held during the financial year ended 30 September 2008. He has not been convicted of any offence.

BATU KAWAN BERHAD

Chairman's Review

It gives me great pleasure to report that your Group has achieved record pre-tax profit of RM522.7 million for the financial year ended 30 September 2008, against a pre-tax profit of RM359.9 million last financial year. Record high profits from our main associate, Kuala Lumpur Kepong Berhad ("KLK"), together with improved profits from our chemical subsidiaries accounted for this 45% profit increase.

Profit after tax and minority interests attributable to shareholders is RM505.5 million, equivalent to a net earnings per share of 117.3 sen for the year compared to 80.4 sen last year, a 45% increase.

In view of the record profit and to reward shareholders, your Board is recommending an increased final dividend of 49 sen, consisting of 9 sen gross, less tax, and 40 sen single-tier tax exempt, which together with the interim dividend of 15 sen gross paid earlier, brings the total dividends for the 2008 financial year to 64 sen per share. This compares to total gross dividends of 50 sen last year.

Your Company continued its share buy-back activities and during the financial year, a total of 5,520,600 shares were bought back in the open market at a cost of some RM48.8 million. Together with subsequent purchases, your Company has bought back and now holds 9,465,000 of its own shares as Treasury shares.

MAIN ASSOCIATE – KLK

Due to strong commodity prices during the year, KLK achieved a record pre-tax profit of RM1.445 billion, a 63% increase from the RM886.4 million of the previous year. Profit after tax and minority interests was RM1,040.6 million compared to RM694.1 million last year. At our Company's level, our attributable share of KLK's after-tax profit was RM484.5 million, almost 50% higher than the RM323.2 million recorded for last year.

The Plantation Division was the main contributor, with over a billion ringgit in pre-tax profits, reporting an increased profit at RM1.356 billion, 94% higher than that achieved last year. For the second year in a row, prices for palm products and rubber continued to be strong, with a 51% increase in palm oil price (ex-mill) to RM2,913 per tonne and palm kernel price 52% higher to RM1,714 per tonne, achieved in their FY 2008. Rubber had a lower 14% price increase to 893 sen per kg but still remained at attractive levels.

Plantation profits were however affected by high fertiliser and increased input costs, and for palm oil, the adverse impacts of high export duty in Indonesia and windfall tax in Malaysia.

Total FFB production was 18% higher at 2.8 million tonnes, with a 11% increase in yield/ha to 24.66 tonnes. Rubber production however declined 4% due to effects of wet weather.

During the year, a new palm oil refinery in Lahad Datu, Sabah was commissioned and generally the refining and kernel crushing operations did well. During the year, KLK acquired all of the previously listed plantation company, Ladang Perladangan-FIMA Bhd shares, through a general offer, which increased by a further 8,171 ha its plantations hectareage.

Profits of the Manufacturing Division were also higher at RM98.7 million compared to RM51.3 million last year, principally from the oleochemical operations despite a year of volatile raw material prices. Encouragingly, the operations of the fatty alcohol plant in Port Klang, commissioned last year, and the China oleochemical plant have become profitable. Further downstream oleochemical projects are being implemented in order to deepen the value chain. A 60% share in KLK Cocoa Products, a cocoa beans processor, was sold to the international cocoa group, Barry Callebaut, to form part of the latter's worldwide network.

Property contribution was flat due to no major new projects whilst Retailing reported a loss.

Overall KLK profit would have been higher if not for the adverse impact of asset impairment provisions and goodwill write-downs in the group, reflecting parts of their operations which require further management attention.

BATU KAWAN BERHAD

Chairman's Review (Continued)

INDUSTRIAL OPERATIONS

The 2008 financial year, which ended last September, was a challenging year for our chemical subsidiaries, which were confronted with an environment of increasing energy prices and raw material costs, the latter driven by increased demand from developing countries, particularly China. The unprecedented rapid rise in petroleum prices during the year increased production costs significantly and for See Sen Chemical Berhad ("See Sen"), this together with increased sulphur demand resulted in unprecedented escalation in the cost of sulphur, a key raw material. Due to the rapid cost escalation, it was difficult to immediately pass on such cost increases to their customers.

Given this difficult operating environment, it is therefore pleasing to report that our chemical subsidiaries managed to achieve nonetheless a higher pre-tax profit of RM39.6 million compared to RM31.4 million last year.

During the year, we increased our shareholding in Malay-Sino Chemical Industries Sdn Bhd ("MSCI") from 76.48% to 84.30%. MSCI's chlor-alkali operations reported lower profits due to the higher costs, though its performance can be considered satisfactory given the challenging circumstances encountered. The 26% increase in the electricity tariff in July was a significant contributor to its increased production cost, as was the increased cost of salt, a key raw material. With the benefit of securing new customers, its methyl chloride subsidiary was able to report a better profit, though it also faced increased input costs.

Our transport companies, which provide logistic services to the Group, were likewise affected by increased fuel costs but performed somewhat better financially.

See Sen managed to make increased profits despite the challenges of the continuing rise in sulphur prices which started since the last financial year. Due to the unprecedented rapid rise, it was necessary to re-negotiate price adjustments with customers on long-term contracts, while management focused on ensuring plant efficiency and stringent cost controls.

MSCI will be embarking on a major capacity expansion of its Kemaman chlor-alkali plant in Terengganu, which will cost over RM180 million, so as to supply chemical products to a new Australian venture which is building a new green-field plant in Pahang to process rare earths minerals. The venture is being undertaken by an Australian-listed company and MSCI has been awarded a multi-year product supply agreement. The capacity expansion should be ready by March 2010. The rare earth industry continues to grow and prices are high because of limited sources of supply. This MSCI project will be funded by its internal surplus funds and by bank borrowings.

INVESTMENTS

Our investment and interest income at RM4.3 million was 56% lower than last year's where there was a write-back of a provision for diminution in investment value and also due partly to reduced dividends from our non-listed investments in the current year. Interest income was lower due to utilization of our surplus funds for share buy-backs.

During the year, the Group completed the acquisition of a 92% shareholding in PT Satu Sembilan Delapan, an Indonesian company, reported in last year's review. The balance shareholding is held by our Indonesian partner. Application is now in progress to apply for final title to the 5,677 hectares of land from the Indonesian authorities. Meanwhile planting on the ground is on-going and to-date, some 3,000 hectares of oil palms have been planted. This development is managed by KLK as the estate lies in East Kalimantan, a region where KLK is also developing new oil palm plantations.

Subsequent to the year-end, in October, our Mauritius-incorporated subsidiary, Forever Green Venture Limited, agreed to dispose its entire 17% equity stake in PT Sekarbumi Alamlestari ("PTSA"), to our associate, KLK, for a cash consideration of USD12.9 million and subject to adjustment for any difference in PTSA's net current assets as at 30 June 2008 and Completion Date. PTSA is an Indonesian palm oil plantation company with 6,200 hectares of land and a palm oil mill in Riau Province, Sumatra. This sale would allow the Group to realise some USD11.1 million in capital profit on this investment. Completion of this transaction is pending obtaining of several approvals required.

BATU KAWAN BERHAD

Chairman's Review (Continued)

COMMERCIAL OFFICE BUILDING

The construction of the commercial building in Mutiara Damansara, Selangor, consisting of a 10-storey tower block, a 4-storey podium and 2 basements of car parks, should complete by end 2008. This building, to be called "Menara Batu Kawan", is owned by a subsidiary and will be placed out for rental. We expect occupancy to be in early 2009. Being located in the developing and prime Mutiara Damansara area, demand from commercial tenants for the building space should be good.

GENERAL

After a period of strong buoyant prices for commodities, shareholders would now be well aware of the on-going financial crisis that is affecting global financial credit and giving rise to fears of recession and economic slowdown. As a result of this financial turmoil, there have since been sharp reversals in commodity prices, including those of palm oil and rubber as well as petroleum. All our operating units as well as that of KLK will be affected by such developments. Thus the recent years of good profits reported by your Group will likely not continue into the new year.

While the outlook remains uncertain, shareholders can be assured that your Group remains in good financial condition and that your Board and management will remain vigilant.

On your behalf, I would like to thank my fellow Directors and all employees for their contributions to achieve the Group's excellent results for the 2008 financial year.

Dato' Seri Lee Oi Hian
Chairman

1 December 2008

BATU KAWAN BERHAD

Ulasan Pengerusi

Saya dengan sukacitanya melaporkan bahawa Kumpulan anda telah mencatatkan rekod keuntungan sebelum cukai sebanyak RM522.7 juta untuk tahun kewangan berakhir 30 September 2008 berbanding keuntungan sebelum cukai sebanyak RM359.9 juta tahun kewangan lalu. Peningkatan keuntungan sebanyak 45% hasil daripada rekod keuntungan tinggi yang dicapai oleh syarikat sekutu utama kita, Kuala Lumpur Kepong Berhad ("KLK") dan peningkatan keuntungan oleh syarikat-syarikat subsidiari kimia kita.

Keuntungan selepas cukai dan kepentingan minoriti yang boleh dibahagi kepada pemegang-pemegang saham adalah berjumlah RM505.5 juta bersamaan dengan 117.3 sen keuntungan bersih sesaham berbanding 80.4 sen sesaham tahun lalu, iaitu peningkatan sebanyak 45%.

Berikutan dengan catatan rekod keuntungan, Lembaga Pengarah anda mengesyorkan peningkatan dividen akhir sebanyak 49 sen, mengandungi 9 sen kasar ditolak cukai, dan 40 sen dividen "single-tier" dikecualikan cukai sebagai ganjaran kepada pemegang-pemegang saham. Bersama dengan dividen interim sebanyak 15 sen kasar yang dibayar terdahulu, menjadikan jumlah dividen-dividen untuk tahun kewangan 2008 adalah 64 sen sesaham berbanding dengan jumlah dividen kasar sebanyak 50 sen yang dibayar tahun lepas.

Syarikat anda meneruskan aktiviti pembelian semula saham Syarikat dan dalam tahun kewangan, sejumlah 5,520,600 saham-saham telah dibeli semula dari pasaran terbuka dengan kos sebanyak RM48.8 juta. Setelah mengambilkira pembelian semula saham-saham selepas berakhirnya tahun kewangan dalam tinjauan ini, Syarikat anda kini memegang 9,465,000 saham-saham sendiri sebagai saham-saham perbendaharaan.

SYARIKAT SEKUTU UTAMA - KLK

Dengan harga pasaran komoditi yang kukuh dalam tahun tinjauan, KLK mencapai rekod keuntungan sebelum cukai sebanyak RM1.445 billion, melonjak 63% berbanding RM886.4 juta tahun lalu. Keuntungan selepas cukai and kepentingan minoriti adalah RM1,040.6 juta berbanding RM694.1 juta tahun lepas. Pada peringkat Syarikat, bahagian kita dalam keuntungan selepas cukai KLK berjumlah RM484.5 juta, satu kenaikan hampir 50% daripada RM323.2 juta yang dicatatkan tahun lalu.

Sektor perladangan adalah penyumbang utama, dengan keuntungan sebelum cukai yang melebihi satu bilion ringgit, mencatatkan lonjakan keuntungan kepada RM1.356 billion, 94% lebih tinggi daripada apa yang dicapai pada tahun lalu. Untuk dua tahun berturut-turut, harga produk kelapa sawit dan getah terus kukuh, dengan kenaikan sebanyak 51% bagi harga minyak kelapa sawit (selepas kilang) kepada RM2,913 se tan dan harga isirong sawit meningkat 52% kepada RM1,714 se tan, dicatat dalam tahun kewangan 2008 ini. Getah mengalami peningkatan harga tetapi pada kadar rendah iaitu 14% kepada 893 sen se kg tetapi ia masih berada pada tahap yang memuaskan.

Keuntungan perladangan telah terjejas akibat dari kos baja yang tinggi dan peningkatan kos input disamping kesan akibat cukai eksport yang tinggi di Indonesia dan cukai "windfall" di Malaysia yang memberi impak pada minyak sawit.

Jumlah pengeluaran buah tandan basah telah meningkat 18% ke 2.8 juta tan, dengan peningkatan 11% bagi hasil se hektar kepada 24.66 tan. Walaubagaimanapun, pengeluaran getah susut 4% disebabkan cuaca lembap.

Dalam tahun tinjauan, kilang penapisan minyak sawit baru di Lahad Datu, Sabah telah memulakan operasi dan pada lazimnya operasi penapisan dan pemerahan isirong adalah memuaskan. melalui tawaran umum, KLK telah mengambilalih keseluruhan saham syarikat perladangan yang disenaraikan, Ladang Perbadanan-FIMA Bhd, dalam tahun tinjauan. Ini menambahkan lagi 8,171 hektar dalam jumlah luas perladangan KLK.

Keuntungan daripada sektor pengilangan turut meningkat ke RM98.7 juta berbanding RM51.3 juta tahun lalu. Keuntungan tersebut khususnya datang daripada operasi oleo-kimia walaupun menghadapi keadaan harga bahan mentah tidak stabil dalam tahun tinjauan. Sementara itu, operasi kilang pati alkohol di Pelabuhan Kelang yang mula beroperasi tahun lepas, dan kilang oleo-kimia di China sudah mencapai keuntungan. Lebih banyak projek hiliran oleo-kimia telah dilaksanakan untuk mempertingkatkan rantai nilai. Sebanyak 60% saham KLK Cocoa Products, syarikat pemproses biji koko, telah dijual kepada kumpulan koko antarabangsa, Barry Callebaut, menjadikannya sebahagian daripada kumpulan yang mempunyai rangkaian di seluruh dunia.

Sumbangan sektor harta adalah mendatar disebabkan tiada projek utama baru sementara sektor peruncitan pula mengalami kerugian.

Keseluruhan keuntungan KLK sepatutnya lebih tinggi jika tidak kerana kesan daripada peruntukan untuk penyusutan aset dan "goodwill" yang dilupuskan dalam kumpulan yang memejekkan sedikit sebahagian operasinya. Pihak pengurusan sedia maklum perkara ini dan akan memberi lebih tumpuan mengendali operasi tersebut.

BATU KAWAN BERHAD

Ulasan Pengerusi (Sambungan)

OPERASI INDUSTRI

Tahun kewangan 2008, yang telah berakhir dalam bulan September, merupakan tahun yang mencabar bagi syarikat subsidiari kimia kita, yang menghadapi suasana peningkatan kos tenaga dan bahan mentah. Peningkatan kos bahan mentah yang berpunca daripada peningkatan permintaan daripada negara-negara membangun terutamanya Negeri China. Kenaikan mendadak harga pasaran petroliaam dalam tahun tinjauan telah meningkatkan kos pengeluaran dengan amat ketara sekali. Bagi See Sen Chemical Berhad ("See Sen"), kenaikan harga produk petroliaam ini telah mengakibatkan peningkatan kos sulfur, bahan mentah utamanya. Lonjakan kos yang mendadak ini adalah sukar untuk See Sen memindahkan kos tersebut kepada pelanggan-pelanggannya.

Walaupun dalam suasana operasi yang sukar ini, syarikat subsidiari kimia kita masih mampu mencapai keuntungan sebelum cukai yang lebih tinggi sebanyak RM39.6 juta berbanding RM31.4 juta yang dicatatkan tahun lepas.

Pegangan saham kita dalam Malay-Sino Chemical Industries Sdn Bhd ("MSCI") telah meningkat dari 76.48% ke 84.30% dalam tahun tinjauan. Operasi klor-alkali MSCI melaporkan penyusutan dalam keuntungan berpunca dari kos yang lebih tinggi. Meskipun begitu, prestasi MSCI boleh dianggap memuaskan memandangkan situasi sukar yang dihadapinya. Peningkatan 26% dalam kadar elektrik dalam bulan Julai merupakan salah satu menyumbang utama kepada peningkatan kos pengeluaran diikuti oleh kos garam, bahan mentah utamanya. Atas usaha gigihnya mendapat pelanggan baru, subsidiari pengeluar methil klorida telah melaporkan keuntungan yang lebih baik meskipun menghadapi kos input yang meningkat.

Syarikat-syarikat pengangkutan kita yang menyediakan perkhidmatan logistik kepada Kumpulan kita turut terjejas oleh peningkatan kos bahanapi tetapi masih boleh menunjukkan prestasi lebih baik dari segi kewangan.

See Sen mampu menjana lebih banyak keuntungan meskipun cabaran peningkatan berterusan harga sulfur berlaku semenjak tahun kewangan yang lepas. Disebabkan peningkatan berterusan harga sulfur tersebut, See Sen terpaksa membuat perundingan semula dengan para pelanggannya untuk meminda harga produk yang dijual bagi kontrak jangka panjang. Pihak pengurusan turut menumpukan perhatian kepada efisiensi loji dan memastikan pengawalan kos yang ketat.

MSCI akan melaksanakan memperbesarkan kapasiti loji klor-alkalinya di Kemaman, Terengganu yang menelan belanja modal sebanyak RM180 juta untuk membolehkannya membekalkan bahan kimia kepada sebuah syarikat Australia yang memproses "rare earth" di sebuah loji baru yang kini sedang di bina di Pahang. Loji pemprosesan "rare earth" ini diusahakan oleh sebuah syarikat tersenarai dari Australia dan MSCI telah diberikan kontrak untuk membekalkan bahan kimia untuk keperluan loji tersebut untuk beberapa tahun. Kapasiti baru MSCI dijangka siap pada Mac 2010 kelak. Industri "rare earth" dijangka akan berkembang dan harganya agak lumayan disebabkan bekalan yang terhad. Projek MSCI ini akan dibiayai oleh dana dalaman dan juga pinjaman bank.

PELABURAN

Pendapatan pelaburan dan faedah kita adalah sebanyak RM4.3 juta iaitu susut sebanyak 56% berbanding dengan tahun lalu berikutan peruntukan dalam pembaikan nilai pelaburan dan juga kurangnya dividen dari pelaburan dalam syarikat bukan senarai awam, pada tahun ini. Manakala pendapatan dari faedah pula kurang kerana dana lebihan digunakan untuk pembelian semula saham Syarikat.

Dalam tahun tinjauan, Kumpulan kita telah menyempurnakan pembelian ekuiti saham 92% dalam PT Satu Sembilan Delapan ("PTSSD"), sebuah syarikat Indonesia, yang dilaporkan dalam ulasan tahun lepas. Baki ekuiti saham dipegang oleh rakan kongsi Indonesia kita. PTSSD kini dalam proses permohonan untuk mendapatkan geran tanah untuk 5,677 hektar tanah daripada pihak berkuasa Indonesia. Buat masa ini, usaha penanaman sedang dijalankan dan kawasan seluas 3,000 hektar telah ditanami pokok kelapa sawit. Usaha ini diuruskan oleh KLK kerana ladang ini terletak di Kalimantan Timur, kawasan sama yang di mana KLK turut mengusahakan ladang-ladang kelapa sawit baru mereka.

Dalam bulan Oktober 2008, subsidiari Mauritius kita, Forever Green Venture Limited bersetuju untuk melupuskan keseluruhan 17% ekuitinya dalam PT Sekarbumi Alamlestari ("PTSA") kepada syarikat sekutu kita, KLK untuk balasan tunai sebanyak USD12.9 juta tertakluk kepada pindaan untuk sebarang perbezaan dalam asset bersih semasa PTSA pada 30 Jun 2008 dan tarikh penyempurnaan. PTSA adalah sebuah syarikat perladangan kelapa sawit Indonesia yang memiliki 6,200 hektar tanah perladangan dan sebuah kilang pengisaran kelapa sawit di Wilayah Riau, Sumatera. Pelupusan ini membolehkan Kumpulan memperolehi keuntungan modal sebanyak USD11.1 juta daripada pelaburan ini. Penyempurnaan urusniaga ini bergantung kepada beberapa kelulusan yang perlu diperolehi dari pihak-pihak yang berkenaan.

BATU KAWAN BERHAD

Ulasan Pengerusi (Sambungan)

BANGUNAN PEJABAT KOMERSIL

Pembinaan bangunan pejabat komersil kita di Mutiara Damansara, Selangor yang terdiri daripada satu blok menara 10 tingkat dan blok podium 4 tingkat dengan 2 tingkat tempat letak kereta bawah tanah dijangka siap pada akhir tahun 2008. Bangunan yang dimiliki oleh subsidiari kita ini akan dinamakan "Menara Batu Kawan" dan akan disewakan kelak. Kita menjangkakan ianya akan dihuni pada awal 2009. Kita menjangkakan bangunan ini boleh digunakan pada awal 2009. Lokasinya di kawasan Mutiara Damansara yang kini sedang berkembang pesat seharusnya boleh menarik minat penyewa-penyewa ke bangunan ini.

SECARA AM

Selepas mengalami keadaan harga pasaran yang melambung tinggi untuk bahan komoditi, pemegang saham kita pada saat ini tentu peka tentang krisis kewangan yang menjejaskan situasi kredit global yang menjurus ke arah kemelesetan dan kelembapan ekonomi. Akibat krisis kewangan ini, kejatuhan mendadak harga pasaran telah dialami oleh pelbagai komoditi termasuklah minyak sawit, getah dan petroliaam. Kesemua pusat operasi kita termasuk pusat-pusat operasi KLK akan mengalami kesan penurunan harga komoditi tersebut. Oleh yang demikian, keuntungan lumayan yang dicatatkan oleh Kumpulan anda dijangka tidak akan diulangi pada tahun hadapan.

Walaupun keadaan masa kini masih tidak menentu, kami ingin menyakinkan pemegang-pemegang saham bahawa keadaan kewangan Kumpulan masih stabil dan Lembaga Pengarah dan pihak pengurusan akan sentiasa berwaspada dan mengambil sikap berhati-hati.

Saya ingin mengucapkan ribuan terima kasih kepada ahli-ahli Lembaga Pengarah dan semua kakitangan Kumpulan atas segala usaha dan sumbangan mereka dalam mencapai prestasi cemerlang Kumpulan bagi tahun kewangan 2008.

Dato' Seri Lee Oi Hian
Pengerusi

1 Disember 2008

BATU KAWAN BERHAD

Statement of Corporate Governance

The Board of Batu Kawan Berhad (“BKB”) is pleased to report to shareholders on the manner the Group has applied the principles, and the extent of compliance with the Best Practices of good governance as set out in Part 1 and Part 2 respectively of the Malaysian Code on Corporate Governance (“the Code”) pursuant to Paragraph 15.26 of the Listing Requirements of Bursa Malaysia Securities Berhad (“the Listing Requirements”) for the financial year ended 30 September 2008.

THE BOARD OF DIRECTORS

The Board has the overall responsibility for corporate governance, strategic direction, formulation of policies and overseeing the investment and business of the Company.

The Board meets at least four (4) times a year, with additional meetings convened as necessary. During the financial year ended 30 September 2008, four (4) Board meetings were held and all Directors in office attended 100% of the meetings. Details on the attendance of the Directors at Board meetings can be found in their respective profiles set out on pages 8 to 10.

BOARD BALANCE

The Board currently has eight (8) members, comprising seven (7) Non-Executive Directors (including the Chairman) and one (1) Executive Director, with five (5) of the eight (8) Directors being Independent Directors. 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. A brief profile of each Director is presented on pages 8 to 10.

The respective roles of the Chairman and the Managing Director are clearly defined, so as to ensure that there is a balance of power and authority. 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. The presence of five (5) Independent Non-Executive Directors fulfils 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.

SUPPLY OF INFORMATION

All Directors are provided with an agenda and a set of Board papers prior to Board Meetings. They are issued in sufficient time to enable the Directors to obtain further explanation/clarification, where necessary, in order to be properly briefed before the meeting. The Board papers include, among others, the following:-

- (i) quarterly financial report and a report on the Group’s cash and borrowings position;
- (ii) a current review of the operations of the Group; and
- (iii) minutes of meetings of all Board Committees.

Directors may obtain independent professional advice in furtherance of their duties.

All Directors have access to the advice and services of the Company Secretaries.

AUDIT COMMITTEE

The Audit Committee reviews issues of accounting policies and presentation for external financial reporting, monitors the work of the internal audit function and ensures an objective and professional relationship is maintained with the external auditors. The Audit Committee has full access to the auditors both internally and externally who, in turn, have access at all times to the Chairman of the Audit Committee.

The report of the Audit Committee can be found on pages 28 to 30.

NOMINATION COMMITTEE

The Nomination Committee currently consists of two Independent Non-Executive Directors and one Non-Independent Non-Executive Director as follows:-

Independent Non-Executive

Tan Sri Dato’ Thong Yaw Hong (Chairman)
YM Tengku Robert Hamzah

Non-Independent Non-Executive

Dato’ Lee Soon Hian

BATU KAWAN BERHAD

Statement of Corporate Governance (Continued)

The Committee is authorised to propose new nominees to the Board and to assess the contribution of each individual Director and overall effectiveness of the Board on an on-going basis. The actual decision as to who shall be appointed a Director remains the responsibility of the full Board after considering the recommendations of the Committee.

As an integral element of the process of appointing new Directors, the Committee provides an orientation and education programme for new recruits to the Board.

REMUNERATION COMMITTEE

The Remuneration Committee consists of three Independent Non-Executive Directors with R.M. Alias as Chairman. The 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 employees.

The members of the Remuneration Committee are as follows:-

Independent Non-Executive

R.M. Alias (Chairman)

Tan Sri Dato' Thong Yaw Hong

Dato' Mustafa bin Mohd Ali

The aggregate Directors' remuneration paid or payable or otherwise made to all Directors of the Company who served during the financial year are as follows:-

Category	Fees (RM'000)	Salaries (RM'000)	Incentive (RM'000)	Other Emoluments (RM'000)
1 Executive Director	-	638	870	150
7 Non-Executive Directors	742	-	-	27

The number of Directors whose total remuneration falls within the following bands is as follows:-

Range of Remuneration	Executive Director	Non-Executive Directors
RM60,001 to RM100,000	-	2
RM100,001 to RM150,000	-	5
RM1,500,001 to RM2,000,000	1	-

The Board has considered disclosure details of the remuneration of each Director. The Board is of the view that the transparency and accountability aspects of corporate governance as applicable to Directors' Remuneration are appropriately served by the "range disclosure" as required by the Listing Requirements.

RE-ELECTION OF THE DIRECTORS

In accordance with the Company's Articles of Association ("the Articles"), all Directors who are appointed by the Board are subject to re-election by shareholders at the next Annual General Meeting immediately after their appointment.

In accordance with the Articles, one-third of the remaining Directors, including the Managing Director, is required to submit themselves for re-election by rotation at each Annual General Meeting.

Directors over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

BATU KAWAN BERHAD

Statement of Corporate Governance (Continued)

DIRECTORS' TRAINING

All Directors have completed the Mandatory Accreditation Programme (MAP) as required under the Listing Requirements. The Directors are mindful that they should continue to update their skills and knowledge to maximize their effectiveness as Directors during their tenure.

During the year, Directors have attended training and/or seminar programmes to update their skills and knowledge and to keep abreast of the developments on a variety of areas relevant to the Group's business including financial reporting standards, risk management, corporate governance and statutory rules and regulations.

INVESTOR RELATIONS AND SHAREHOLDER COMMUNICATION

The Board acknowledges the need for shareholders to be informed of all material business matters affecting the Company. Announcements and release of financial results on a quarterly basis provide the shareholders and the investing public with an overview of the Group's performance and operations. Summaries of the BKB Group's financial results are advertised in a major daily and copies of the full announcement are provided on request.

The Annual General Meeting which is held in February each year, provides a means of communication with shareholders. 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. The Board has appointed YM Tengku Robert Hamzah as Senior Independent Non-Executive Director to which any queries with regards to the BKB Group may be conveyed. At all times shareholders may contact the Company Secretaries for information.

FINANCIAL REPORTING

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 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 accounting standards which the Board considers to be applicable have been followed, subject to any explanations and material departures disclosed in the notes to the financial statements.

INTERNAL CONTROLS

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.

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.

RELATIONSHIP WITH THE AUDITORS

The role of the Audit Committee in relation to the external auditors is stated on pages 28 to 30.

CORPORATE SOCIAL RESPONSIBILITIES

The Group is committed to the welfare of its employees and to the communities in which environment it operates. Management recognizes that for long term sustainability, its strategic orientation will need to cater beyond the financial parameters.

During the year, Batu Kawan Berhad Group has initiated and continued to support important causes, among others, blood donation drive, contribution to the needy and less fortunate children, providing training to undergraduates, organising sports events participated by members of the public and emphasising occupational health and safety at workplace.

BATU KAWAN BERHAD

Statement of Corporate Governance (Continued)

OTHER INFORMATION

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 12/2001 issued by the Bursa Malaysia Securities Berhad, the aggregate value of the recurrent transactions of a revenue or trading nature conducted for the year under review between the Company and/or its subsidiaries with related parties is set out below:-

Company	Type of transactions	Related Party and nature of relationship	Transactions aggregate value RM'000
Malay-Sino Chemical Industries Sendirian Berhad ("MSCI") Group	Purchase of raw materials and other products and services	See Sen Chemical Berhad ("SSCB") <u>Interested Directors</u> Dato' Seri Lee Oi Hian ("LOH"), Dato' Lee Hau Hian ("LHH"), Dato' Lee Soon Hian ("LSH") and Yeoh Eng Khoo ("YEK") <u>Interested major shareholders#</u>	3,174
MSCI Group	Sale of finished goods and other products and services	SSCB <u>Interested Directors</u> LOH, LHH, LSH, YEK <u>Interested major shareholders #</u>	829
MSCI Group	Provision of transportation services	SSCB <u>Interested Directors</u> LOH, LHH, LSH, YEK <u>Interested major shareholders#</u>	4,543
MSCI Group	Purchase of electricity	SSCB <u>Interested Directors</u> LOH, LHH, LSH, YEK <u>Interested major shareholders #</u>	16,340
MSCI Group	Purchase and sale of products and services which relate to core chemical business	Taiko Marketing Sdn Bhd ("TMK") Group <u>Interested Directors</u> LOH, LHH, LSH <u>Interested major shareholders #</u>	26,051

BATU KAWAN BERHAD

Statement of Corporate Governance (Continued)

Company	Type of transactions	Related Party and nature of relationship	Transactions aggregate value RM'000
MSCI Group	Provision of transportation services	TMK Group <u>Interested Directors</u> LOH, LHH, LSH <u>Interested major shareholders #</u>	1,410
MSCI 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, LSH <u>Interested major shareholders #</u>	3,833
MSCI Group	Sale of finished products	TMK Group <u>Interested Directors</u> LOH, LHH, LSH <u>Interested major shareholders #</u>	103,538
MSCI Group	Purchase of storage and packing materials	Paragon Yield Sdn Bhd ("PYSB") Group <u>Interested Directors</u> LOH, LHH, LSH <u>Persons connected @</u> <u>Interested major shareholders #</u>	203
MSCI Group	Provision of transportation services	Taiko Clay Chemicals Sdn Bhd ("TCC") Group <u>Interested Directors</u> LOH, LHH, LSH <u>Interested major shareholders #</u>	130
SSCB Group	Purchase of raw materials and other products and services	MSCI <u>Interested Directors</u> LOH, LHH, LSH, YEK <u>Interested major shareholders #</u>	829
SSCB Group	Procurement of transport and haulage services	MSCI <u>Interested Directors</u> LOH, LHH, LSH, YEK <u>Interested major shareholders #</u>	4,543

BATU KAWAN BERHAD

Statement of Corporate Governance (Continued)

Company	Type of transactions	Related Party and nature of relationship	Transactions aggregate value RM'000
SSCB Group	Commission given for sale of products	TMK Group <u>Interested Directors</u> LOH, LHH, LSH <u>Interested major shareholders #</u>	1,433
SSCB Group	Commission given for sale of products	TMK(S) <u>Interested Directors</u> LOH, LHH, LSH <u>Interested major shareholders #</u>	NIL
SSCB Group	Sale of finished goods	TMK Group <u>Interested Directors</u> LOH, LHH, LSH <u>Interested major shareholders #</u>	42,945
SSCB Group	Sale of finished goods and other products and services	MSCI <u>Interested Directors</u> LOH, LHH, LSH, YEK <u>Interested major shareholders #</u>	3,174
SSCB Group	Purchase of products and services which relate to core chemical business	TMK Group <u>Interested Directors</u> LOH, LHH, LSH <u>Interested major shareholders #</u>	4,673
SSCB Group	Sale of electricity	MSCI <u>Interested Directors</u> LOH, LHH, LSH, YEK <u>Interested major shareholders #</u>	16,340
SSCB Group	Purchase and sale of products and services which relate to core chemical business	TMK(S) <u>Interested Directors</u> LOH, LHH, LSH <u>Interested major shareholders #</u>	NIL
SSCB Group	Purchase and sale of products and services which relate to core chemical business	TCC Group <u>Interested Directors</u> LOH, LHH, LSH <u>Persons connected @</u> <u>Interested major shareholders #</u>	273

BATU KAWAN BERHAD

Statement of Corporate Governance (Continued)

Company	Type of transactions	Related Party and nature of relationship	Transactions aggregate value RM'000
SSCB Group	Purchase of storage and packing materials	PYSB Group <u>Interested Directors</u> LOH, LHH, LSH <u>Persons connected @</u> <u>Interested major shareholders #</u>	432
SSCB Group	Sale of finished goods and provision of waste treatment services	TCC Group <u>Interested Directors</u> LOH, LHH, LSH <u>Persons connected @</u> <u>Interested major shareholders #</u>	5,029
SSCB Group	Sale of electricity and provision of other chemical-based products and services	BASF See Sen Sdn Bhd <u>Interested Directors</u> LOH, LHH, LSH, YEK <u>Interested major shareholders #</u>	5,463

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.

Note:-

Wan Hin Investments Sdn Berhad ("WHI") is the holding company of BKB. Arusha Enterprise Sdn Bhd, Kampar Rubber and Tin Co. Sdn Bhd, Wan Yuen Mining Kongsai Sdn Bhd, Malay Rubber Plantations (Malaysia) Sdn Bhd, and Malay-Sino Formic Acid Sdn Bhd are subsidiaries of WHI. High Quest Holdings Sdn Bhd, Congleton Holdings Sdn Bhd, Cengal Emas Sdn Bhd and Di-Yi Sdn Bhd are persons connected with LOH and LHH, who are Directors of BKB. LOH and LHH are also deemed major shareholders of BKB. LOH, LHH and LSH are brothers. LSH is a major shareholder of Elionai Sdn Bhd.

@ *Taiko Clay Chemicals Sdn Bhd, Taiko Chemical Industries Sdn Bhd, Paragon Yield Sdn Bhd and Lee Oi Loon are persons connected with LOH, LHH and LSH, who are Directors of BKB. LOH and LHH are also deemed major shareholders of BKB. LOH, LHH and LSH are brothers while Lee Oi Loon is their sister.*

BATU KAWAN BERHAD

Statement of Corporate Governance (Continued)

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

1. SSCB Group

- a) SSCB is a 61% subsidiary of BKB.
- b) BKB Directors, namely LHH (who is also a deemed major shareholder of BKB) and YEK are Directors of SSCB.
- c) Wan Hin Investments Sdn Berhad ("WHI"), a company in which LOH and LHH have interests, is the ultimate holding company of SSCB and BKB.

2. TCC Group

TCC is a company in which LSH, who is a Director of BKB, together with a person connected with him, Lee Oi Loon, are deemed major shareholders through Taiko Chemical Industries Sdn Bhd ("TCI"). TCC is a 62% subsidiary of TCI.

3. BASF See Sen Sdn Bhd

- a) BASF See Sen Sdn Bhd is a 30% associate of SSCB.
- b) BKB Directors, namely LHH (who is also a deemed major shareholder of BKB) and YEK are also Directors of SSCB.
- c) WHI, a company in which LOH and LHH have interests, is the ultimate holding of SSCB and BKB.

4. TMK Group

TMK is a company in which LSH, together with persons connected with him namely, Lee Oi Loon and Lee Oi Kum, are major shareholders.

5. TMK(S)

TMK(S) is a company in which LSH is a deemed major shareholder.

6. PYSB Group

PYSB is a company in which LSH is a deemed major shareholder.

7. MSCI Group

- a) MSCI is a 84% subsidiary of BKB.
- b) BKB Directors, namely LHH and YEK are also Directors of MSCI.
- c) WHI, a company in which LOH and LHH have interests, is the ultimate holding company of MSCI and BKB.

Share Buy Backs

During the financial year, the Company bought back some of its own shares from the open market and details are stated on page 32.

Options, Warrants or Convertible Securities

No options, warrants or convertible securities were issued by the Company during the financial year.

Imposition of Sanctions/Penalties

There was no material sanction and/or penalty imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies.

Non-audit Fees

Non-audit fee of RM5,000 (2007 : RM10,800) was paid to the external auditors by the Group during the financial year.

BATU KAWAN BERHAD

Statement of Corporate Governance (Continued)

Profit Guarantees

During the financial year, there was no profit guarantee given by the Company.

Revaluation of Landed Properties

The Company's policy is to revalue landed properties as and when the Directors deem necessary. There was no revaluation of landed properties in the last five years.

American Depository Receipt (ADR) or Global Depository Receipt (GDR) Programme

During the financial year, the Company did not sponsor any ADR or GDR programme.

BATU KAWAN BERHAD

Statement on Internal Control

INTRODUCTION

The Board, in compliance with the Bursa Malaysia Securities Berhad Listing Requirements and in adopting the Malaysian Code of Corporate Governance's best practices, is pleased to provide the following Statement on Internal Control ("the Statement"). Preparation of the Statement, which outlines the nature and scope of internal control of the Group during the year, is guided by The Institute of Internal Auditors Malaysia's "Statement on Internal Control: Guidance for Directors of Public Listed Companies".

BOARD RESPONSIBILITY

The Board of Directors recognises the importance of sound internal controls and risk management practices. The Board acknowledges that it is responsible to maintain sound systems of internal control, for reviewing their adequacy and integrity and for the proper management of risks of the Group.

As there are limitations inherent to any system of internal control, it should be noted that the systems designed for the Group are to manage risks that the Group's businesses are exposed to, rather than to eliminate these risks of failure to achieve business objectives. It can only provide reasonable and not absolute assurance against material misstatement or loss.

For purposes of preparing this statement, associates are not dealt with as part of the Group.

RISK MANAGEMENT

The Board regards risk management as an integral part of the business operations. The Group has, since April 2002, implemented a formal risk assessment approach towards identifying, evaluating, monitoring and managing the significant risks relating to the business environment which the Group operates in.

The Group's Enterprise Risk Management ("ERM") Framework provides an organised, integrated and disciplined approach for the Group's business operations to systematically manage the risks and opportunities to achieve the set business objectives.

This is an on-going process and is regularly reviewed by the Board. A proactive risk management approach is adopted with the aim of minimising the potential for undesired risk exposures.

A summary highlighting the above and management's actions was presented to the Audit Committee and to the Board during the financial year ended 30 September 2008.

The Group Risk Management Committee which was set up in 2002, assists the Board of Directors in the discharge of its risk management and control responsibilities. The Group Risk Management Committee's functions are to coordinate and monitor the implementation and effectiveness of the Group's risk management activities, coordinate the identification of the Group's key business risks through the Enterprise Risk Management Process together with the mitigating action plans.

During the year, all subsidiaries and their functional units had progressively followed through on the implementation of various controls activities and action plans formulated since the last reporting period. The Group Risk Management Committee, having reviewed the progress of the implementation of the controls, was satisfied with the efforts made by the management. As a result, the risk profiles of the Group's subsidiaries have been updated timely and well documented to reflect the changes that had taken place during the financial year.

SYSTEM OF INTERNAL CONTROL

The Board is committed to maintain a sound system of Internal Control and the proper management of risks throughout its operations to achieve the following objectives:-

- safeguard shareholders' investments and assets of the Group,
- achieve operational objectives,
- comply with regulatory requirements, and
- protect the environment, employees, markets, reputation and earnings of the Group.

BATU KAWAN BERHAD

Statement on Internal Control (Continued)

Outlined below are the key elements of the system and scope of internal control practised by the Group:-

- The full Board meets regularly to discuss matters of the Group to ensure full and effective supervision.
- Existence of a management structure with clear delegation of responsibilities to Committees of the Board and to the Management of our Operating Centres from whom the Board receives regular reports.
- Documented internal procedures are set out in circulars, the Standard Operating Manuals and the Standard Policy Procedures Manual. The Group periodically reviews and updates the Standard Operating Manuals and the Standard Policy Procedures Manual.
- Budgeting process where Operating Centres of Group subsidiaries prepare budgets approved by their respective Boards and a monthly monitoring of results against budget with major variances being highlighted and management action taken where necessary.
- Regular financial reviews and reports from the management of our Group subsidiaries.
- Regular visits to Operating Centres by senior management whenever appropriate.
- Regular internal audit visits to assess the effectiveness of internal controls, to monitor compliance with procedures, to review and assess risks the Group's operations are exposed to, and to assess the integrity and reliability of financial information. The Group's Internal Auditor reports to the Audit Committee.
- The Audit Committee reviews the internal audit plan for the year, reviews and holds discussions on the actions taken on internal control issues identified in reports prepared by the Internal Auditor.

INTERNAL AUDIT FUNCTIONS

The Group has an Internal Audit Department, independent of the activities or operations of other Operating Centres in the Group, which provides the Audit Committee and the Board with much of the assurance it requires regarding the adequacy of the system of Internal Control.

Its principal responsibility is to undertake regular and systematic reviews of the system of internal control so as to provide reasonable assurance that such system operates satisfactorily and effectively in the Group and reports to the Audit Committee on a quarterly basis. Internal audit strategy and a detailed annual internal audit plan are presented to the Audit Committee each year for approval. The internal audit function adopts a risk-based approach and prepares its audit strategy and plan based on the risk profiles of the key business units of the Group.

The activities that are carried out are as follows:-

- Undertake internal audit function based on the audit plan that has been reviewed and approved by the Audit Committee which includes the review of operational compliance with established internal control procedures and reliability of financial records.
- Participate in meetings of group senior management to keep abreast with the strategic and operational plans and on development issues.
- Manage formalised approach for risk assessment and management in compliance with the guidance on the "Statement on Internal Control: Guidance for Directors of Public Listed Companies" issued by the Institute of Internal Auditors Malaysia.
- Assess key business risks at each of the Group subsidiaries' operations, which were identified by risk analysis.
- Prepare internal audit reports to the Audit Committee on the Group subsidiaries' operations, including identification and assessment of their key operational and business risks.

This statement is made in accordance with a resolution of the Board of Directors dated 21 November 2008.

BATU KAWAN BERHAD

Report of the Audit Committee

The Board of Directors of Batu Kawan Berhad (“BKB”) is pleased to present the report of the Audit Committee for the financial year ended 30 September 2008.

The Audit Committee (“the Committee”) was established in 1993.

MEMBERS AND MEETINGS

The composition of the Committee is as listed below. The Committee held meetings on 19 November 2007, 10 December 2007, 19 February 2008, 20 May 2008 and 17 August 2008 respectively, a total of five (5) meetings.

Name	Status of directorship	Attendance of meetings
YM Tengku Robert Hamzah (Chairman)	Senior Independent Non-Executive Director	Attended all five (5) meetings
Tan Sri Dato’ Thong Yaw Hong	Independent Non-Executive Director	Attended four (4) out of five (5) meetings
Yeoh Eng Khoon	Independent Non-Executive Director	Attended all five (5) meetings

MEMBERSHIP

The Committee is appointed by the Board from amongst their members and shall consist of not less than three (3) members, a majority of whom shall be independent. The Chairman of the Committee shall be an Independent Non-Executive Director appointed by the Board.

All members have attended trainings and seminars including the update of financial reporting standards and risk management.

Tan Sri Dato’ Thong Yaw Hong fulfilled the qualification under para 15.10(1)(c) of the Listing Requirements, as approved by Bursa Malaysia Securities Berhad.

MEETINGS AND MINUTES

The Committee meets regularly and the Group Financial Controller, the Internal Auditor and occasionally, a representative of the external auditors, normally attend these meetings. Other members of the Board may attend the meetings upon the invitation of the Committee. At least twice a year, the Committee meets with the external auditors without the Executive Director present. The quorum for Committee meetings is two (2) members present and a majority of the members present must be independent Directors. Minutes of each meeting are kept and distributed to each member of the Committee and the Board. The Chairman of the Committee reports on the outcome of each meeting to the Board. The Secretary to the Committee is, but need not be, the Company Secretary.

AUTHORITY

The Committee is authorised by the Board to investigate any matter within its terms of reference. In discharging its duties, the Committee shall have full access to information, may obtain external professional advice and may invite outsiders with relevant experience to attend its meetings, if necessary.

TERMS OF REFERENCE

The terms of reference of the Audit Committee are as follows:-

- (a) To consider and recommend the appointment of external auditors, the audit fee and any questions of resignation, dismissal or re-appointment;
- (b) To discuss with the external auditors before the audit commences, the audit plan, the nature and scope of the audit, and ensure co-ordination when more than one audit firm is involved;

BATU KAWAN BERHAD

Report of the Audit Committee (Continued)

- (c) To review and discuss with the external auditors the following:-
- his evaluation of the system of internal controls;
 - his audit report;
 - the assistance given by the employees to him;
 - problems and reservations arising from the interim and final audits, and any matter he may wish to discuss (in the absence of management where necessary); and
 - his management letter and management's response.
- (d) To review and discuss with the internal auditor the following:-
- the adequacy of the scope, functions and resources of the internal audit function;
 - the internal audit programme and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;
 - approve any appointment or termination of senior staff members of the internal audit function; and
 - inform itself of resignations of internal audit staff and provide the resigning staff member an opportunity to submit reasons for resigning.
- (e) To review the quarterly and year-end financial statements of the Group, prior to submission to the Board of Directors, focusing particularly on:-
- any changes in accounting policies and practices;
 - compliance with accounting standards and other legal requirements;
 - significant adjustments arising from the audit; and
 - the going concern assumption.
- (f) To consider any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management's integrity;
- (g) To consider the major findings of internal investigations and management's response; and
- (h) To consider any topics as defined by the Board.

REVIEW OF COMPOSITION OF THE COMMITTEE

The Board of Directors of BKB shall review the terms of office and performance of the Committee and that of each member at least once in every three (3) years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

ACTIVITIES OF THE COMMITTEE DURING THE YEAR

In line with the terms of reference of the Committee, the following activities were carried out by the Committee during the financial year ended 30 September 2008 in the discharge of its functions and duties:-

- (a) review of the audit plans for the Company and the Group for the year which were prepared by both the external and internal auditors;
- (b) review of the audit reports for the Company and the Group prepared by the external and internal auditors and consideration of the major findings by the auditors and management's response thereto;
- (c) review of the quarterly and annual reports of the Company and the Group prior to submission to the Board for their consideration and approval;
- (d) review of related party transactions entered into by the Company and/or its subsidiaries;
- (e) consideration and recommendation to the Board for approval of the audit fees payable to the external auditors;
- (f) recommendations to management on improvement in internal control procedures and risk management;
- (g) review of the adequacy of resources for the internal audit function including the appointment of the internal auditor; and
- (h) review the risk management activities of the Company and its subsidiaries.

BATU KAWAN BERHAD

Report of the Audit Committee (Continued)

INTERNAL AUDIT FUNCTIONS

The Company has an in-house Internal Audit Department whose principal responsibility is to undertake regular and systematic reviews of the systems of financial and operational controls so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively. The attainment of such objectives involves the following activities being carried out by the Department:-

- (a) reviewing and appraising the soundness, adequacy and application of accounting, financial and other controls promoting effective control in the Company and Group at reasonable cost;
- (b) ascertaining the extent of compliance with established policies, procedures and statutory requirements;
- (c) ascertaining the extent to which the Company and the Group's assets are accounted for and safeguarded from losses of all kinds;
- (d) appraising the reliability of information developed within the Company and the Group for management;
- (e) recommending improvements to the existing system of controls;
- (f) carrying out investigations and special reviews requested by management and/or Audit Committee; and
- (g) coordinate risk identification and risk management activities.

BATU KAWAN BERHAD

Internal Audit Function

The Company has an in-house Internal Audit Department whose principal responsibility is to independently assess and report to the Board, through the Audit 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 Company's internal control system for the Board as well as to assist in drafting the Statement on Internal Control in the annual report;
- Support the Audit Committee in evaluating the effectiveness of the existing internal control system, identify future requirements and co-develop a prioritized action plan to further enhance the internal control system;
- Identify the key business processes within the Company that internal audit should focus on; and
- Allocate necessary resources to selected areas of audit in order to provide management and the Audit Committee an effective and efficient level of internal audit coverage.

The Internal Auditors independently focus on key areas of business risks based on an internal audit plan agreed annually with the Audit Committee and report on the systems of financials and operations control on a quarterly basis to the Audit Committee. They adopt a risk-based approach in the planning and conduct of its internal audits. In addition to rendering assistance in evaluating and reporting on the Company's business risks, the Internal Auditors also assist management in recommending certain risk management measures and mechanisms to enhance the existing risk management practices of the Company.

Internal Audit reports, incorporating audit recommendations and management responses with regards to audit findings relating to the weaknesses in the systems and controls of the respective operations audited, were issued to the Audit Committee and the management of the respective operations. The Internal Audit function also followed up with management on the implementation of the agreed audit recommendations. The Audit Committee is regularly updated on the extent of compliance by the respective management units.

The Internal Auditors place great importance on the 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 Auditors will endeavor to put in place appropriate action plans and carry out necessary assignments to further enhance the Company'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.

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 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries and associates are as disclosed in the notes to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

SUMMARY OF RESULTS

	Group RM'000	Company RM'000
Profit for the year	<u>514,031</u>	<u>201,068</u>
Attributable to:		
Equity holders of the Company	505,539	201,068
Minority interests	<u>8,492</u>	<u>-</u>
	<u>514,031</u>	<u>201,068</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 dividend of 40 sen gross per share less 26% income tax amounting to RM127,762,095 in respect of the financial year ended 30 September 2007 paid on 19 March 2008; and
- (b) an interim dividend of 15 sen per share less 26% income tax, amounting to RM47,897,933 in respect of the financial year ended 30 September 2008 paid on 12 August 2008.

The Directors recommend the payment of a final dividend of 49 sen per share comprising a 9 sen gross dividend less 25% income tax and a 40 sen single-tier tax exempt dividend amounting to RM199,382,205 which, subject to approval at the forthcoming Annual General Meeting of the Company, will be paid on 19 March 2009 to shareholders on the Company's register at the close of business on 20 February 2009.

RESERVES AND PROVISIONS

All material transfers to and from reserves and provisions during the year have been disclosed in the financial statements.

ISSUED AND PAID-UP CAPITAL

During the financial year, the Company implemented the share buy back scheme which was approved by the shareholders of the Company. Details of the shares bought back and retained as treasury shares are 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 2007	206,200	9.45	8.80	9.07	1,878,274
November 2007	1,121,600	10.00	9.65	9.94	11,188,285
March 2008	115,800	10.00	9.40	9.66	1,122,308
July 2008	1,520,000	9.00	8.70	8.93	13,612,202
August 2008	1,667,800	9.05	8.00	8.50	14,224,176
September 2008	889,200	8.05	6.90	7.70	6,873,666
	<u>5,520,600</u>				<u>48,898,911</u>

BATU KAWAN BERHAD

Report of the Directors (Continued)

As at 30 September 2008, the Company held as treasury shares a total of 8,515,100 of its 435,951,000 issued shares. The Company has not made any shares cancellation or resold its treasury shares during the financial year ended 30 September 2008.

The mandate given by the shareholders at the Annual General Meeting ("AGM") held on 20 February 2008 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 date of the last report are shown on page 7.

Dato' Lee Hau Hian and Yeoh Eng Khoon retire at the forthcoming AGM in accordance with the Company's Articles of Association and, being eligible, offer themselves for re-election.

R.M. Alias, Tan Sri Dato' Thong Yaw Hong and Dato' Mustafa bin Mohd Ali retire at the forthcoming AGM pursuant to Section 129(2) of the Companies Act, 1965, and resolutions will be proposed for their re-appointments as Directors under the provision of Section 129(6) of the said Act to hold office until the following AGM of the Company.

DIRECTORS' SHAREHOLDINGS

The Directors holding office at the end of the financial year and their interests in the share capital of the Company and its related corporations, in accordance with the Register of Directors' Shareholdings required to be kept under Section 134 of the Companies Act, 1965, are as follows:-

Company:	Balance as at 1.10.2007	Additions	(Disposal)	Balance as at 30.9.2008
	Number of ordinary shares of RM1 each			
Batu Kawan Berhad				
Direct interest				
Dato' Seri Lee Oi Hian	853,500	-	-	853,500
Dato' Lee Hau Hian	624,375	-	-	624,375
YM Tengku Robert Hamzah	15,000	-	-	15,000
Tan Sri Dato' Thong Yaw Hong	22,500	-	-	22,500
Yeoh Eng Khoon	300,000	15,000	-	315,000
Deemed interest				
Dato' Seri Lee Oi Hian	212,138,429	3,876,700	-	216,015,129
Dato' Lee Hau Hian	210,980,804	3,876,700	-	214,857,504
YM Tengku Robert Hamzah	10,000	-	-	10,000
R.M. Alias	1,500	-	-	1,500
Dato' Lee Soon Hian	7,047,050	-	(3,710,700)	3,336,350
Yeoh Eng Khoon	15,223,500	103,000	-	15,326,500
Holding Company:				
Wan Hin Investments Sdn Berhad				
Direct interest				
Dato' Seri Lee Oi Hian	10,500	-	-	10,500
Dato' Lee Hau Hian	10,500	-	-	10,500
Deemed interest				
Dato' Seri Lee Oi Hian	84,745,500	-	-	84,745,500
Dato' Lee Hau Hian	84,745,500	-	-	84,745,500

BATU KAWAN BERHAD

Report of the Directors (Continued)

By virtue of their deemed interests in the shares of the Company, Dato' Seri Lee Oi Hian and Dato' Lee Hau Hian are deemed to have an interest in the shares of the subsidiaries of the Company to the extent of the Company's interest in the respective subsidiaries as disclosed in the notes to the financial statements. In addition, they also have an interest in the shares of the subsidiaries held by other related corporations of the Company as detailed below:-

	Balance as at 1.10.2007	Additions	(Disposal)	Balance as at 30.9.2008
	Number of ordinary shares of RM1 each			
Subsidiaries:				
See Sen Chemical Berhad				
Deemed interest				
Dato' Seri Lee Oi Hian	2,126,236	-	-	2,126,236
Dato' Lee Hau Hian	2,126,236	-	-	2,126,236

Malay-Sino Chemical Industries Sendirian Berhad

Deemed interest				
Dato' Seri Lee Oi Hian	1,971,000	-	-	1,971,000
Dato' Lee Hau Hian	1,971,000	-	-	1,971,000

Dato' Seri Lee Oi Hian and Dato' Lee Hau Hian are deemed to have interests in shares of the other related corporations by virtue of their interest in the shares of Wan Hin Investments Sdn Berhad. Dato' Lee Soon Hian is deemed to have interest in the shares of Malay Rubber Plantations (Malaysia) Sdn Berhad's subsidiaries by virtue of his substantial interests in the shares of Malay Rubber Plantations (Malaysia) Sdn Berhad.

	Balance as at 8.8.2008 *	Additions	(Disposal)	Balance as at 30.9.2008
	Number of ordinary shares of RM10 each			
Other Related Corporations:				
Malay Rubber Plantations (Malaysia) Sdn Berhad				
Direct interest				
Dato' Seri Lee Oi Hian	196,000	-	-	196,000
Dato' Lee Hau Hian	196,000	-	-	196,000
Dato' Lee Soon Hian	1,814,300	-	-	1,814,300
Deemed interest				
Dato' Seri Lee Oi Hian	4,032,000	-	-	4,032,000
Dato' Lee Hau Hian	4,032,000	-	-	4,032,000

Number of ordinary shares of RM1 each

Pinji Botanics Sdn Bhd

Direct interest				
Dato' Seri Lee Oi Hian	680,000	-	-	680,000
Dato' Lee Hau Hian	680,000	-	-	680,000
Dato' Lee Soon Hian	680,000	-	-	680,000
Deemed interest				
Dato' Seri Lee Oi Hian	8,160,000	-	-	8,160,000
Dato Lee Hau Hian	8,160,000	-	-	8,160,000
Dato Lee Soon Hian	9,660,000	-	-	9,660,000

Number of redeemable cumulative preference shares of RM0.50 each

Deemed interest				
Dato' Seri Lee Oi Hian	36,500,000	-	-	36,500,000
Dato' Lee Hau Hian	36,500,000	-	-	36,500,000
Dato' Lee Soon Hian	36,500,000	-	-	36,500,000

BATU KAWAN BERHAD

Report of the Directors (Continued)

Other Related Corporations:	Balance as at 8.8.2008 *	Additions	(Disposal)	Balance as at 30.9.2008
	Number of non-redeemable cumulative preference shares of RM1 each			
Pinji Botanics Sdn Bhd (continued)				
Direct interest				
Dato' Seri Lee Oi Hian	17,617,000	-	-	17,617,000
Dato' Lee Hau Hian	17,617,000	-	-	17,617,000
Dato' Lee Soon Hian	17,617,000	-	-	17,617,000
Deemed interest				
Dato' Seri Lee Oi Hian	15,708,000	-	-	15,708,000
Dato' Lee Hau Hian	15,708,000	-	-	15,708,000
Dato' Lee Soon Hian	15,708,000	-	-	15,708,000
Number of ordinary shares of RM1 each				
Zarib Komplek Sdn Bhd				
Direct interest				
Dato' Seri Lee Oi Hian	742,900	-	-	742,900
Dato' Lee Hau Hian	742,900	-	-	742,900
Dato' Lee Soon Hian	742,900	-	-	742,900
Deemed interest				
Dato' Seri Lee Oi Hian	5,200,300	-	-	5,200,300
Dato' Lee Hau Hian	5,200,300	-	-	5,200,300
Dato' Lee Soon Hian	5,200,300	-	-	5,200,300
Wan Yuen Mining Kongsu Sdn Berhad				
Direct interest				
Dato' Seri Lee Oi Hian	50,000	-	-	50,000
Dato' Lee Hau Hian	50,000	-	-	50,000
Dato' Lee Soon Hian	50,000	-	-	50,000
Deemed interest				
Dato' Seri Lee Oi Hian	3,244,824	-	-	3,244,824
Dato' Lee Hau Hian	3,244,824	-	-	3,244,824
Atlas Industries Sdn Bhd				
Direct interest				
Dato' Seri Lee Oi Hian	1,500	-	-	1,500
Dato' Lee Hau Hian	1,500	-	-	1,500
Dato' Lee Soon Hian	1,500	-	-	1,500
Deemed interest				
Dato' Seri Lee Oi Hian	2,889,000	-	-	2,889,000
Dato' Lee Hau Hian	2,889,000	-	-	2,889,000
Arusha Enterprise Sdn Bhd				
Direct interest				
Dato' Seri Lee Oi Hian	1,600,000	-	-	1,600,000
Dato' Lee Hau Hian	1,600,000	-	-	1,600,000
Deemed interest				
Dato' Seri Lee Oi Hian	353,200,000	-	-	353,200,000
Dato' Lee Hau Hian	353,200,000	-	-	353,200,000

* With effect from 8 August 2008, Wan Hin Investments Sdn Berhad became the holding company of Batu Kawan Berhad.

BATU KAWAN BERHAD

Report of the Directors (Continued)

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.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefits (other than those disclosed as Directors' remuneration in the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which a Director is a member or with a company in which a Director has a substantial financial interest except for any benefit, which may be deemed to have arisen to certain Directors by virtue of normal trading transactions by the Group and the Company with related parties as disclosed in Note 31 to the financial statements.

Neither during nor at the end of the financial year was the Company a party to any arrangement with the object of enabling the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

OTHER STATUTORY INFORMATION

Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps:-

- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business were written down to an amount which they might be expected to realise.

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

- (i) that would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the Group and the Company inadequate to any substantial extent;
- (ii) that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading;
- (iii) which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; and
- (iv) not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

BATU KAWAN BERHAD

Report of the Directors (Continued)

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

- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (ii) any contingent liabilities in respect of the Group or of the Company which have arisen since the end of the financial year.

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

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 30 September 2008 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

The auditors, Messrs. Ernst & Young, have expressed their willingness to accept re-appointment.

Signed in accordance with a resolution of the Directors, dated 12 December 2008.

DATO' LEE HAU HIAN
(Managing Director)

YEOH ENG KHOON
(Director)

BATU KAWAN BERHAD

Directors' Responsibility Statement

The Board of Directors is required under Paragraph 15.27(a) of the Bursa Malaysia Securities Berhad Listing Requirements to issue a statement, which follows, explaining their responsibility for preparing the annual audited financial statements.

The Directors are required by law to prepare financial statements for each financial year which give 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 2008, 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 confirm 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 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, 1965.

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

Income Statements for the year ended 30 September 2008

	Note	Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Revenue	6	284,087	219,242	277,205	226,471
Cost of sales		(219,663)	(161,283)	-	-
Gross profit		64,424	57,959	277,205	226,471
Other income		4,536	6,694	1,575	4,883
Distribution costs		(12,962)	(13,313)	-	-
Administration expenses		(17,629)	(14,715)	(7,177)	(5,017)
Other expenses		(112)	(249)	-	-
Operating profit	7	38,257	36,376	271,603	226,337
Share of results of associates		484,523	323,528	-	-
Profit before taxation		522,780	359,904	271,603	226,337
Income tax expense	8	(8,749)	(4,447)	(70,535)	(57,044)
Profit for the year		514,031	355,457	201,068	169,293
Attributable to :-					
Equity holders of the Company		505,539	348,413	201,068	169,293
Minority interests		8,492	7,044	-	-
		514,031	355,457	201,068	169,293
Earnings and net dividends per share attributable to equity holders of the Company:-					
		Sen	Sen	Sen	Sen
Basic earnings per share	9	117.3	80.4	46.6	39.1
Net dividends per share					
- 15 sen gross less 26% income tax, 9 sen gross less 25% income tax and 40 sen single-tier tax exempt (2007 : 10 sen gross less 27% income tax and 40 sen gross less 26% income tax)					
	10	57.9	36.9	57.9	36.9

The annexed notes form an integral part of these financial statements.

BATU KAWAN BERHAD

Balance Sheets at 30 September 2008

	Note	Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	11	145,695	123,922	768	26
Investment property	12	756	796	-	-
Prepaid land lease payments	13	15,008	14,103	-	-
Biological assets	14	37,598	-	-	-
Goodwill on consolidation	15	18,788	11,999	-	-
Investment in subsidiaries	16	-	-	78,795	60,597
Investment in associates	17	2,491,264	2,204,565	493,008	493,008
Other investments	18	22,761	31,646	22,761	27,835
Deferred tax assets	19	944	730	-	-
		<u>2,732,814</u>	<u>2,387,761</u>	<u>595,332</u>	<u>581,466</u>
Current Assets					
Inventories	20	42,837	28,150	-	-
Trade receivables	21	82,411	49,456	-	-
Other receivables, deposits and prepayments	22	9,805	35,808	27	56
Amounts owing by subsidiaries	23	-	-	129,999	76,374
Tax recoverable		2,298	1,411	1,527	1,032
Short term trust funds	24	44,082	136,704	-	85,539
Term deposits	24	35,409	26,680	3,260	7,700
Cash and bank balances	24	2,048	1,250	46	57
		<u>218,890</u>	<u>279,459</u>	<u>134,859</u>	<u>170,758</u>
Non-current asset held for sale	25	3,855	-	-	-
TOTAL ASSETS		<u>2,955,559</u>	<u>2,667,220</u>	<u>730,191</u>	<u>752,224</u>
EQUITY AND LIABILITIES					
Share capital	26	435,951	435,951	435,951	435,951
Reserves	27	2,409,361	2,125,211	290,938	314,429
Equity attributable to equity holders of the Company		<u>2,845,312</u>	<u>2,561,162</u>	<u>726,889</u>	<u>750,380</u>
Minority interests		<u>58,459</u>	<u>63,814</u>	<u>-</u>	<u>-</u>
Total Equity		<u>2,903,771</u>	<u>2,624,976</u>	<u>726,889</u>	<u>750,380</u>
Non-Current Liabilities					
Deferred tax liabilities	19	11,408	13,177	-	-
Provision for retirement benefits	28	3,077	2,848	5	59
		<u>14,485</u>	<u>16,025</u>	<u>5</u>	<u>59</u>
Current Liabilities					
Trade payables	29	16,824	9,305	-	-
Other payables and accruals	30	18,321	16,363	2,291	1,785
Amount owing to subsidiary	23	-	-	945	-
Provision for retirement benefits	28	125	64	61	-
Taxation		2,033	487	-	-
		<u>37,303</u>	<u>26,219</u>	<u>3,297</u>	<u>1,785</u>
Total Liabilities		<u>51,788</u>	<u>42,244</u>	<u>3,302</u>	<u>1,844</u>
TOTAL EQUITY AND LIABILITIES		<u>2,955,559</u>	<u>2,667,220</u>	<u>730,191</u>	<u>752,224</u>

The annexed notes form an integral part of these financial statements.

BATU KAWAN BERHAD

Statement of Changes in Equity of the Group for the year ended 30 September 2008

Attributable to Equity Holders of the Company

	Share capital		Capital reserve	Exchange		Retained profits	Treasury shares	Total	Minority interests	Total equity
	Note 26	Revaluation reserve		General reserve	fluctuation reserve					
	RM'000	RM'000		RM'000	RM'000					
At 1 October 2006	291,375	715	506,899	154,591	(155)	1,416,418	(9,492)	2,360,351	67,628	2,427,979
Share of reserves of associates	-	-	307	(18,580)	-	-	-	(18,273)	-	(18,273)
Currency translation differences	-	-	-	-	(386)	-	-	(386)	-	(386)
Net gains/(losses) directly recognised in equity	-	-	307	(18,580)	(386)	-	-	(18,659)	-	(18,659)
Profit for the year	-	-	-	-	-	348,413	-	348,413	7,044	355,457
Bonus issue	144,576	-	-	-	-	(144,576)	-	-	-	-
Dividends paid (Note 10)	-	-	-	-	-	(122,377)	-	(122,377)	-	(122,377)
Dividends paid to minority shareholders	-	-	-	-	-	-	-	-	(10,858)	(10,858)
Share buy back	-	-	-	-	-	-	(6,566)	(6,566)	-	(6,566)
At 30 September 2007	435,951	715	507,206	136,011	(541)	1,497,878	(16,058)	2,561,162	63,814	2,624,976
Share of reserves of associates	-	-	(89)	4,097	-	-	-	4,008	-	4,008
Currency translation differences	-	-	-	-	(838)	-	-	(838)	21	(817)
Net gains/(losses) directly recognised in equity	-	-	(89)	4,097	(838)	-	-	3,170	21	3,191
Acquisition of a subsidiary (Note 16(b))	-	-	-	-	-	-	-	-	815	815
Purchase of shares from minority shareholders	-	-	-	-	-	-	-	-	(14,683)	(14,683)
Profit for the year	-	-	-	-	-	505,539	-	505,539	8,492	514,031
Dividends paid (Note 10)	-	-	-	-	-	(175,660)	-	(175,660)	-	(175,660)
Share buy back	-	-	-	-	-	-	(48,899)	(48,899)	-	(48,899)
At 30 September 2008	435,951	715	507,117	140,108	(1,379)	1,827,757	(64,957)	2,845,312	58,459	2,903,771

The annexed notes form an integral part of these financial statements.

BATU KAWAN BERHAD

Statement of Changes in Equity of the Company

for the year ended 30 September 2008

Attributable to Equity Holders of the Company

	Share capital Note 26 RM'000	Revaluation reserve RM'000	Capital reserve RM'000	General reserve Note 27 RM'000	Retained profits RM'000	Treasury shares RM'000	Total equity RM'000
At 1 October 2006	291,375	25	85,647	6,739	335,736	(9,492)	710,030
Profit for the year	-	-	-	-	169,293	-	169,293
Bonus issue	144,576	-	-	-	(144,576)	-	-
Dividends paid (Note 10)	-	-	-	-	(122,377)	-	(122,377)
Share buy back	-	-	-	-	-	(6,566)	(6,566)
At 30 September 2007	435,951	25	85,647	6,739	238,076	(16,058)	750,380
Profit for the year	-	-	-	-	201,068	-	201,068
Dividends paid (Note 10)	-	-	-	-	(175,660)	-	(175,660)
Share buy back	-	-	-	-	-	(48,899)	(48,899)
At 30 September 2008	435,951	25	85,647	6,739	263,484	(64,957)	726,889

The annexed notes form an integral part of these financial statements.

BATU KAWAN BERHAD
Consolidated Cash Flow Statement
for the year ended 30 September 2008

	Note	2008 RM'000	2007 RM'000
Cash flows from operating activities			
Profit before taxation		522,780	359,904
Adjustments for:-			
Depreciation of property, plant and equipment		17,069	18,333
Depreciation of investment property		40	4
Amortisation of prepaid land lease payments		350	350
Loss/(Gain) on disposal of property, plant and equipment		69	(5)
Gain on disposal of short term funds		-	(70)
Surplus on voluntary liquidation of an investment		(156)	-
Share of results of associates		(484,523)	(323,528)
Dividend income		(6,010)	(5,289)
Interest income		(815)	(2,262)
Plant and equipment written off		45	221
Provision for retirement benefits		364	1,688
Allowance for diminution in value of investment		3,231	-
Net unrealised gain on foreign exchange		(144)	-
Allowance for diminution in value of investment written back		-	(4,814)
Operating profit before working capital changes		<u>52,300</u>	<u>44,532</u>
Changes in working capital			
Inventories		(11,497)	(4,313)
Receivables		(2,794)	(12,726)
Payables		(37,008)	3,922
Associate's account		(558)	(144)
Cash generated from operations		<u>443</u>	<u>31,271</u>
Interest received		822	2,354
Retirement benefits paid		(74)	(588)
Tax paid		(9,651)	(5,934)
Tax refund		391	271
Net cash (used in)/generated from operating activities		<u>(8,069)</u>	<u>27,374</u>
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		1,780	50
Proceeds from redemption of preference shares		1,560	-
Proceeds from disposal of short term funds		-	70
Capital distribution from an investment in voluntary liquidation		439	-
Purchase of shares from minority shareholders		(18,198)	-
Acquisition of a subsidiary	16(b)	(911)	-
Share buy back		(48,899)	(6,566)
Purchase of property, plant and equipment	11(c)	(35,571)	(14,161)
Prepayment of land lease		(273)	-
Additions to biological assets		(4,636)	-
Purchase and subsequent expenditure of investment property		-	(800)
Dividends received		207,337	137,387
Net cash generated from investing activities		<u>102,628</u>	<u>115,980</u>
Cash flows from financing activities			
Dividends paid to shareholders		(175,660)	(122,377)
Dividends paid to minority shareholders		-	(10,858)
Net cash used in financing activities		<u>(175,660)</u>	<u>(133,235)</u>
Net (decrease)/increase in cash and cash equivalents		<u>(81,101)</u>	<u>10,119</u>
Effects of exchange rate changes		(1,994)	(80)
Cash and cash equivalents at beginning of year		<u>164,634</u>	<u>154,595</u>
Cash and cash equivalents at end of year	24	<u>81,539</u>	<u>164,634</u>

The annexed notes form an integral part of these financial statements.

BATU KAWAN BERHAD
Cash Flow Statement of the Company
for the year ended 30 September 2008

	Note	2008 RM'000	2007 RM'000
Cash flows from operating activities			
Profit before taxation		271,603	226,337
Adjustments for:-			
Depreciation of property, plant and equipment		60	9
Provision for retirement benefits		7	275
Dividend income		(276,930)	(225,623)
Interest income		(275)	(848)
Surplus on voluntary liquidation of an investment		(156)	-
Gain on disposal of short term funds		-	(70)
Allowance for diminution in value of investment		3,231	-
Unrealised gain on foreign exchange		(8)	-
Allowance for diminution in value of investment written back		-	(4,814)
Operating loss before working capital changes		<u>(2,468)</u>	<u>(4,734)</u>
Changes in working capital			
Receivables		22	(15)
Payables		506	259
Subsidiaries' accounts		<u>(52,672)</u>	<u>(17,302)</u>
Cash used in operations		<u>(54,612)</u>	<u>(21,792)</u>
Interest received		282	929
Retirement benefits paid		-	(275)
Tax paid		(1)	(2)
Tax refund		<u>391</u>	<u>271</u>
Net cash used in operating activities		<u>(53,940)</u>	<u>(20,869)</u>
Cash flows from investing activities			
Purchase of additional investment in a subsidiary		<u>(18,198)</u>	-
Purchase of plant and equipment	11(c)	<u>(802)</u>	(9)
Dividends received		205,510	167,951
Proceeds from disposal of short term funds		-	69
Proceeds from redemption of preference shares		1,560	-
Capital distribution from an investment in voluntary liquidation		439	-
Share buy back		<u>(48,899)</u>	<u>(6,566)</u>
Net cash generated from investing activities		<u>139,610</u>	<u>161,445</u>
Cash flows from financing activities			
Dividends paid, representing net cash used in financing activities		<u>(175,660)</u>	<u>(122,377)</u>
Net (decrease)/increase in cash and cash equivalents		<u>(89,990)</u>	18,199
Cash and cash equivalents at beginning of year		<u>93,296</u>	<u>75,097</u>
Cash and cash equivalents at end of year	24	<u>3,306</u>	<u>93,296</u>

The annexed notes form an integral part of these financial statements.

BATU KAWAN BERHAD

Notes to the Financial Statements

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Board of Bursa Malaysia Securities Berhad. The address of the registered office is Wisma Taiko, 1, Jalan S.P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan.

The holding company of the Company is Wan Hin Investments Sdn Berhad, which is incorporated in Malaysia.

The consolidated financial statements as at and for the year ended 30 September 2008 comprise the Company, its subsidiaries (together referred to as the Group), and the Group's interest in associates. The financial statements of the Company as at and for the year ended 30 September 2008 do not include other entities.

The principal activity of the Company is investment holding while the principal activities of its subsidiaries are shown in Note 16.

2. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared under the historical cost convention, except as disclosed in this summary of significant accounting policies. The financial statements comply with applicable Financial Reporting Standards ("FRSs") in Malaysia and the provisions of the Companies Act, 1965.

The accounting policies adopted by the Group and the Company for the financial year ended 30 September 2008 are consistent with those adopted in previous years, unless otherwise stated.

On 1 October 2007, the Group and the Company had adopted new and revised FRSs which are mandatory for the financial periods, as disclosed in Note 5.

The preparation of financial statements 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 ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 4.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to exercise control, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment losses where applicable. At each balance sheet date, the Company assesses whether there is any indication of impairment. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(c). On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the income statement.

The consolidated financial statements include the financial statements of the Company and all its subsidiaries, made up to the same reporting date as the Company. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal. The acquisition method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in the income statement.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any balance of goodwill and exchange differences which were not previously recognised in the consolidated income statement.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the identifiable assets and liabilities of the acquiree at the acquisition date and the minorities' share of movements in the acquiree's equity since then.

(ii) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

The consolidated financial statements include the total recognised gains and losses after taxation of associates on an equity method of accounting from the date that significant influence effectively commences until the date that significant influence effectively 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. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

When the Group's share of losses exceeds its interest in an equity accounted associate, the carrying amount of that interest, including any long-term investments, is reduced to nil 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 investee.

The Company's investments in associates are stated at cost less impairment losses where applicable. At each balance sheet date, the Company assesses whether there is any indication of impairment. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(c).

(b) Property, Plant and Equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to initial recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(c).

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

Certain freehold and leasehold land and buildings are stated at valuation, being the fair value on the basis of their existing use at the date of revaluation, less any subsequent accumulated depreciation and any accumulated impairment losses. These properties have since not been revalued. The Directors have not adopted a policy of regular revaluations of such assets. As permitted under the transitional provisions of International Accounting Standard 16 (Revised) - Property, Plant and Equipment, these assets continue to be stated at their original valuation less accumulated depreciation and any accumulated impairment losses. The year of valuation for certain freehold and leasehold land is stated in Note 11(a).

Surpluses arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is charged to the income statement.

Freehold land is not depreciated. Capital work-in-progress is stated at cost and not depreciated. Depreciation on capital work-in-progress commences when the assets are ready for their intended use.

Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over its estimated useful life, at the following annual rates:-

Buildings	5	-	10%
Plant and machinery	6 $\frac{1}{4}$	-	33 $\frac{1}{3}$ %
Vehicles	16	-	20%
Furniture and equipment	10	-	20%

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from the derecognition of property, plant and equipment, determined as the difference between the net disposal proceeds and the carrying amount of the asset, are taken up in the income statement.

(c) Impairment of Non-Financial Assets

Inventories, financial assets, deferred tax assets and assets arising from employee benefits are reviewed in accordance with the relevant accounting policies stated. In addition, the carrying amounts of the Group's and the Company's other assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying amounts of the assets with their recoverable amounts. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit ("CGU") to which it belongs exceeds its recoverable amount.

An asset's recoverable amount is the higher of the asset's or CGU's value in use and its fair value less cost to sell. In assessing value in use, 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 assets.

An impairment loss is charged to the income statement in the year in which it arises, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any available previously recognised revaluation surplus for the same asset.

Impairment loss on goodwill is not reversed in a subsequent period. In respect of other assets, impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount. 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 for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the income statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

(d) Investment Property

Investment properties are properties which are held to earn rental income or for capital appreciation or for both. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

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 rate is 5%.

The residual values and useful lives are reviewed, and adjusted if appropriate, annually.

Investment properties are 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 gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year in which they arise.

(e) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

(ii) Operating Leases

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. In the case of the lease of land, the minimum lease payments or the up-front payments representing the prepaid land lease payments are amortised on a straight-line basis over the lease term.

Prepaid land lease payments on leasehold land are stated at surrogate cost less accumulated amortisation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses are in accordance with Note 3(c).

The principal annual rates of amortisation used are:-

Short-term leasehold land	23 years
Long-term leasehold land	53 - 97 years

(f) Biological Assets and Replanting Expenditure

(i) 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 and is not amortised.

(ii) Replanting expenditure

Replanting expenditure is charged to the income statement in the year in which the expenditure is incurred.

(g) Goodwill

Goodwill acquired in a business combination is initially measured at cost and represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary company at the date of acquisition. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(c).

On disposal of a subsidiary company, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

(h) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Other Non-Current Investments

Other non-current investments (other than investments in subsidiaries, associates and investment properties) are stated at cost less allowance for diminution in value. Cost is determined on the weighted average basis while market value is determined based on quoted market values. On disposal of an investment, the difference between the net disposal proceeds and its carrying amount is recognised in the income statement.

(ii) Trade Receivables

Trade receivables are recognised and stated at original invoiced amounts and carried at anticipated realisable values. Bad debts are written off when it is established that they are irrecoverable. Specific allowance is made for known doubtful debts. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(iii) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances and deposits with licensed financial institutions and fixed income trust funds that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of outstanding bank overdraft.

(iv) Trade Payables

Trade payables are stated at cost which approximates the fair value of the consideration to be paid in the future for goods and services rendered.

(v) Interest-Bearing Borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs directly attributable to the acquisition and construction of plant and equipment are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use. All other borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

(vi) Equity Instruments

Ordinary shares are classified as equity. Dividends payable on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction, other than in the context of a business combination, are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided. Cost of issuing equity securities in connection with a business combination is included in the cost of acquisition.

When the share capital of the Company is repurchased, the consideration paid, including any attributable transaction costs, is presented as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in the income statement on the sale, re-issuance or cancellation of treasury shares. Consideration received is presented in the financial statements as a change in equity.

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

(vii) Derivative Financial Instruments

The Group uses derivative financial instruments in the form of forward exchange contracts to hedge its exposure to foreign exchange arising from operating, financing and investing activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are not recognised in the financial statements on inception.

The underlying foreign currency assets or liabilities are translated at their respective hedged exchange rates and all exchange gains or losses are recognised as income or expense in the income statement in the same period as the exchange differences on the underlying hedged items. Exchange gains and losses arising on contracts entered into as hedges of anticipated future transactions are deferred until the date of such transaction, at which time they are included in the measurement of such transactions.

(i) Inventories

Inventories of finished goods and work-in-progress are valued at the lower of cost and net realisable value. Cost is determined on the weighted average cost basis and includes related charges to bring the inventories to their present condition and location.

Cost of finished goods and work-in-progress comprises raw materials, labour and a proportion of the relevant overheads.

Raw materials, stores and consumables are valued at the lower of cost and net realisable value determined on the weighted average cost basis and include related charges incurred to bring the inventories to their present location.

Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

(j) Non-current Asset Held For Sale

A non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

A non-current asset classified as held for sale is measured at the lower of its previous carrying amount and fair value less cost to sell.

(k) Provisions for Liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

(l) Employee Benefits

(i) Short-Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Company. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined Contribution Plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

(iii) Defined Benefit Plans

The Group and the Company provide for retirement benefits for eligible employees on an unfunded defined benefit basis in accordance with the terms of the Unions' Collective Agreements and/or employment agreements. Full provision has been made for retirement benefits payable to all eligible employees who have completed their qualifying period of between 5 to 10 years of service, based on the length of service to date and rates set out in the said agreements. Should an employee leave after completing the qualifying period of service but before attaining the retirement age, the provision made for the employee is written back. No actuarial valuation has been conducted on the retirement benefits provision, as the Directors are of the opinion that the amount is insignificant to the Group and the Company.

(m) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(n) Treasury Shares

Shares buy back by the Company are held as treasury shares and are stated at the cost of buy back.

(o) Foreign Currencies

(i) Functional and Presentation Currency

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

(ii) Foreign Currency Transactions

Transactions in foreign currencies are translated to the respective functional currency of the Company and the subsidiary companies at the rates of exchange ruling on the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the exchange rates at balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to the functional currency at exchange rates ruling on the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies, that are measured at fair value, are translated at the rates prevailing on the date when the fair value was determined. All foreign currency differences arising on translation are recognised in the income statement.

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

(iii) Operations Denominated in Functional Currencies Other Than Ringgit Malaysia

The assets and liabilities of foreign operations in functional currency other than Ringgit Malaysia, including goodwill and fair value adjustments arising on acquisition, are translated into Ringgit Malaysia at the exchange rates at balance sheet date. The income and expenses of the foreign operations are translated at the average exchange rates for the year. All resulting exchange differences are recognised in the Exchange Fluctuation Reserve. On disposal of a foreign operation, the cumulative amount of the exchange differences in the Exchange Fluctuation Reserve are recognised in the income statement when the gain or loss on disposal is recognised.

(iv) Net Investment in a Foreign Operation

Exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation are recognised in the respective companies' income statement, as appropriate. Such exchange differences are reclassified to the Exchange Fluctuation Reserve in the consolidated financial statements. The deferred exchange differences are recognised in the income statement upon disposal of the investment.

(p) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when revenue can be measured reliably.

Revenue on sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the customers.

Revenue from transportation services rendered is recognised when services are performed.

Management fees are recognised over the period when such services are provided.

Rental income is recognised on an accruals basis over the period of the tenancy.

Dividend income from investments is recognised when the right to receive payment is established.

Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Critical Judgements Made In Applying Accounting Policies

The following are the judgements made by the management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

Classification between Investment Properties and Property, Plant and Equipment

The Group has developed certain criteria based on FRS 140 in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for own use. Since these properties cannot be sold separately and the portion held for own use is insignificant, the Group has classified the whole of the properties as investment properties.

(b) Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating unit ("CGU") to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at the balance sheet date is disclosed in Note 15.

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

(ii) Deferred Tax Assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(iii) Depreciation of Motor Vehicles and Buildings

The cost of motor vehicles and buildings for operation and administrative purposes is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of motor vehicles and buildings to be within 5 to 6.25 years and 10 to 20 years respectively. These are common life expectancies applied in the industry. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

5. CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED FRSs, AMENDMENTS TO FRSs AND ISSUES COMMITTEE ("IC") INTERPRETATIONS

(a) New and Revised FRSs, Amendments to FRSs and IC Interpretations Adopted

On 1 October 2007, the Group and the Company adopted the following applicable FRSs, amendments to FRSs and IC Interpretations which are mandatory for financial periods beginning on or after:-

1 January 2007:-

FRS 6 Exploration for and Evaluation of Mineral Resources
Amendment to FRS 119²⁰⁰⁴ Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures

1 July 2007:-

FRS 107 Cash Flow Statements
FRS 111 Construction Contracts
FRS 112 Income Taxes
FRS 118 Revenue
FRS 120 Accounting for Government Grants and Disclosure of Government Assistance
FRS 134 Interim Financial Reporting
FRS 137 Provisions, Contingent Liabilities and Contingent Assets
Amendment to FRS 121 The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
IC Interpretation 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6 Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
IC Interpretation 7 Applying the Restatement Approach under 129²⁰⁰⁴ Financial Reporting in Hyperinflationary Economies
IC Interpretation 8 Scope of FRS 2

The adoption of FRSs 107,112,118,134,137 and amendments to FRSs 119²⁰⁰⁴ and 121 did not have any significant financial impact on the results and the financial position of the Group and the Company upon their initial application. FRSs 6, 111 and 120 and IC Interpretations 1, 2, 5, 6, 7 and 8 are not relevant to the Group's and the Company's operations.

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

(b) Change in Estimates

The revised FRS 116 - Property, Plant and Equipment requires the review of the residual value and the useful life of an asset at least at each financial year end. The Group revised the estimated residual values of certain motor vehicles with effect from 1 October 2007.

The revisions were accounted for prospectively as a change in accounting estimates and as a result, the depreciation charges of the Group for the current financial year end have been increased by RM1,062,000.

(c) Standards and IC Interpretations Issued but Not Yet Effective

At the date of authorisation of these financial statements, the following FRSs and IC Interpretations were issued but not yet effective and have not been applied by the Group and the Company:-

New FRSs and IC Interpretations	Effective for financial periods beginning on or after
FRS 4 Insurance Contracts	1 January 2010
FRS 7 Financial Instruments : Disclosures	1 January 2010
FRS 8 Operating Segments	1 July 2009
FRS 139 Financial Instruments : Recognition and Measurement	1 January 2010
IC Interpretation 9 Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10 Interim Financial Reporting and Impairment	1 January 2010

FRS 4 is not relevant to the Group's and the Company's operations.

The adoption of FRSs 7, 8 and IC Interpretations 9 and 10 are expected to have no significant impact on the financial statements of the Group and the Company upon their initial application.

The Group and the Company has not early adopted FRS 139 and are exempted from disclosing the possible impact, if any, to the financial statements upon initial application of this FRS.

6. REVENUE

Revenue represents the net invoiced value of goods sold and transportation services performed, investment income and management fees received as follows:-

	Group		Company	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Chemicals	259,569	192,452	-	-
Transportation services	17,629	19,191	-	-
Dividends (gross)	6,010	5,289	276,930	225,623
Interest	815	2,262	275	848
Management fees	64	48	-	-
	<u>284,087</u>	<u>219,242</u>	<u>277,205</u>	<u>226,471</u>

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

7. OPERATING PROFIT

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
(a) This is arrived at after charging:-				
Auditors' remuneration				
- current year	111	112	23	23
- non-audit fee	5	11	5	11
Directors' remuneration				
- fees - Directors of the Company	766	654	742	629
- other directors	5	13	-	-
- other emoluments - Directors of the Company	1,577	1,271	1,577	1,271
- other director	319	329	-	-
Depreciation of property, plant and equipment (Note 11)	17,069	18,333	60	9
Depreciation of investment property	40	4	-	-
Amortisation of prepaid land lease payments	350	350	-	-
Inventories written off	39	16	-	-
Plant and equipment written off	45	221	-	-
Loss on disposal of property, plant and equipment	69	-	-	-
Loss on foreign exchange				
- realised	228	112	-	-
- unrealised	53	-	-	-
Rental of premises	159	159	96	96
Rental of equipment	412	81	-	-
Provision for retirement benefits	364	1,688	7	275
Allowance for diminution in value of investment	3,231	-	3,231	-
Write-down of inventories	-	581	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
and crediting:-				
Gross dividend from:-				
- unquoted subsidiaries	-	-	-	39,669
- associate quoted in Malaysia	-	-	272,746	181,831
- other unquoted investments in Malaysia	1,906	1,763	1,906	1,763
- other quoted investments outside Malaysia	338	797	338	797
- short term trust funds quoted in Malaysia	3,766	2,729	1,939	1,564
Interest income	815	2,262	275	848
Gain on disposal of property, plant and equipment	-	5	-	-
Rental income	104	154	-	-
Rental income from investment property	186	-	-	-
Gain on foreign exchange				
- realised	1,679	19	1,411	-
- unrealised	197	33	8	-
Gain on disposal of short term trust funds	-	70	-	70
Surplus on voluntary liquidation of an investment	156	-	156	-
Allowance for diminution in value of investment written back	-	4,814	-	4,814
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
(b) Employee information				
Staff costs				
Wages, salaries and other staff costs	26,392	25,336	2,162	1,748
Socso contributions	253	245	5	4
EPF contributions	2,514	2,450	310	164
Retirement benefits	364	1,688	7	275
Annual leave pay	59	(56)	3	30
	<u>29,582</u>	<u>29,663</u>	<u>2,487</u>	<u>2,221</u>

Included in staff costs of the Group and of the Company are Executive Directors' remuneration amounting to RM1,898,000 (2007 : RM1,577,000) and RM1,550,000 (2007 : RM1,247,000) respectively.

- (c) The number of Directors of the Company whose total remuneration during the year fell within the following bands is analysed below:-

	Number of Directors	
	2008	2007
Executive Director		
RM1,000,001 to RM1,500,000	-	1
RM1,500,001 to RM2,000,000	1	-
Non-Executive Directors		
RM60,001 to RM100,000	2	5
RM100,001 to RM150,000	5	2
	<u>2</u>	<u>5</u>

8. INCOME TAX EXPENSE

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Current tax				
- Malaysian income tax	10,712	5,284	70,477	56,890
- Foreign income tax	61	144	61	144
- (Over)/Under-provision in previous years	(347)	(3)	(3)	10
	<u>10,426</u>	<u>5,425</u>	<u>70,535</u>	<u>57,044</u>
Deferred tax (Note 19)				
- Relating to origination and reversal of temporary differences	(1,680)	(507)	-	-
- Relating to changes in tax rates	(22)	(477)	-	-
- Under provision in prior years	25	6	-	-
	<u>(1,677)</u>	<u>(978)</u>	<u>-</u>	<u>-</u>
	<u>8,749</u>	<u>4,447</u>	<u>70,535</u>	<u>57,044</u>

Domestic current income tax is calculated at the Malaysian statutory tax rate of 26% (2007 : 27%) of the estimated assessable profit for the year. Malaysian statutory tax rate on all assessable profit will be reduced to 25% from the current year's rate of 26%, effective year of assessment 2009. The computation of deferred tax as at 30 September 2008 has reflected these changes. Subsidiaries with paid-up capital of RM2.5 million and below at the beginning of the basis period for the year of assessment are subject to a corporate tax rate of 20% (2007 : 20%) on chargeable income of up to RM500,000. For chargeable income in excess of RM500,000, corporate tax rate of 26% (2007 : 27%) is applicable. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdiction.

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:-

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Profit before taxation	522,780	359,904	271,603	226,337
Taxation at Malaysian statutory tax rate of 26% (2007 : 27%)	135,923	97,174	70,617	61,111
Effects of income subject to income tax rate of 20%	(87)	(92)	-	-
Effects of different tax rates on foreign dividend income	(27)	(71)	(27)	(71)
Effects of different tax rates in foreign jurisdictions	5	6	-	-
Effects of reduction in tax rate on opening deferred tax balances	(22)	(553)	-	-
Deferred tax recognised at different tax rates	(14)	(13)	-	-
Income not subject to tax	(1,555)	(1,741)	(980)	(4,510)
Expenses not deductible for tax purposes	1,325	679	940	504
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	-	(58)	-	-
Tax incentives	-	(3,554)	-	-
Reversal of deferred tax upon disposal of property, plant & equipment to a related company	(522)	-	-	-
(Over)/Under-provision in prior years				
- current tax	(347)	(3)	(3)	10
- deferred tax	25	6	-	-
Effect of share of associates results	(125,991)	(87,353)	-	-
Others	36	20	(12)	-
	8,749	4,447	70,535	57,044
Tax savings during the financial year arising from:-				
Utilisation of previously unrecognised tax losses	-	1	-	-

9. EARNINGS PER SHARE

The basic earnings per share of the Group is calculated based on the net profit attributable to equity holders of the Company divided by the weighted average number of shares in issue during the financial year, excluding treasury shares held by the Company.

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Net profit attributable to equity holders of the Company (RM'000)	505,539	348,413	201,068	169,293
Weighted average number of shares of RM1 each in issue ('000)	431,179	433,393	431,179	433,393
Basic earnings per share (sen)	117.3	80.4	46.6	39.1

There is no dilutive effect on earnings per share as the Company has no potential issue of ordinary shares.

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

10. DIVIDENDS

	Group and Company	
	2008 RM'000	2007 RM'000
Dividends Paid		
Interim 15 sen (2007 : 10 sen) less Malaysian income tax @ 26% (2007 : 27%)	47,898	31,612
Final 40 sen (2007 : 13 sen) less Malaysian income tax @ 26% (2007 : 27%)	127,762	27,441
Special Nil (2007 : 30 sen) less Malaysian income tax (2007 : 27%)	-	63,324
	<u>175,660</u>	<u>122,377</u>
Dividends Proposed		
Final 49 sen comprising 9 sen less Malaysian income tax @ 25% and 40 sen single-tier tax exempt (2007 : 40 sen less Malaysian income tax @ 26%)	199,382	127,762

The proposed dividends have not been accounted for in the financial statements.

11. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold Land	Buildings	Plant And Machinery	Vehicles	Furniture And Equipment	Capital Work-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 30 September 2008							
Cost/Valuation							
At 1 October 2007	13,003	31,487	251,214	14,381	4,981	14,590	329,656
Additions	-	407	4,720	3,987	442	26,015	35,571
Transfers	-	141	562	-	-	(703)	-
Acquisition of a subsidiary (Note 16(b))	-	697	3,554	2,938	60	238	7,487
Disposals/written off	(1,845)	-	(404)	(341)	(99)	-	(2,689)
Currency translation differences	-	25	105	80	2	3	215
At 30 September 2008	11,158	32,757	259,751	21,045	5,386	40,143	370,240
Accumulated depreciation							
At 1 October 2007	-	17,531	176,844	8,106	3,253	-	205,734
Current depreciation	-	1,552	13,586	1,782	353	-	17,273
Acquisition of a subsidiary (Note 16(b))	-	74	657	1,528	12	-	2,271
Written back	-	-	(362)	(341)	(92)	-	(795)
Currency translation differences	-	2	19	41	-	-	62
At 30 September 2008	-	19,159	190,744	11,116	3,526	-	224,545
Net carrying amount							
At 30 September 2008	11,158	13,598	69,007	9,929	1,860	40,143	145,695
At 30 September 2007							
Cost/Valuation							
At 1 October 2006	12,684	31,421	245,769	11,824	4,813	10,212	316,723
Additions	319	16	4,556	2,745	287	7,038	14,961
Transfers	-	50	1,753	-	57	(1,860)	-
Transfer to investment property (Note 12)	-	-	-	-	-	(800)	(800)
Disposals/written off	-	-	(864)	(188)	(176)	-	(1,228)
At 30 September 2007	13,003	31,487	251,214	14,381	4,981	14,590	329,656
Accumulated depreciation							
At 1 October 2006	-	16,030	161,529	7,756	3,048	-	188,363
Current depreciation	-	1,501	15,932	538	362	-	18,333
Written back	-	-	(617)	(188)	(157)	-	(962)
At 30 September 2007	-	17,531	176,844	8,106	3,253	-	205,734
Net carrying amount							
At 30 September 2007	13,003	13,956	74,370	6,275	1,728	14,590	123,922

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

	Group	
	2008 RM'000	2007 RM'000
Depreciation charge for the year is allocated as follows:-		
Income statement (Note 7)	17,069	18,333
Biological assets (Note 14)	204	-
	<u>17,273</u>	<u>18,333</u>

Company

	Freehold Land RM'000	Vehicles RM'000	Furniture And Equipment RM'000	Total RM'000
At 30 September 2008				
Cost/Valuation				
At 1 October 2007	9	573	69	651
Additions	-	798	4	802
At 30 September 2008	<u>9</u>	<u>1,371</u>	<u>73</u>	<u>1,453</u>
Accumulated depreciation				
At 1 October 2007	-	572	53	625
Current depreciation	-	52	8	60
At 30 September 2008	<u>-</u>	<u>624</u>	<u>61</u>	<u>685</u>
Net carrying amount At 30 September 2008	<u>9</u>	<u>747</u>	<u>12</u>	<u>768</u>
At 30 September 2007				
Cost/Valuation				
At 1 October 2006	9	573	65	647
Additions	-	-	9	9
Disposals/written off	-	-	(5)	(5)
At 30 September 2007	<u>9</u>	<u>573</u>	<u>69</u>	<u>651</u>
Accumulated depreciation				
At 1 October 2006	-	572	49	621
Current depreciation	-	-	9	9
Written back	-	-	(5)	(5)
At 30 September 2007	<u>-</u>	<u>572</u>	<u>53</u>	<u>625</u>
Net carrying amount At 30 September 2007	<u>9</u>	<u>1</u>	<u>16</u>	<u>26</u>

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

Analysis of cost & valuation	Cost RM'000	Valuation RM'000	Total RM'000
Group			
2008			
Freehold land	11,149	9	11,158
Buildings	28,727	4,030	32,757
Plant and machinery	259,751	-	259,751
Vehicles	21,045	-	21,045
Furniture and equipment	5,386	-	5,386
Capital work-in-progress	40,143	-	40,143
	<u>366,201</u>	<u>4,039</u>	<u>370,240</u>
2007			
Freehold land	12,994	9	13,003
Buildings	27,457	4,030	31,487
Plant and machinery	251,214	-	251,214
Vehicles	14,381	-	14,381
Furniture and equipment	4,981	-	4,981
Capital work-in-progress	14,590	-	14,590
	<u>325,617</u>	<u>4,039</u>	<u>329,656</u>
Company			
2008			
Freehold land	-	9	9
Vehicles	1,371	-	1,371
Furniture and equipment	73	-	73
	<u>1,444</u>	<u>9</u>	<u>1,453</u>
2007			
Freehold land	-	9	9
Vehicles	573	-	573
Furniture and equipment	69	-	69
	<u>642</u>	<u>9</u>	<u>651</u>

The carrying amounts of the following property, plant and equipment shown at valuation that would have been included in the financial statements had these assets been carried at cost less depreciation are:-

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Freehold land	1	1	1	1
Factory and office buildings	1,280	1,566	-	-
	<u>1,281</u>	<u>1,567</u>	<u>1</u>	<u>1</u>

- (a) The freehold land of the Company shown at valuation was revalued by its Directors based on an opinion of value expressed by a firm of professional valuers on the investment basis on 14 July 1980.

Certain buildings of subsidiaries were revalued by its Directors in 1982 and 1996 based on independent professional valuations using the open market value basis.

As allowed by the transitional provisions of International Accounting Standard 16 (Revised) - "Property, Plant and Equipment", these assets have continued to be stated on the basis of their 1980 and 1996 valuations respectively.

The ownership of certain property, plant and equipment of subsidiaries with a carrying amount of RM1,559,000 (2007 : RM832,000) are held in trust by third parties.

- (b) All subsequent additions to property, plant and equipment are recorded at cost and deletions at cost or valuation where applicable.

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Notes to the Financial Statements (Continued)

(c) Plant and equipment purchases during the year were fully paid for in cash.

(d) The description and location of the Group's properties are shown on page 84.

12. INVESTMENT PROPERTY

	Group	
	2008 RM'000	2007 RM'000
Cost		
At 1 October	800	-
Transfer from property, plant and equipment (Note 11)	-	800
At 30 September	<u>800</u>	<u>800</u>
Accumulated depreciation		
At 1 October	4	-
Current depreciation	40	4
At 30 September	<u>44</u>	<u>4</u>
Net carrying amount	<u>756</u>	796
Fair value of investment property	<u>870</u>	<u>800</u>

13. PREPAID LAND LEASE PAYMENTS

	Group	
	2008 RM'000	2007 RM'000
At 1 October	14,103	14,453
Acquisition of a subsidiary (Note 16(b))	952	-
Additions	273	-
Current amortisation	(350)	(350)
Currency translation differences	30	-
At 30 September	<u>15,008</u>	<u>14,103</u>
Analysed as:-		
Long term leasehold land	12,424	11,366
Short term leasehold land	2,584	2,737
	<u>15,008</u>	<u>14,103</u>

14. BIOLOGICAL ASSETS

	Group	
	2008 RM'000	2007 RM'000
Plantation development expenditure		
Cost/Carrying amount		
At 1 October	-	-
Acquisition of a subsidiary (Note 16(b))	31,837	-
Additions	4,840	-
Currency translation differences	921	-
At 30 September	<u>37,598</u>	-
Biological assets additions during the year included the following:-		
Depreciation of property, plant and equipment (Note 11)	204	-
Salaries and allowances	95	-

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

15. GOODWILL ON CONSOLIDATION

	Group	
	2008	2007
	RM'000	RM'000
At 1 October	11,999	11,999
Acquisition of a subsidiary (Note 16(b))	3,193	-
Acquisition of shares from minority shareholders	3,515	-
Exchange translation differences	81	-
At 30 September	<u>18,788</u>	<u>11,999</u>

The carrying amounts of goodwill allocated to the Group's CGUs are based on the respective CGUs' excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Goodwill has been allocated to the Group's CGUs identified according to business segment as follows:-

	Group	
	2008	2007
	RM'000	RM'000
Chemicals	9,725	6,210
Investment holding	5,789	5,789
Plantations	3,274	-
At 30 September	<u>18,788</u>	<u>11,999</u>

The recoverable amounts of chemical and investment holding CGUs are determined based on fair value less costs to sell, fair value being the CGUs' net tangible assets or earnings potential.

The recoverable amount of the plantation's CGU is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a fifteen-year period, as the plantation is currently under development and expected to reach maturity beyond the five year period. Key assumptions used in the value-in-use calculations are:-

- (i) the pre-tax discount rate used is 5%; and
- (ii) the growth rate used is determined based on the management's estimate of commodity prices, palm yields, oil extraction rates as well as cost of productions.

In assessing the value-in-use, the management is of the view that no foreseeable changes to any of the above key assumptions would cause the carrying amounts of the plantation's CGU to materially exceed their recoverable amount.

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Notes to the Financial Statements (Continued)

16. SUBSIDIARIES

	Company	
	2008	2007
	RM'000	RM'000
Unquoted shares at cost	78,795	60,597

Details of the subsidiaries are as follows:-

Name of Subsidiaries	Country of Incorporation	Percentage of Group Equity Held		Principal Activities
		2008	2007	
Held by the Company:-				
See Sen Chemical Berhad	Malaysia	61	61	Chemicals manufacturing
Malay-Sino Chemical Industries Sendirian Berhad	Malaysia	84	76	Chemicals manufacturing
Batu Kawan Holdings Sdn Bhd	Malaysia	100	100	Investment holding
Caruso Enterprises Sdn Bhd	Malaysia	100	100	Money lending
Whitmore Holdings Sdn Bhd	Malaysia	100	100	Investment holding
Enternal Edge Sdn Bhd	Malaysia	100	100	Investment holding
Forever Green Venture Limited *	Mauritius	100	100	Investment holding
Held through Subsidiaries:-				
Malay-Sino Chemical Industries Sendirian Berhad:-				
Malay-Sino Agro-Chemical Products Sdn Bhd	Malaysia	84	76	Manufacture and sale of methyl chloride
Circular Agency Sdn Bhd	Malaysia	84	76	General transport services
North-South Transport Sdn Bhd	Malaysia	84	76	General transport services
Malay-Sino Properties Sdn Bhd	Malaysia	84	76	Letting of storage warehouse facilities
Malay-Sino Chemical Holdings Berhad	Malaysia	84	76	Dormant
Omega Network Sdn Bhd	Malaysia	84	76	Ceased operations (under members' voluntary liquidation)
See Sen Chemical Berhad:-				
See Sen Bulking Installation Sdn Bhd	Malaysia	61	61	Provision of bulking services
Whitmore Holdings Sdn Bhd:-				
P.T. Satu Sembilan Delapan *	Indonesia	92	-	Plantations

* The financial statements of these subsidiaries are not audited by Messrs. Ernst & Young.

(a) At an Extraordinary General Meeting of Omega Network Sdn Bhd ("ONSB") held on 20 June 2008, it was resolved that ONSB be wound up voluntarily and Chong See Teck was appointed as the Liquidator.

(b) Acquisition of a subsidiary

On 1 July 2008, the Group acquired 92% equity interest in P.T. Satu Sembilan Delapan, an unlisted company incorporated in Indonesia which is involved in the cultivation of oil palm.

The acquired subsidiary has contributed the following results to the Group:-

	2008 RM'000
Loss after taxation	70

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

The fair values of assets and liabilities of a subsidiary acquired and their effects on the financial position of the Group are as follows:-

	2008 RM'000
Property, plant and equipment (Note 11)	5,216
Prepaid land lease payments (Note 13)	952
Biological assets (Note 14)	31,837
Deferred tax assets (Note 19)	302
Inventories	3,189
Receivables	3,410
Cash and bank balances	11,657
Other payables	<u>(46,373)</u>
Fair value of net assets	10,190
Less: Minority interests	<u>(815)</u>
Group's share of net assets	9,375
Goodwill on acquisition (Note 15)	<u>3,193</u>
Purchase consideration satisfied by cash	12,568
Less: Cash and cash equivalents of the subsidiary acquired	<u>(11,657)</u>
Cash flow on acquisition of a subsidiary	<u>911</u>

There were no acquisitions in the financial year ended 30 September 2007 and subsequent to 30 September 2008.

17. ASSOCIATES

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Quoted shares in Malaysia				
At cost	418,839	418,839	418,839	418,839
At valuation	<u>74,169</u>	<u>74,169</u>	<u>74,169</u>	<u>74,169</u>
	<u>493,008</u>	493,008	<u>493,008</u>	493,008
Unquoted shares at cost	<u>2,130</u>	<u>2,130</u>	-	-
	<u>495,138</u>	495,138	<u>493,008</u>	493,008
Group's share of retained reserves	<u>1,996,126</u>	<u>1,709,427</u>	-	-
	<u>2,491,264</u>	<u>2,204,565</u>	<u>493,008</u>	<u>493,008</u>
Market value of quoted shares	<u>4,760,655</u>	<u>6,545,900</u>	<u>4,760,655</u>	<u>6,545,900</u>

As at 30 September 2008, the carrying values of the investments in associates are represented by:-

	Group	
	2008 RM'000	2007 RM'000
Group's share of aggregate net tangible assets	2,347,193	2,176,351
Group's share of aggregate intangible assets	136,713	20,856
Goodwill on acquisition	<u>7,358</u>	<u>7,358</u>
	<u>2,491,264</u>	<u>2,204,565</u>

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Notes to the Financial Statements (Continued)

Details of the associates are as follows:-

Name of Associates	Country of Incorporation	Percentage of Group Equity Held		Principal Activities
		2008	2007	
Held by the Company:-				
Quoted:-				
Kuala Lumpur Kepong Berhad	Malaysia	47	47	Plantations
Held through a Subsidiary				
See Sen Chemical Berhad:-				
Unquoted:-				
BASF See Sen Sdn Bhd	Malaysia	30	30	Manufacturer and dealer in high purity sulphuric acid and chemicals

The financial statements of the above associates are coterminous with those of the Group, except for BASF See Sen Sdn Bhd which has a financial year end of 31 December to conform with its holding company's financial year end. For the purpose of applying the equity method of accounting, the audited financial statements of BASF See Sen Sdn Bhd for the year ended 31 December 2007 and the management accounts for the period ended 30 September 2008 have been used.

The summarised financial information of the associates are as follows:-

	Group	
	2008 RM'000	2007 RM'000
Total assets	8,516,970	7,009,655
Total liabilities	2,771,732	2,085,178
Revenue	7,864,040	5,075,198
Profit for the year	1,040,463	695,138

18. OTHER INVESTMENTS

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Quoted shares at cost - In overseas corporation	11,401	11,401	11,401	11,401
Unquoted shares at cost	14,991	20,645	14,591	16,434
	<u>26,392</u>	<u>32,046</u>	<u>25,992</u>	<u>27,835</u>
Less : Allowance for diminution in value of investment				
- Quoted shares in overseas corporation	(3,231)	(4,814)	(3,231)	(4,814)
- Unquoted shares	(400)	(400)	-	-
Add : Allowance for diminution in value of investment written back				
- Quoted shares in overseas corporation	-	4,814	-	4,814
	<u>22,761</u>	<u>31,646</u>	<u>22,761</u>	<u>27,835</u>
Market value of quoted shares				
In overseas corporation	8,170	11,843	8,170	11,843

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

19. DEFERRED TAX

	Group	
	2008	2007
	RM'000	RM'000
Balance brought forward	12,447	13,425
Acquisition of a subsidiary (Note 16(b))	(302)	-
Recognised in the income statement (Note 8)	(1,677)	(978)
Exchange translation differences	(4)	-
Balance carried forward	<u>10,464</u>	<u>12,447</u>
Presented after appropriate offsetting as follows:-		
Deferred tax assets	(944)	(730)
Deferred tax liabilities	<u>11,408</u>	<u>13,177</u>
	<u>10,464</u>	<u>12,447</u>

The components and movements of deferred tax assets and liabilities during the financial year are as follows:-

Deferred Tax Assets of the Group

	Property, plant and equipment RM'000	Unabsorbed capital allowances RM'000	Provision for liabilities RM'000	Provision for retirement benefits RM'000	Unutilised tax losses RM'000	Total RM'000
At 1 October 2006	(2,659)	(43)	(52)	(469)	-	(3,223)
Recognised in the income statement	308	41	(11)	(246)	-	92
At 30 September 2007	(2,351)	(2)	(63)	(715)	-	(3,131)
Acquisition of a subsidiary (Note 16(b))	-	-	-	-	(302)	(302)
Recognised in the income statement	110	2	11	(69)	(87)	(33)
Exchange translation differences	-	-	-	-	(7)	(7)
At 30 September 2008	(2,241)	-	(52)	(784)	(396)	(3,473)

Deferred Tax Liabilities of the Group

	Property, plant and equipment RM'000	Revaluation surplus RM'000	Total RM'000
At 1 October 2006	16,080	568	16,648
Recognised in the income statement	(1,030)	(40)	(1,070)
At 30 September 2007	15,050	528	15,578
Recognised in the income statement	(1,636)	(8)	(1,644)
Exchange translation differences	3	-	3
At 30 September 2008	13,417	520	13,937

The following deferred tax assets of subsidiaries have not been recognised in the financial statements:-

	Group	
	2008	2007
	RM'000	RM'000
Unrecognised tax losses	<u>155</u>	<u>105</u>

The unrecognised tax losses are available indefinitely for offset against future taxable profits subject to no substantial changes in shareholdings of the respective companies under the Income Tax Act, 1967 and guidelines issued by the tax authority.

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

20. INVENTORIES

	Group	
	2008 RM'000	2007 RM'000
At Cost		
Finished goods	9,566	3,986
Work-in-progress	251	210
Raw materials	18,387	11,068
Stores and consumables	14,633	10,772
	<u>42,837</u>	<u>26,036</u>
At Net realisable value		
Finished goods	-	2,097
Work-in-progress	-	17
	<u>-</u>	<u>2,114</u>
	<u>42,837</u>	<u>28,150</u>

The cost of inventories recognised as an expense during the financial year in the Group amounted to approximately RM198,516,000 (2007 : RM141,364,000).

21. TRADE RECEIVABLES

	Group	
	2008 RM'000	2007 RM'000
Included herein are:-		
Trade receivables from related parties being companies in which certain Directors have significant interests	49,688	34,321

The above are balances in connection with related party transactions disclosed in Note 31. The amounts owing are unsecured, non-interest bearing and to be settled in cash.

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are mainly on credit. The credit period normally ranges from 30 to 90 days. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management of the Group. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

22. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group	
	2008 RM'000	2007 RM'000
Included herein are:-		
Amounts owing by related parties being companies in which certain Directors have significant interests	14	63
Amount owing by an associate	1,254	696

The above are balances in connection with related party transactions disclosed in Note 31. The amounts owing are unsecured, non-interest bearing, with no fixed terms of repayment and to be settled in cash.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

23. AMOUNTS OWING BY/(TO) SUBSIDIARIES

	Company	
	2008 RM'000	2007 RM'000
Amounts owing by subsidiaries:-		
Current accounts	420	286
Unsecured, interest-free advances	129,579	76,088
	<u>129,999</u>	<u>76,374</u>
Amounts owing to subsidiary:-		
Unsecured, interest-free advances	945	-
	<u>945</u>	<u>-</u>

All amounts owing by/(to) subsidiaries are unsecured, non-interest bearing, with no fixed terms of repayment and to be settled in cash.

24. CASH AND CASH EQUIVALENTS

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Fixed income trust funds in Malaysia	44,082	136,704	-	85,539
Deposits with licensed banks	35,409	26,680	3,260	7,700
Cash and bank balances	2,048	1,250	46	57
	<u>81,539</u>	<u>164,634</u>	<u>3,306</u>	<u>93,296</u>

The effective interest rates of deposits at the balance sheet date are as follows:-

	Group		Company	
	2008 %	2007 %	2008 %	2007 %
Fixed income trust funds	3.31	3.32	-	3.32
Licensed banks	<u>2.60 - 8.25</u>	<u>2.60 - 3.60</u>	<u>2.60 - 2.70</u>	<u>2.70 - 3.48</u>

The maturities of deposits as at the end of the financial year are as follows:-

	Group		Company	
	2008 Days	2007 Days	2008 Days	2007 Days
Fixed income trust funds	30 - 31	30	-	30
Licensed banks	<u>1 - 21</u>	<u>1 - 30</u>	<u>3 - 4</u>	<u>3 - 30</u>

25. NON-CURRENT ASSET HELD FOR SALE

	Group	
	2008 RM'000	2007 RM'000
Unquoted shares, at cost	3,855	-
	<u>3,855</u>	<u>-</u>

The directors of a subsidiary resolved to dispose of its investment held in P.T. Sekarbumi Alamlestari, an unquoted company incorporated in Indonesia. The investment has been classified as non-current asset held for sale as management has the expressed intention of holding the same investment for less than 12 months from the balance sheet date.

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

26. SHARE CAPITAL

	Group and Company			
	2008		2007	
	No of shares ('000)	RM'000	No of shares ('000)	RM'000
Shares of RM1 each				
Authorised	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully-paid				
At 1 October	435,951	435,951	291,375	291,375
Issued during the year:-				
Bonus Issue of 1 for 2	-	-	144,576	144,576
At 30 September	<u>435,951</u>	<u>435,951</u>	<u>435,951</u>	<u>435,951</u>

The holders of shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

The shareholders of the Company have first granted the authority to the Directors to buy back its own shares at the Annual General Meeting held on 3 February 1999. The mandate was subsequently renewed annually by shareholders at every Annual General Meeting of the Company. 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 5,520,600 of its issued shares from the open market for a total cost of RM48,898,911. The average price paid for the shares bought back was RM8.83 per share. The shares bought back were financed by internally generated funds and held as treasury shares.

Of the total 435,951,000 issued and fully-paid shares, 8,515,100 are held as treasury shares by the Company. As at 30 September 2008, the number of outstanding shares issued and fully-paid, after deducting treasury shares held, is 427,435,900 (2007 : 432,956,500) shares of RM1 each.

27. RESERVES

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Non-distributable:				
Revaluation reserve	715	715	25	25
Exchange fluctuation reserve	(1,379)	(541)	-	-
Capital reserve	271,072	271,072	-	-
	<u>270,408</u>	<u>271,246</u>	<u>25</u>	<u>25</u>
Distributable:				
Capital reserve	236,045	236,134	85,647	85,647
Revenue reserve - General reserve	140,108	136,011	6,739	6,739
- Retained profits	1,827,757	1,497,878	263,484	238,076
Share buy back	(64,957)	(16,058)	(64,957)	(16,058)
	<u>2,138,953</u>	<u>1,853,965</u>	<u>290,913</u>	<u>314,404</u>
	<u>2,409,361</u>	<u>2,125,211</u>	<u>290,938</u>	<u>314,429</u>

The nature and purpose of each category of reserve are as follows:-

(a) Revaluation reserve

The Group's and Company's revaluation reserve arose from revaluations of share investments and properties.

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

(b) Exchange fluctuation reserve

The exchange fluctuation reserve is used to record 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. It is also used to record the exchange differences arising from a monetary item which forms part of the Group's net investment in foreign operations.

(c) Capital and general reserve

The capital reserve and general reserve arose from surpluses on disposals of properties and share investments. In addition, the Group's capital reserve and general reserve also include the share of associates' reserves.

(d) Revenue reserve

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividends paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance as at 31 December 2007 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007.

As at 30 September 2008, the Company has sufficient tax credit in the 108 balance to pay franked dividends amounting to RM29.1 million (2007 : RM203.3 million) out of its distributable reserves. As at 30 September 2008, the Company also has tax exempt income available for distribution of approximately RM111.1 million (2007 : RM110.7 million). The Company may distribute the balance of the distributable reserves of RM150.7 million (2007 : RM428,000) as dividends under the single tier system.

(e) Share buy back

Of the Company's retained profits at year end of RM263,484,000, RM64,957,000 was utilised for the purchase of the treasury shares and is considered as non-distributable.

Details of treasury shares are disclosed on pages 32 and 33, and in Note 26.

28. PROVISION FOR RETIREMENT BENEFITS

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
At 1 October	2,912	1,812	59	59
Provision during the year	364	1,688	7	275
Payments	(74)	(588)	-	(275)
At 30 September	<u>3,202</u>	<u>2,912</u>	<u>66</u>	<u>59</u>
Represented by:-				
Payable not later than 1 year	125	64	61	-
Payable later than 1 year	<u>3,077</u>	<u>2,848</u>	<u>5</u>	<u>59</u>
	<u>3,202</u>	<u>2,912</u>	<u>66</u>	<u>59</u>

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

29. TRADE PAYABLES

	Group	
	2008	2007
	RM'000	RM'000
Included herein are:-		
Amounts owing to related parties being companies in which certain Directors have significant interests	<u>2,473</u>	<u>3,302</u>

The above are balances in connection with related party transactions disclosed in Note 31. The amounts owing are unsecured and non-interest bearing.

The normal trade credit terms granted to the Group range from 30 to 90 days.

30. OTHER PAYABLES AND ACCRUALS

	Group	
	2008	2007
	RM'000	RM'000
Included herein are:-		
Amounts owing to related parties being companies in which certain Directors have significant interests	<u>62</u>	<u>51</u>

The above are balances in connection with related party transactions disclosed in Note 31. The amounts owing are unsecured, non-interest bearing and with no fixed terms of repayment.

31. RELATED PARTY TRANSACTIONS

The Company has a controlling related party relationship with its subsidiaries as disclosed in Note 16 to the financial statements.

The Directors who are major shareholders and close members of their families including companies where they have a significant influence are also considered as related parties.

The following transactions have been entered into in the ordinary course of business at prices mutually agreed upon between the parties on terms not more favourable to the related party than those generally available to the public and are not detrimental to the minority shareholders of Batu Kawan Berhad:-

	Group		Company	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
(a) Transactions with associates				
BASF See Sen Sdn Bhd				
- Processing fee received	600	600	-	-
- Sale of finished goods	4,138	2,265	-	-
- Sale of electricity	629	578	-	-
- Supply of manpower	96	96	-	-
Procurement of air charter services from				
- Kuala Lumpur Kepong Bhd	21	24	-	-
Manpower charges paid to				
- KL-Kepong Edible Oil Sdn Bhd	2	2	-	-
Sale of finished goods to				
- KL-Kepong Edible Oil Sdn Bhd	-	3	-	-
Rental of premises paid to				
- Taiko Plantations Sdn Bhd	<u>96</u>	<u>96</u>	<u>96</u>	<u>96</u>

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
(b) Transactions with other related parties being companies in which persons connected with certain Directors have significant interests				
Project management fees paid to				
- Taiko Properties Sdn Bhd	-	8	-	-
Purchase of raw materials and finished goods from				
- Taiko Marketing Sdn Bhd	30,714	20,564	-	-
- Taiko Acid Works Sdn Bhd	273	363	-	-
- Taiko Drum Industries Sdn Bhd	631	386	-	-
- Hydro-K Management (M) Sdn Bhd	3	5	-	-
- Taiko Alumina Sdn Bhd	52	-	-	-
Rental of premises received from				
- Taiko Marketing Sdn Bhd	228	54	-	-
Management fees and handling charges received from				
- Taiko Marketing Sdn Bhd	13	87	-	-
Freight income received from				
- Taiko Acid Works Sdn Bhd	-	607	-	-
- Taiko Clay Marketing Sdn Bhd	-	4,015	-	-
- Taiko Marketing Sdn Bhd	1,213	887	-	-
- Taiko Bleaching Earth Sdn Bhd	130	-	-	-
- Oriken Chemicals Sdn Bhd	171	134	-	-
- Chlor-Al Chemical Pte Ltd	26	7	-	-
Guarantee expense for tanker operation paid to				
- Taiko Bleaching Earth Sdn Bhd	-	245	-	-
- Taiko Alumina Sdn Bhd	-	38	-	-
Sale of indirect materials and finished goods to				
- Taiko Marketing Sdn Bhd	123,176	114,022	-	-
- Taiko Marketing (S) Pte Ltd	3,833	5,855	-	-
- Chlor-Al Chemical Pte Ltd	23,255	15,792	-	-
- Premier Bleaching Earth Sdn Bhd	5,029	2,010	-	-
- Hydro-K Management (M) Sdn Bhd	52	32	-	-
Sales commissions paid to				
- Taiko Marketing Sdn Bhd	976	861	-	-
- Taiko Marketing (S) Pte Ltd	-	59	-	-
- Taiko Alumina Sdn Bhd	2	-	-	-
- Chlor-Al Chemical Pte Ltd	457	191	-	-
(c) Transactions by related companies of the holding company not involving Batu Kawan Berhad Group, with related parties being companies in which persons connected with certain Directors have significant interests				
- Sales of oil palm and rubber to KLK group	4,469	-	-	-
- Management fees paid to KLK group	69	-	-	-

Information regarding outstanding balances arising from related party transactions at balance sheet date are disclosed in Note 21, 22, 29 and 30.

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

(d) Compensation of key management personnel

The remuneration of Directors, and other members of key management personnel of the Group and of the Company during the year were as follows:-

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Short-term employee benefits	4,064	3,334	2,483	1,901
Post-employment benefits:-				
Defined contribution plan	326	369	104	190
Retirement benefits	-	275	-	275
Other benefits	49	72	-	21
	<u>4,439</u>	<u>4,050</u>	<u>2,587</u>	<u>2,387</u>
Included in the total compensation of key management personnel are:-				
Directors' remuneration	<u>2,773</u>	<u>2,267</u>	<u>2,427</u>	<u>1,900</u>

32. CAPITAL COMMITMENTS

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Authorised and contracted for	37,886	34,239	-	166
Authorised but not contracted for	164,405	17,092	-	-
	<u>202,291</u>	<u>51,331</u>	<u>-</u>	<u>166</u>

33. SEGMENT INFORMATION

Group

Segment information is presented in respect of the Group's business and geographical segments.

Segment results, assets and liabilities include items directly attributable to segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses. Revenues are attributed to geographic areas based on the location of the customers.

Inter-segment sales are determined based on current market prices.

The main business segments of the Group comprise the following:-

Investment holding - Investment holding and money lending.
Chemicals - Manufacture and sale of chemicals, and transportation services.
Plantations - Cultivation of oil palm.

The accounting policies of the segments are the same as those disclosed in Note 3.

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Notes to the Financial Statements (Continued)

(a) Information on Business Segments

2008

Revenue	Investment Holding RM'000	Chemicals RM'000	Plantations RM'000	Adjustments RM'000	Consolidated RM'000
External sales					
Chemicals	-	263,548	-	(3,979)	259,569
Transportation services	-	22,172	-	(4,543)	17,629
Dividend - subsidiaries	-	-	-	-	-
Dividend - associate - quoted in Malaysia	272,746	-	-	(272,746)	-
Dividend - other investments					
- quoted in Malaysia	1,939	1,827	-	-	3,766
- quoted outside Malaysia	338	-	-	-	338
- unquoted	1,906	-	-	-	1,906
	276,929	1,827	-	(272,746)	6,010
Interest income - deposits	400	441	95	(121)	815
Management fees	-	64	-	-	64
	277,329	288,052	95	(281,389)	284,087
Inter-segment sales	-	-	-	-	-
	277,329	288,052	95	(281,389)	284,087
Results					
Segment result	271,444	39,413	(255)	(272,345)	38,257
Share of results of associates	484,580	(57)	-	-	484,523
	756,024	39,356	(255)	(272,345)	522,780
Taxation					(8,749)
Profit for the year					514,031
Other Information					
Segment assets	389,705	314,959	58,406	(302,017)	461,053
Associates	493,008	1,570	-	1,996,686	2,491,264
Unallocated corporate assets	1,617	1,108	261	256	3,242
Consolidated assets	884,330	317,637	58,667	1,694,925	2,955,559
Segment liabilities	135,241	40,439	48,289	(185,622)	38,347
Unallocated corporate liabilities	-	13,598	-	(157)	13,441
Consolidated liabilities	135,241	54,037	48,289	(185,779)	51,788
Capital expenditure	22,033	12,410	6,037	-	40,480
Depreciation of property, plant and equipment	60	17,120	-	(111)	17,069
Depreciation of investment property	-	40	-	-	40
Amortisation of prepaid land lease payments	-	408	-	(58)	350
Other non-cash expenses:					
Plant and equipment written off	-	45	-	-	45
Provision for retirement benefits	7	357	-	-	364
Allowance for diminution in value of investment	3,231	-	-	-	3,231

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Notes to the Financial Statements (Continued)

2007

Revenue	Investment Holding RM'000	Chemicals RM'000	Adjustments RM'000	Consolidated RM'000
External sales				
Chemicals	-	193,481	(1,029)	192,452
Transportation services	-	21,172	(1,981)	19,191
Dividend - subsidiaries	48,960	-	(48,960)	-
Dividend - associate - quoted in Malaysia	181,831	-	(181,831)	-
Dividend - other investments - quoted in Malaysia	1,564	1,165	-	2,729
- quoted outside Malaysia	797	-	-	797
- unquoted	1,763	-	-	1,763
	234,915	1,165	(230,791)	5,289
Interest income - deposits	1,023	1,239	-	2,262
Management fees	-	48	-	48
	235,938	217,105	(233,801)	219,242
Inter-segment sales	-	-	-	-
	235,938	217,105	(233,801)	219,242
Results				
Segment result	235,695	31,240	(230,559)	36,376
Share of results of associates	323,233	295	-	323,528
Profit before taxation	558,928	31,535	(230,559)	359,904
Taxation				(4,447)
Profit for the year				355,457
Other Information				
Segment assets	358,757	271,410	(169,653)	460,514
Associates	493,008	1,627	1,709,930	2,204,565
Unallocated corporate assets	1,105	764	272	2,141
Consolidated assets	852,870	273,801	1,540,549	2,667,220
Segment liabilities	80,160	26,694	(78,274)	28,580
Unallocated corporate liabilities	1	13,849	(186)	13,664
Consolidated liabilities	80,161	40,543	(78,460)	42,244
Capital expenditure	5,314	8,847	-	14,161
Depreciation of property, plant and equipment	9	18,498	(174)	18,333
Amortisation of investment property	-	4	-	4
Depreciation of prepaid land lease payments	-	408	(58)	350
Other non-cash expenses:				
Plant and equipment written off	-	221	-	221
Provision for retirement benefits	275	1,413	-	1,688

(b) Revenue by geographical location of customers

	2008 RM'000	2007 RM'000
Malaysia	259,385	194,886
Asia	24,702	17,773
Europe and America	-	6,583
	284,087	219,242

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

(c) Segment assets and additions to capital expenditure by geographical location of assets

	Segment Assets		Additions to Capital Expenditure	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Malaysia	2,891,819	2,630,310	34,443	14,161
Indonesia	58,667	-	6,037	-
Others	5,073	36,910	-	-
	<u>2,955,559</u>	<u>2,667,220</u>	<u>40,480</u>	<u>14,161</u>

34. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, credit, foreign currency and liquidity risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

(i) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debt. The Group has no substantial long-term interest-bearing assets as at 30 September 2008. The investments in financial assets are mainly short-term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits and tax exempt fixed income trust funds which yield better returns than cash at bank.

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes. However, as at 30 September 2008, the Group has no interest-bearing borrowings.

The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes. As at 30 September 2008, the Group has not entered into any hedging instruments arrangement such as interest rate swaps to minimise its exposure to interest rate volatility.

(ii) Credit Risk

Credit risks, or the risk of counterparties defaulting, are controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high credit worthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

The Group does not have any significant exposure to any individual customer or counter-party nor does it have any major concentration of credit risk related to any financial instruments except that certain subsidiaries trade only with two major customers.

(iii) Foreign Currency Risk

The Group operates internationally and is exposed to various currencies, mainly United States Dollar and Singapore Dollar. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level. Material foreign currency transaction exposures are hedged, mainly with derivative financial instruments such as forward foreign exchange contracts.

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

The net unhedged financial assets and financial liabilities of the Group that are not denominated in their functional currencies are as follows:-

Functional Currency Group	Net Financial Assets/(Liabilities) Held in Non-Functional Currencies			
	United States Dollar RM'000	Singapore Dollar RM'000	Indonesian Rupiah RM'000	Total RM'000
As at 30 September 2008:-				
Ringgit Malaysia	2,702	3,240	8,752	14,694
As at 30 September 2007:-				
Ringgit Malaysia	2,188	3,507	-	5,695
Company			United States Dollar RM'000	Total RM'000
As at 30 September 2008:-				
Ringgit Malaysia			(660)	(660)
As at 30 September 2007:-				
Ringgit Malaysia			32,126	32,126

As at 30 September 2008, the Group has entered into forward foreign exchange contracts with the following national amounts and maturities:-

As at 30 September 2008:-	Currency	Matures Within 1 Year RM'000	Total RM'000
Forwards used to hedge trade receivables	Singapore Dollar	4,445	4,445
As at 30 September 2007:-			
Forwards used to hedge trade receivables	Singapore Dollar	1,492	1,492

(iv) Liquidity Risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and prudently balances its portfolio with some short-term funding so as to achieve overall cost effectiveness.

(b) Fair Values

The fair values of all financial assets and liabilities of the Group and of the Company as at 30 September 2008 are not materially different from their carrying values.

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:-

(i) Cash and Cash Equivalents, Trade and Other Receivables/Payables, Borrowings

The carrying amounts approximate fair values due to the relatively short-term maturity of these financial instruments.

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

(ii) Non-Current Unquoted Investments

It is not practicable to estimate the fair value of the Group's non-current unquoted investments because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs. However, the Group believes that the carrying amount represents the recoverable value.

(iii) Amounts Due From Related Corporations

It is also not practicable to determine the fair values of amounts owing from subsidiaries, associates and related corporations due principally to a lack of fixed repayment terms entered into by the parties involved and without incurring excessive costs. However, the Group and the Company do not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

(iv) Derivative Financial Instruments

The fair value of a forward foreign currency contract is the amount that would be payable or receivable on termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and forward exchange rate as at the balance sheet date applied to a contract of similar quantum and maturity profile. However, the Group believes that the notional amounts approximate their fair values due to the relatively short-term maturity of the financial instruments as disclosed in Note 34(a)(iii) to the financial statements.

(v) Provision For Retirement Benefits

It is not practicable to determine the fair values of provision for retirement benefits due to the inability to estimate the fair value without incurring excessive costs.

35. SUBSEQUENT EVENT

- (a) After 30 September 2008 until the date of this Annual Report, the Company bought back a total of 949,900 of its issued shares from the open market for a total cost of RM6,458,072. The average cost paid for the shares bought back was RM6.80 per share. The shares bought back were financed by internally generated funds and held as treasury shares.
- (b) On 6 November 2008, a subsidiary accepted new unsecured banking facilities of RM100 million from a licensed bank for plant expansion.
- (c) Subsequent to the balance sheet date, a subsidiary has entered into an agreement for the sale of its entire shareholding comprising of 9,860 shares of Rp1,000,000 each representing 17% equity interest held in P.T. Sekarbumi Alamlestari ("PTSA") to KL-Kepong Plantation Holdings Sdn Bhd, for a total consideration of USD12.9 million and subject to adjustment for any difference in PTSA's net current assets as at 30 June 2008 and Completion Date. The agreement is subject to certain conditions precedent being fulfilled or waived (as the case may be) within six months from the date of the agreement or any other later date determined by the purchaser.

BATU KAWAN BERHAD

Statement by the Directors and Statutory Declaration

Statement by the Directors

We, Dato' Lee Hau Hian and Yeoh Eng Khoon, being two of the Directors of Batu Kawan Berhad, do hereby state that in the opinion of the Directors, the accompanying financial statements together with the notes thereto, are drawn up in accordance with applicable Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 2008 and of the results and the cash flows of the Group and of the Company for the year ended on that date.

The Board of Directors authorised these financial statements for issue on 12 December 2008.

Signed on behalf of the Board in accordance with a resolution of the Directors, dated 12 December 2008.

DATO' LEE HAU HIAN
(Managing Director)

YEOH ENG KHOON
(Director)

Statutory Declaration

I, Chong See Teck, being the officer primarily responsible for the financial management of Batu Kawan Berhad, do solemnly and sincerely declare that the accompanying financial statements together with the notes thereto, are in my opinion, correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed in Ipoh,
Perak Darul Ridzuan
on 12 December 2008.

CHONG SEE TECK

Before me,

M. SIVAPALAN
Commissioner for Oaths,
Ipoh,
Perak Darul Ridzuan,
Malaysia.

BATU KAWAN BERHAD

Independent Auditors' Report to the Members

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Batu Kawan Berhad, which comprise the balance sheets as at 30 September 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 39 to 78.

Directors' responsibility for the financial statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 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 2008 and of their financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:-

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries for which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 16 to the financial statements.
- (c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the accounts of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

BATU KAWAN BERHAD

Independent Auditors' Report to the Members (Continued)

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

ERNST & YOUNG
AF : 0039
Chartered Accountants

LEONG CHOOI MAY
1231/03/09 (J)
Chartered Accountant

21 & 23 Jalan Hussein,
30250 Ipoh,
Perak Darul Ridzuan,
Malaysia.

12 December 2008

BATU KAWAN BERHAD

Shareholding Statistics

at 28 November 2008

AUTHORISED SHARE CAPITAL	- RM1,000,000,000
ISSUED & FULLY PAID-UP CAPITAL	- RM435,951,000 (including 9,465,000 Treasury Shares)
CLASS OF SHARES	- Shares of RM1 each fully paid
VOTING RIGHTS	- One vote per RM1 share

Breakdown of Shareholdings

Range of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital [^]
1 - 99	73	1.31	3,203	0.00
100 - 1,000	1,572	28.20	1,215,208	0.28
1,001 - 10,000	2,944	52.81	10,813,406	2.54
10,001 - 100,000	790	14.17	24,048,232	5.64
100,001 - less than 5% of issued shares	194	3.48	174,281,534	40.86
5% and above of issued shares	2	0.03	216,124,417	50.68
TOTAL	5,575	100.00	426,486,000	100.00

Thirty Largest Securities Accounts Holders

Name	No. of Shares	% of Issued Share Capital [^]
1. Arusha Enterprise Sdn Bhd	188,754,667	44.26
2. Lembaga Kemajuan Tanah Persekutuan (FELDA)	27,369,750	6.42
3. Wan Hin Investments Sdn Berhad	17,108,387	4.01
4. Yeoh Chin Hin Investments Sdn Berhad	15,265,000	3.58
5. HSBC Nominees (Tempatan) Sdn Bhd - A/C Heah Seok Yeong Realty Sdn Bhd	11,475,000	2.69
6. Lee Chan Investments Sdn Berhad	9,141,875	2.14
7. Yeoh Meng Ghee	8,100,000	1.90
8. HSBC Nominees (Tempatan) Sdn Bhd - A/C Nomura Asset Management Malaysia for Employees Provident Fund	6,649,350	1.56
9. Yeoh Chin Hin	6,311,250	1.48
10. Leong Wan Chin	6,309,375	1.48
11. Teoh Guat Eng	6,090,188	1.43
12. Valuecap Sdn Bhd	5,487,900	1.29
13. Amanah Raya Nominees (Tempatan) Sdn Bhd - A/C Skim Amanah Saham Bumiputera	5,000,000	1.17
14. HSBC Nominees (Tempatan) Sdn Bhd - A/C Heah Seok Yeong Realty Sdn Bhd	3,375,000	0.79
15. Elionai Sdn Bhd	3,336,350	0.78
16. Malay Rubber Plantations (Malaysia) Sdn Berhad	2,792,250	0.65
17. HSBC Nominees (Asing) Sdn Bhd - A/C HSBC SG for Chan U Seek	2,428,875	0.57
18. Citigroup Nominees (Asing) Sdn Bhd - A/C CBNY for DFA Emerging Markets Fund	2,309,250	0.54
19. HSBC Nominees (Asing) Sdn Bhd - A/C Exempt An for JP Morgan Chase Bank, National Association (Jersey)	2,287,950	0.54
20. Permodalan Nasional Berhad - A/C Investment Processing Department	2,284,500	0.54
21. Meng Hin Holdings Sdn Bhd	1,815,750	0.43
22. Wan Yuen Mining Kongsi Sdn Bhd	1,755,000	0.41
23. HSBC Nominees (Tempatan) Sdn Bhd - A/C Lee Rubber (Selangor) Sdn Bhd	1,620,000	0.38
24. Arusha Enterprise Sdn Bhd	1,500,000	0.35
25. Leong Wan Chin	1,500,000	0.35
26. HSBC Nominees (Tempatan) Sdn Bhd - A/C Lyne Ching Sdn Bhd	1,485,000	0.35
27. Malay-Sino Formic Acid Sdn Bhd	1,442,700	0.34
28. Employees Provident Fund Board - A/C Unit Depositori Pusat	1,203,740	0.28
29. DB (Malaysia) Nominee (Tempatan) Sendirian Berhad - A/C Exempt An for Deutsche Trustees Malaysia Berhad	1,183,000	0.28
30. HSBC Nominees (Asing) Sdn Bhd - A/C Exempt An for Credit Suisse	1,082,800	0.25
TOTAL	346,464,907	81.24

[^] Calculated based on 426,846,000 shares which do not include 9,465,000 Treasury Shares.

BATU KAWAN BERHAD

Shareholding Statistics (Continued) at 28 November 2008

Substantial Shareholders

According to the register required to be kept under Section 69L of the Companies Act, 1965, the following are the substantial shareholders of the Company:-

Name	Holdings registered in the name of shareholder (A)	Other shareholdings in which shareholder is deemed interested (B)	% of issued share capital ^ (A+B)
1. Wan Hin Investments Sdn Berhad	17,108,387	197,463,367	50.31 #
2. Arusha Enterprise Sdn Bhd *	190,554,667	6,908,700	46.30
3. Lembaga Kemajuan Tanah Persekutuan (FELDA)	27,369,750	-	6.42

Includes the 44.68% held directly by Arusha Enterprise Sdn Bhd and 1.62% by its other subsidiaries. Wan Hin Investments Sdn Berhad is the holding company of Batu Kawan Berhad.

* By virtue of Section 6A of the Companies Act, 1965, all the related companies of Arusha Enterprise Sdn Bhd are also deemed substantial shareholders of the Company.

Dato' Seri Lee Oi Hian and Dato' Lee Hau Hian are substantial shareholders of Di-Yi Sdn Bhd and High Quest Holdings Sdn Bhd respectively, which in turn are substantial shareholders of Wan Hin Investments Sdn Berhad. Accordingly all these parties are also deemed substantial shareholders of the Company by virtue of their deemed interests.

^ Calculated based on 426,486,000 shares which do not include 9,465,000 Treasury shares.

Directors' Interest in Shares

The details of Directors' interest in the shares of the Company as at 2 December 2008 appearing in the Register of Directors' Shareholdings maintained by the Company pursuant to Section 134 of the Companies Act, 1965 are as follows:-

Directors	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Dato' Seri Lee Oi Hian	853,500	0.20	216,015,129	50.65
Dato' Lee Hau Hian	624,375	0.15	214,857,504	50.38
YM Tengku Robert Hamzah	15,000	-	20,000	-
R.M. Alias	-	-	1,500	-
Tan Sri Dato' Thong Yaw Hong	22,500	-	-	-
Dato' Mustafa bin Mohd Ali	-	-	-	-
Dato' Lee Soon Hian	-	-	6,128,600	1.44
Yeoh Eng Khoon	315,000	0.07	15,326,500	3.59

Voting Rights of Shareholders

Every member of the Company present in person or by proxy shall have one vote on a show of hands and, in the case of a poll, shall have one vote for every share held.

BATU KAWAN BERHAD

Properties of the Group

at 30 September 2008

Location	Tenure	Year Lease Expiring	Titled Hectareage	Description/ Existing use	Date of Acquisition/ Revaluation *	Net Age of Buildings (Years)	Carrying Amount RM'000
Lot 113, 131, 156, 182, 805, 14109 Simpang Ampat, Seberang Perai Selatan, Penang.	Freehold	-	1.93	Vacant land	14.07.1980 *	-	9
Lot 67321 (formerly PT No. 40020), Mukim of Sungai Buloh, Petaling Jaya, Selangor Darul Ehsan.	Freehold	-	0.57	Construction of office building in progress	24.11.2003	-	11,149
Plot 276, Pasir Gudang Industrial Estate, Pasir Gudang, Johor Darul Takzim.	Leasehold	2039	2.3	Chemicals factory and Industrial warehouse	06.10.1979	23	472
					01.08.2007	1	756
Lot No 3558 (formerly Lot No 3940), Kawasan Perindustrian Teluk Kalung, Mukim Teluk Kalung, Kemaman, Terengganu Darul Iman.	Leasehold	2055	4.0	Chemicals factory	27.12.1995	12	2,081
Lot No 2989 (formerly Lot No 4080), Kawasan Perindustrian Teluk Kalung, Mukim Teluk Kalung, Kemaman, Terengganu Darul Iman.	Leasehold	2055	7.74	Chemicals factory	12.11.1995	12	1,584
Lot No 5441, Kawasan Perindustrian Teluk Kalung, Mukim Teluk Kalung, Kemaman, Terengganu Darul Iman.	Leasehold	2056	0.9	Acid pipeline	03.09.2003	-	124
Lot No 4735, Kawasan Perindustrian Teluk Kalung, Mukim Teluk Kalung, Kemaman, Terengganu Darul Iman.	Leasehold	2025	5.0	Vacant industrial land	01.01.1996	-	2,359
Lot No 70810, 70811, 4.5 Miles, Jalan Lahat, Ipoh, Perak Darul Ridzuan.	Leasehold	2074	5.46	Chemicals factory	11.03.1996 *	32	4,050
Lot 541, Plot 7, Kg Acheh Industrial Estate, Sitiawan, Perak Darul Ridzuan.	Leasehold	2087	1.21	Industrial land with warehouse	21.03.1996 *	19	1,172
Lot PT 4406, Kawasan Perindustrian Teluk Kalung, Mukim Teluk Kalung, Kemaman, Terengganu Darul Iman.	Leasehold	2056	6.13	Chemicals factory	25.08.1996	10	10,504
Lot No 4524, Kawasan Perindustrian Teluk Kalung, Mukim Teluk Kalung, Kemaman, Terengganu Darul Iman.	Leasehold	2059	7.84	Chemicals factory	23.06.1999	5	2,344
Lot No 9878 Plot 6, Kg Acheh Industrial Estate, Sitiawan, Perak Darul Ridzuan.	Leasehold	2093	0.43	Industrial land with warehouse	21.03.1996 *	13	564
Lot No 202186 - 202188, Zarib Industrial Park, Off Jalan Lahat-Simpang Pulai, Lahat, Ipoh, Perak Darul Ridzuan.	Leasehold	2092	1.44	Land with office building and workshop	21.03.1996 *	13	1,147
Izin Lokasi No 154/2007, Gunung Tabur, Berau, Kalimantan Timur, Indonesia.	Leasehold	Yet to be determined	12.46	Oil palm estate	09.10.2007	-	2,205

Notes

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BATU KAWAN BERHAD

(6292-U)

(Incorporated in Malaysia)

Proxy Form

I/We
(Block Letters)

of

being a member of BATU KAWAN BERHAD hereby appoint.....

..... NRIC/Passport No:

or failing him, **THE CHAIRMAN OF THE MEETING** as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at Wisma Taiko, 1, Jalan S. P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan, on Wednesday, 18 February 2009 at 2.15 p.m. or at any adjournment thereof, and to vote as indicated below:-

Resolution	Relating to:-	For	Against
1.	Adoption of Report and Financial Statements		
2.	Sanction the payment of a Final Dividend		
3.	Re-election of Directors:- Dato' Lee Hau Hian		
4.	Yeoh Eng Khoon		
5.	Re-appointment of Directors pursuant to Section 129(6), Companies Act, 1965:- R.M. Alias		
6.	Tan Sri Dato' Thong Yaw Hong		
7.	Dato' Mustafa bin Mohd Ali		
8.	Approve the payment of Directors' fees		
9.	Re-appointment of Messrs. Ernst & Young as Auditors and to authorise the Directors to fix their remuneration		
10.	Proposed Authority to Buy Back its Own Shares by the Company		
11.	Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		

Please indicate with (✓) how you wish your vote to be cast

Date

No. of Shares Held

CDS A/C No.

.....
Signature of Shareholder

Notes:-

- (1) A member of the Company entitled to attend and vote at the meeting is entitled to appoint one proxy to vote in his stead. The proxy need not be a member of the Company.
- (2) The instrument appointing the proxy must be deposited at the Registered Office of the Company not less than 48 hours before the time set for the meeting.
- (3) Where this proxy form is executed by a corporation, it must be either under its seal or under the hand of an officer or attorney duly authorised.
- (4) In the case of joint holders, the proxy form signed by the first named shareholder in the register shall be accepted to the exclusion of the other registered joint holder(s) of the shares.
- (5) If neither "for" nor "against" is indicated above, the proxy will vote or abstain as he thinks fit.

fold-----

STAMP

**The Company Secretaries,
Batu Kawan Berhad,
Wisma Taiko,
1, Jalan S. P. Seenivasagam,
30000 Ipoh, Perak Darul Ridzuan,
Malaysia.**

fold-----