

BATU KAWAN BERHAD (6292-U)

ANNUAL REPORT FOR THE YEAR ENDED 30 SEPTEMBER

2009

BATU KAWAN BERHAD

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BATU KAWAN BERHAD

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Forty-fifth 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, 24 February 2010 at 2.15 p.m. for the following purposes:-

1. To receive and adopt the Financial Statements for the year ended 30 September 2009 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 2009. (Ordinary Resolution 2)
3. 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 3)
 - (b) Tan Sri Dato' Thong Yaw Hong (Ordinary Resolution 4)
 - (c) Dato' Mustafa bin Mohd Ali (Ordinary Resolution 5)
4. To approve Directors' fees for the year ended 30 September 2009 amounting to RM742,000 (2008 : RM742,000). (Ordinary Resolution 6)
5. To appoint Auditors and to authorise the Directors to fix their remuneration. (Ordinary Resolution 7)
6. 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 8)

"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 42,558,020 shares in the Company based on its adjusted issued and paid-up share capital [excluding treasury shares] of 425,580,200 shares of RM1 each as at 9 December 2009) 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 2009, the retained profits of the Company was RM328,518,000) 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 9)

"THAT subject to the Companies Act, 1965, the Memorandum and Articles of Association of the Company and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into all arrangements and/or transactions as set out in PART B Section 2.2(b) of the Circular to Shareholders dated 17 December 2009 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."

7. To transact any other ordinary business.

By Order of the Board
CHONG SEE TECK
MD SHAIZATUL AZAM BIN CHE SODA
(Company Secretaries)

Ipoh,
Perak Darul Ridzuan,
Malaysia.

17 December 2009

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) Dato' Lee Soon Hian and YM Tengku Robert Hamzah, who are due to retire as Directors at the 45th Annual Meeting of the Company, are not seeking re-election.
- (4) The Final Dividend, if approved, will be paid on 19 March 2010 to all shareholders on the Register of Members as at 25 February 2010.

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 23 February 2010 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 25 February 2010 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.
- (5) 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 5 are shown on pages 8 to 10 of this 2009 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 34 to 35.
 - (6) Ordinary Resolution 8 under item 6(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.
 - (7) Ordinary Resolution 9 under item 6(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 9 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 8 and 9 mentioned above, further information is set out in the Circular to Shareholders of the Company which is despatched together with the Company's 2009 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 Lima akan diadakan di Pejabat Berdaftar di Wisma Taiko, 1, Jalan S. P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan, Malaysia pada hari Rabu, 24 Februari 2010 pada jam 2.15 petang untuk tujuan-tujuan berikut:-

1. Menerima dan meluluskan Penyata Kewangan bagi tahun berakhir 30 September 2009 dan Laporan Lembaga Pengarah dan Juruaudit. (Resolusi Biasa 1)
2. Meluluskan bayaran Dividen Akhir bagi tahun berakhir 30 September 2009. (Resolusi Biasa 2)
3. 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 3)
 - (b) Tan Sri Dato' Thong Yaw Hong (Resolusi Biasa 4)
 - (c) Dato' Mustafa bin Mohd Ali (Resolusi Biasa 5)
4. Meluluskan bayaran yuran Pengarah-Pengarah sebanyak RM742,000 bagi tahun berakhir 30 September 2009 (2008 : RM742,000). (Resolusi Biasa 6)
5. Melantik Juruaudit dan memberi kuasa kepada para Pengarah menetapkan ganjaran Juruaudit. (Resolusi Biasa 7)
6. 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 8)

"BAHAWA kuasa diberi kepada Pengarah-Pengarah untuk Syarikat membeli balik saham bernilai RM1 setiap satu dalam Syarikat ("Cadangan Memberi Kuasa Membeli Balik Saham") dengan jumlah saham 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 42,558,020 saham Syarikat berdasarkan modal saham terbitan dan berbayar yang telah diubahsuai [tidak termasuk saham perbendaharaan] sebanyak 425,580,200 saham bernilai RM1 setiap satu pada 9 Disember 2009) dan amaun yang tidak melebihi jumlah keuntungan terkumpul Syarikat yang telah diaudit akan diperuntukkan untuk Cadangan Memberi Kuasa Membeli Balik Saham (pada 30 September 2009, keuntungan terkumpul Syarikat adalah sebanyak RM328,518,000) 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 semula, 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 9)

“BAHAWA, tertakluk kepada Akta Syarikat, 1965, Tatacara dan Tataurus Syarikat dan Peraturan Bursa Malaysia Securities Berhad, kelulusan diberikan kepada Syarikat dan/atau subsidiari-subsiarinya 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 17 Disember 2009 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-subsiarinya 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.”

7. Menguruskan lain-lain perkara biasa.

Dengan Perintah Lembaga Pengarah
CHONG SEE TECK
MD SHAIZATUL AZAM BIN CHE SODA
(Setiausaha-setiausaha Syarikat)

Ipoh,
Perak Darul Ridzuan,
Malaysia.

17 Disember 2009

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) Dato' Lee Soon Hian dan YM Tengku Robert Hamzah yang dijadualkan bersara pada Mesyuarat Agung Tahunan yang ke 45 tidak berhasrat untuk dilantik semula.
- (4) Dividen Akhir, jika diluluskan, akan dibayar pada 19 Mac 2010 kepada semua pemegang-pemegang saham yang didaftarkan dalam Buku Pendaftaran Ahli pada 25 Februari 2010.

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 23 Februari 2010 berhubung dengan saham yang dikecualikan daripada deposit mandatori;
 - (ii) saham yang dipindahkan ke dalam akaun sekuriti pendeposit sebelum pukul 4.00 petang pada 25 Februari 2010 berhubung dengan pindahan; dan
 - (iii) saham yang dibeli di Bursa Malaysia Securities Berhad pada dasar bersama kelayakan menurut Peraturan Bursa Malaysia Securities Berhad.
- (5) 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 5 tertera pada mukasurat 8 hingga 10 dalam Laporan Tahunan 2009. Kepentingan saham mereka di dalam syarikat induk dan syarikat-syarikat berkaitan dengannya serta kepentingan saham di dalam Syarikat dan subsidiari-subsidiari tertera pada mukasurat 34 hingga 35.
 - (6) Cadangan Resolusi Biasa 8 di bawah perenggan 6(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.
 - (7) Cadangan Resolusi Biasa 9 di bawah perenggan 6(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 9 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 8 dan 9, 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 2009.

(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
Dato' Yeoh Eng Khoon	- Independent Non-Executive Director

COMPANY SECRETARIES

Chong See Teck

Md Shaizatul Azam bin Che Soda (appointed on 24 November 2009)

J.C. Lim (resigned on 30 September 2009)

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

Website : www.bkawan.com.my

SHARE REGISTRAR

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

Main Market of Bursa Malaysia Securities Berhad

Stock Code : 1899

Stock Name : BKAWAN

AUDITORS

Ernst & Young

Chartered Accountants

BANKERS

Malayan Banking Berhad

OCBC Bank (Malaysia) Berhad

Standard Chartered Bank Malaysia Berhad

Public Bank 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 2009.

Particulars of the Directors are as follows:-

DATO' SERI LEE OI HIAN

Malaysian, aged 58, joined the Board on 1 June 1979 and is the Non-Independent Non-Executive Chairman of Batu Kawan Berhad ("BKB"). He is the CEO of Kuala Lumpur Kepong Berhad. 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 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 2009. He has not been convicted of any offence.

DATO' LEE HAU HIAN

Malaysian, aged 56, 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. 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 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 2009. He has not been convicted of any offence.

YM TENGKU ROBERT HAMZAH

Malaysian, aged 70, Senior Independent Non-Executive Director, joined the Board on 1 May 1976. He is a member of the Audit Committee and 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 2009. He has not been convicted of any offence.

BATU KAWAN BERHAD

Profile of the Directors (Continued)

R.M. ALIAS

Malaysian, aged 77, 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 2009. He has not been convicted of any offence.

TAN SRI DATO' THONG YAW HONG

Malaysian, aged 79, 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 three (3) out of four (4) Board of Directors' meetings held during the financial year ended 30 September 2009. He has not been convicted of any offence.

DATO' MUSTAFA BIN MOHD ALI

Malaysian, aged 72, Independent Non-Executive Director, joined the Board on 31 October 1994. He is a member of the Remuneration Committee of the Board.

He is an Honours Economics graduate with Master of Arts from Cambridge University, awarded the CAM Diploma in Advertising by the Advertising Association, United Kingdom and has attended the Harvard Business School's Advanced Management Program USA. 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, 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 2009. He has not been convicted of any offence.

BATU KAWAN BERHAD

Profile of the Directors (Continued)

DATO' LEE SOON HIAN

Malaysian, aged 52, 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 2009. He has not been convicted of any offence.

DATO' YEOH ENG KHOON

Malaysian, aged 62, Independent Non-Executive Director, was appointed to the Board on 24 February 2005. He is the Chairman 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 2009. He has not been convicted of any offence.

BATU KAWAN BERHAD

Group Financial Summary

FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS

	2009	2008	2007	2006	2005
	RM'000	RM'000	RM'000	RM'000	RM'000
				(Restated)	(Restated)
Revenue	238,148	284,087	219,242	231,858	213,029
Profit before taxation	350,716	522,780	359,904	276,766	243,871
Profit attributable to equity holders of the Company	337,348	505,539	348,413	266,522	230,025
Total assets	3,089,172	2,955,559	2,667,220	2,438,913	2,248,037
Share capital	435,951	435,951	435,951	291,375	291,375
Reserves	2,519,360	2,409,361	2,125,211	2,041,733	1,854,666
Equity attributable to equity holders of the Company	2,955,311	2,845,312	2,561,162	2,333,108	2,146,041
Minority interests	59,394	58,459	63,814	67,628	64,659
Total equity	3,014,705	2,903,771	2,624,976	2,400,736	2,210,700
Total liabilities	74,467	51,788	42,244	38,177	37,337
Total equity and liabilities	3,089,172	2,955,559	2,667,220	2,438,913	2,248,037

FINANCIAL STATISTICS

	2009	2008	2007	2006	2005
Basic earnings per share (sen) *	79.2	117.3	80.4	61.5	53.0
Dividends per share (sen) *					
- Gross	40.0	64.0	50.0	55.0	40.0
- Net	40.0	57.9	36.9	40.0	28.8
Share price as at 30 September (RM)	9.26	7.50	8.70	8.65	6.90
Historical price earnings ratio (times)	11.7	6.4	10.8	14.1	13.0
Dividend yield - net (%)	4.3	7.7	4.2	4.6	4.2
Dividend cover (times)	2.0	2.0	2.2	1.5	1.8
Net assets per share attributable to equity holders of the Company (RM) *	6.94	6.66	5.92	5.38	4.95
Return on shareholders' equity (%)	11.4	17.8	13.6	11.4	10.7

* Comparative figures have been adjusted for the effect of the 1 for 2 Bonus Issue in 2007.

QUARTERLY FINANCIAL HIGHLIGHTS

	Year	Fourth	Third	Second	First
	2009	Quarter	Quarter	Quarter	Quarter
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	238,148	55,922	61,751	50,617	69,858
Profit before taxation	350,716	110,289	99,677	88,913	51,837
Profit attributable to equity holders of the Company	337,348	106,268	101,829	85,355	43,896
Basic earnings per share (sen)	79.2	24.9	23.9	20.1	10.3
Net dividends per share (sen)	40.0	30.0	-	10.0	-

BATU KAWAN BERHAD

Chairman's Review

The Group achieved a much lower profit after tax and minority interests for the financial year ended 30 September 2009 of RM337.3 million, compared to last year's record profit of RM505.5 million. High commodity prices in recent years could not be expected to continue, and the unexpected global financial and economic crisis resulted in a more difficult business environment. The profits of our main associate, Kuala Lumpur Kepong Berhad ("KLK"), was significantly affected by the fall in palm products and rubber prices, and with its manufacturing activities affected by the economic slowdown.

Net earnings per share for the year was 79.15 sen, compared to 117.25 sen last year - a fall of 32%.

In line with the reduced profits, the Board is recommending a single tier final dividend of 30 sen, which together with the single tier interim dividend of 10 sen paid earlier, brings the total dividends for the 2009 financial year to 40 sen per share. This compares with total gross dividends of 64 sen declared last year.

MAIN ASSOCIATE – KLK

With lower commodity prices, KLK's pre-tax profit was reduced to RM887.4 million in contrast to the previous year's record pre-tax profit of RM1,445.5 million, a decline of 39%. Profit after tax and minority interests fell 41% to RM612.5 million. At the Company's level, our attributable share of KLK's after-tax profit compared to the RM484.6 million recorded last year, was similarly lower at RM285.2 million.

Average palm oil prices achieved was RM2,309 per tonne (ex-mill) compared to RM2,913 a year earlier, with the achieved average higher than that of the industry due to the benefit of some forward price hedging. Palm kernel prices fell from RM1,714 to RM1,181 per tonne, year-on-year. Contribution from palm products was reduced to RM906.0 million while rubber contribution fell to RM51.0 million - half of last year's. Overall its Plantation Division reported lower pre-tax profits of RM968.3 million, 29% lower than the RM1.356 billion achieved in FY2008.

FFB production at 2.86 million tonnes was only marginally higher than last year, while FFB yield/ha declining 7% to 22.9 tonnes, being affected by weather-related tree stress and the dilution effect of initial low yields from new plantings in Indonesia. Rubber production increased marginally to 22,381 tonnes but yield per hectare dropped due to adverse weather and other reasons.

KLK continues to expand in Indonesia and has entered into a joint venture with an Indonesian state enterprise to lease and manage some 20,000 hectares of its oil palm and rubber plantations in North Sumatra. In line with continuing investment in infrastructure for its new plantations, 2 new palm oil mills were commissioned in Belitung Island and East Kalimantan.

Implementation of best practices for sustainable agriculture and environment are being pursued. Its Tawau Sabah plantations has obtained the certificate of sustainability under the Roundtable of Sustainable Palm Oil ("RSPO") certification scheme and more of its plantations in Malaysia and Indonesia will be applying for such certification. It is pleasing to note that several of KLK's plantations and mills have won awards for Corporate Social Responsibility and for Occupational Safety and Health.

The global economic downturn affected the oleochemical operations, which encountered weak sales and margin pressures, resulting in a 40% decline in profit contribution. A new methyl ester sulphonate plant, to supply intermediate products to the detergent and soap industry, is being built. Other non-oleo manufacturing activities were likewise impacted by the economic slowdown and overall the Manufacturing Division reported much reduced profits of RM31.0 million against RM98.8 million last year.

Property contribution was similar to last year and the company is developing the last stage of its current Desa Coalfields housing project, for which to-date some 1,800 houses have been built and sold.

The retailing operations under Crabtree & Evelyn remain under-performing and its US operations are currently going through a Restructuring in order to downsize and close unprofitable retail stores in an environment of significant customer market decline.

BATU KAWAN BERHAD

Chairman's Review (Continued)

INDUSTRIAL OPERATIONS

The challenging conditions of our chemical subsidiaries did not abate and with the economic downturn, sales volumes were affected. Following the unprecedented sharp rise in petroleum prices last year, there was an equally dramatic price rise and subsequent fall in the price of sulphur, a key raw material for our sulphuric acid manufacturing operations. This necessitated some sulphur inventory write-downs during the year, which impacted profits.

Consequently, our chemical companies achieved lower pre-tax profits of RM28.1 million, 29% lower than last year.

Malay-Sino Chemical Industries ("MSCI") reported lower profits due to higher costs and reduced sale volumes. Our Lahat plant was affected by some production disruptions due to need for equipment changes, which affected its productivity.

Prior to the year-end, the Company increased its shareholding in MSCI by a further 1.22% to 85.52% following the purchase of shares from a foreign shareholder.

See Sen Chemical Berhad also reported lower profits, after having to write-down mid-year the value of its sulphur inventory and with the adverse impact of reduced sales volumes. Due to the economic slowdown, acid supply to our Kemaman plant's key customer had to be curtailed as that customer was forced to shut down its plant for some months, though production has since resumed. Other customers were similarly affected resulting in lower sales of sulphur powder, molten sulphur and sodium silicate. Looking ahead, we see a strong challenge from the lower costs of imported smelter acid, which comes as a by-product of mineral smelting activities.

In the coming year, management of our chemical subsidiaries has been challenged to improve the standard of our plant operations and their efficiency so as to better position them to compete in the future.

Our transport companies have adjusted to the increased fuel costs and with close focus on operating efficiency, have performed satisfactorily.

Last year, I reported on MSCI undertaking a major capacity expansion of its Kemaman chlor-alkali plant in Terengganu, in order to supply chemical products to a new rare earth processing plant in Pahang, a venture undertaken by an Australian listed company. Unfortunately its initial financing arrangements for the venture subsequently encountered problems resulting in cancellation of these financing arrangements and thus the forced suspension of this project for several months. Happily, this Australian company has since been able to raise sufficient alternative financing to continue construction of its plant and implement the first phase of this project. MSCI will therefore resume work on its plant expansion and expects to supply products to the venture in early 2011 under a revised multi-year product supply agreement. Given the favourable outlook for the rare earth industry, we expect that supplying our chemical products to this project will be a good contributor to longer term earnings.

INVESTMENTS

Due to capital gains on a share disposal, our investment and interest income increased to RM45.9 million from RM4.4 million last year. The capital gain of RM41.8 million was recorded on the disposal of our 17.0% equity stake in an Indonesian plantation company, PT Sekarbumi Alamlestari, to our plantation associate, KLK.

Planting up of the land owned in Kalimantan by our 92%-owned Indonesian plantation subsidiary, PT Satu Sembilan Delapan ("PTSSD"), is on-going, with 3,381 hectares planted with oil palms to-date. Work has also started on developing a "plasma" plantation for the local community, in line with local requirements, which development will be funded by our Company and with the funding recoverable as the palms become mature.

BATU KAWAN BERHAD

Chairman's Review (Continued)

COMMERCIAL OFFICE BUILDING

"Menara Batu Kawan", our 10-storey commercial building in Mutiara Damansara, Selangor, with a 4-storey podium was completed and approved for occupancy in March 2009. The initial main tenant is KLK, which will eventually take up some 40% of the building space for their KL-based operations. Other high-grade commercial tenants are being sought to take up the rest of the building space, with some initial success. This building is owned through our subsidiary, Batu Kawan Holdings Sdn Bhd, and we anticipate it will provide sound long-term rental income.

GENERAL

At the time of writing, while there are signs of initial recovery from the effects of the financial and economic crisis, there still remains some uncertainty as to its strength and speed. However, with current prices for palm oil being sustained and rubber prices having recovered to pre-crisis levels, there is expectation that the new financial year's eventual results would be better.

I would like to thank my fellow Directors and all employees for their efforts to help achieve the results for the 2009 financial year.

At the forthcoming Annual General Meeting, YM Tengku Robert Hamzah and Y.Bhg Dato' Lee Soon Hian will retire as Directors and both will not be standing for re-election. We are most grateful for their many years of long service on our Board, with YM Tengku Robert Hamzah being our longest serving director, having served the Company for over 33 years. On your behalf, I thank both of them for their invaluable contributions during their period of service.

Dato' Seri Lee Oi Hian
Chairman

2 December 2009

BATU KAWAN BERHAD

Ulasan Pengerusi

Kumpulan anda telah mencatatkan rekod keuntungan selepas cukai dan kepentingan minoriti sebanyak RM337.3 juta untuk tahun kewangan berakhir 30 September 2009, agak susut berbanding rekod pencapaian terbaik sebanyak RM505.5 juta tahun kewangan lalu. Harga bahan komoditi tinggi yang dicapai pada tahun-tahun terdahulu dijangkakan tidak berterusan dan krisis kewangan global serta krisis ekonomi yang berturutan menyebabkan keadaan perniagaan dan pasaran yang sukar. Oleh yang demikian, keuntungan syarikat sekutu utama kita, Kuala Lumpur Kepong Berhad ("KLK") amat terjejas dengan penyusutan harga produk kelapa sawit dan getah dan aktiviti perkilangannya terjejas akibat kemelesetan ekonomi.

Keuntungan selepas cukai dan kepentingan minoriti yang boleh dibahagi kepada pemegang-pemegang saham adalah berjumlah RM337.3 juta bersamaan dengan 79.15 sen keuntungan bersih sesaham berbanding 117.25 sen sesaham tahun lalu, iaitu penurunan sebanyak 32%.

Berikutan dengan pencatatan keuntungan yang lebih rendah, Lembaga Pengarah mengesyorkan dividen akhir "single-tier" sebanyak 30 sen. Bersama dengan dividen interim "single-tier" sebanyak 10 sen yang dibayar terdahulu, menjadikan jumlah dividen-dividen untuk tahun kewangan 2009 adalah 40 sen sesaham berbanding dengan jumlah dividen kasar sebanyak 64 sen yang diisytiharkan tahun lepas.

SYARIKAT SEKUTU UTAMA – KLK

Dengan harga pasaran komoditi yang lemah dalam tahun tinjauan, KLK mencapai rekod keuntungan sebelum cukai sebanyak RM887.4 juta, menyusut 39% berbanding RM1,445.5 juta tahun lalu. Keuntungan selepas cukai dan kepentingan minoriti jatuh 41% kepada RM612.5 juta. Pada peringkat Syarikat, bahagian kita dalam keuntungan selepas cukai KLK berjumlah RM285.2 juta, berbanding RM484.6 juta yang dicatatkan tahun lalu.

Dalam tahunan tinjauan, harga purata minyak kelapa sawit (selepas kilang) yang diniagakan adalah RM2,309 se tan berbanding RM2,913 se tan tahun lalu. Harga purata dicapai adalah lebih tinggi daripada harga purata industri disebabkan manfaat dari harga niaga hadapan. Harga isirong sawit turun ke tahap RM1,181 se tan dari RM1,714 tahun lalu. Sumbangan produk kelapa sawit telah menurun kepada RM906.0 juta manakala sumbangan produk getah jatuh kepada RM51.0 juta – iaitu separuh daripada sumbangan tahun lalu. Secara keseluruhan, sektor perladangan KLK mencatatkan keuntungan sebelum cukai sebanyak RM968.3 juta, iaitu 29% lebih rendah daripada RM1.356 billion yang dicapai dalam tahun kewangan 2008.

Jumlah pengeluaran buah tandan basah adalah sebanyak 2.86 juta tan, meningkat sedikit berbanding tahun lepas dengan hasil buah tandan basah se hektar menurun 7% kepada 22.9 tan yang terjejas kerana cuaca buruk dan kesan tanah akibat penanaman awal di Indonesia. Pengeluaran getah meningkat sedikit kepada 22,381 tan tetapi hasil se hektar menyusut disebabkan kesan cuaca dan sebagainya.

KLK meneruskan pengembangannya di Indonesia dan telah menandatangani satu usahasama dengan syarikat seliaan kerajaan Indonesia untuk memajak dan menguruskan ladang kelapa sawit dan getah yang meliputi keluasan 20,000 hektar di Utara Sumatera. Sejajar dengan usaha membangunkan dan meningkatkan pelaburan dalam infrastruktur ladang-ladang baru, 2 buah kilang penapisan minyak sawit telah memulakan operasi di Pulau Belitung dan Kalimantan Timur.

Penggalakan dan pelaksanaan amalan terbaik untuk kaedah penanaman yang mengekalkan alam sekitar sedang diceburi. Ladang-ladangnya di Tawau, Sabah telah menerima sijil kelayakan "Roundtable of Sustainable Palm Oil" dan ladang-ladang lain di Malaysia dan Indonesia akan membuat permohonan untuk kelayakan tersebut. Beberapa ladang dan kilang pemprosesan minyak sawit KLK telah memenangi anugerah Tanggungjawab Sosial Korporat serta anugerah untuk amalan baik Keselamatan dan Kesihatan Pekerja.

Kemelesetan ekonomi dunia telah memberi impak negatif ke atas operasi oleo-kimia yang mengalami penurunan dari segi jualan dan margin keuntungan yang mengakibatkan sumbangan keuntungan jatuh 40%. Sebuah kilang methyl ester sulphonat sudah dibina untuk membekalkan produk separa siap kepada industri pembuatan bahan pencuci dan sabun. KLK turut mengambilalih sebuah kilang methyl ester/bio-diesel di Selangor. Kegawatan ekonomi dunia turut menjejaskan sektor pengilangan produk tidak berteraskan oleo-kimia dan secara keseluruhannya, sektor pengilangan KLK mencatatkan keuntungan yang lebih rendah iaitu RM31.0 juta berbanding RM98.8 juta tahun lalu.

Sumbangan sektor hartanah agak sama dengan sumbangan tahun lepas dan syarikat kini sedang menjalankan pembangunan peringkat akhir projek perumahannya di Desa Coalfields. Setakat kini, kira-kira 1,800 unit rumah telah dibina dan dijual.

BATU KAWAN BERHAD

Ulasan Pengerusi (Sambungan)

Operasi peruncitan Crabtree & Evelyn terus melaporkan prestasi lemah manakala operasinya di Amerika Syarikat kini sedang menjalankan proses penstrukturan semula dimana stor-stor yang mengalami kerugian akan dihentikan operasi di pasaran yang kian merudum.

OPERASI INDUSTRI

Keadaan pasaran yang mencabar yang dialami syarikat subsidiari kimia kita yang kini masih dalam proses penyesuaian diri akibat kemelesetan ekonomi telah menyebabkan volum jualan terjejas. Berikutan peningkatan harga petroliam yang mendadak tahun lepas, situasi ini diikuti oleh penurunan yang ketara dalam harga sulfur, bahan mentah utama operasi pengilangan asid sulfurik. Syarikat subsidiari kimia kami terpaksa merekodkan susutnilai inventori sulfur dalam tahun tinjauan yang menjejaskan keuntungan.

Berikutannya, syarikat subsidiari kimia kami mencatatkan keuntungan sebelum cukai yang lebih rendah iaitu RM28.1 juta, suatu penurunan sebanyak 29% daripada tahun lalu.

Malay-Sino Chemical Industries Sdn Bhd ("MSCI") telah melaporkan penyusutan dalam keuntungan berpunca dari kos yang lebih tinggi dan volum jualan yang menurun. Operasi pengeluaran di loji Lahat kami terjejas oleh sedikit gangguan disebabkan keperluan untuk menggantikan loji dan peralatan tertentu.

Sejurus sebelum tahun kewangan berakhir, Syarikat telah meningkatkan pegangan sahamnya dalam MSCI sebanyak 1.22% kepada 85.52% berikutan pembelian saham-saham tersebut daripada salah satu pemegang saham asing.

See Sen Chemical Berhad juga melaporkan keuntungan yang lebih rendah, setelah merakamkan susutnilai inventori sulfurnya dan pencatatan volum jualan yang lebih rendah. Disebabkan kemelesetan ekonomi yang melanda, pelanggan utamanya terpaksa memberhentikan kilangnya untuk beberapa bulan seterusnya mengakibatkan penjualan asid kepada pelanggan tersebut tergendala. Walau yang demikian, kilang pelanggan tersebut telah pun memulakan semula operasi. Pelanggan-pelanggan lain turut terjejas mengakibatkan penurunan dalam jualan produk lain seperti serbuk sulfur, sulfur cair dan sodium silikat. Dalam masa terdekat, kami menjangkakan saingan sengit daripada asid "smelter" yang diimpot yang mempunyai kos asas yang lebih rendah kerana ianya adalah produk sampingan aktiviti peleburan logam mineral.

Dalam tahun akan datang, pengurusan telah diberikan cabaran untuk meningkatkan piawai operasi dan kecekapan loji untuk membolehkan syarikat subsidiari kimia kita untuk terus bersaing di masa hadapan.

Manakala, syarikat-syarikat pengangkutan kita pula kini telah menyesuaikan diri dengan kos bahanapi lebih tinggi dengan memberi tumpuan lebih terhadap kecekapan operasi yang kini telah membuahkan hasil.

Tahun lalu, saya melaporkan bahawa MSCI telah melaksanakan pengembangan kapasiti loji klor-alkalinya di Kemaman, Terengganu untuk membekalkan bahan kimia kepada sebuah loji pemprosesan "rare earth" baru di Pahang. Loji pemprosesan "rare earth" ini diusahakan oleh sebuah syarikat tersenarai Australia. Akan tetapi, rancangan pembiayaan syarikat awal untuk projek tersebut menghadapi masalah dan tergendala beberapa bulan. Walau bagaimanapun, syarikat tersebut kemudiannya berjaya mendapatkan pembiayaan dan sumber kewangan alternatif untuk meneruskan pembinaan lojinya dan melaksanakan fasa pertama projek tersebut. MSCI akan meneruskan kerja pengembangan kapasiti lojinya dan dijangka akan membekalkan produk kepada loji "rare earth" tersebut pada awal tahun 2011 dibawah kontrak yang telah disemak semula. Memandangkan ramalan hadapan industri "rare earth" yang cerah, kami menjangkakan projek ini akan menjadi suatu penyumbang utama kepada pendapatan jangka masa panjang di masa hadapan.

PELABURAN

Pendapatan pelaburan dan faedah kita meningkat kepada RM45.9 juta berbanding RM4.4 juta yang dicatatkan tahun lalu berikutan keuntungan modal daripada penjualan pelaburan. Keuntungan modal sebanyak RM41.8 juta diperolehi daripada penjualan ekuiti pegangan 17% dalam sebuah syarikat perladangan Indonesia, PT Sekarbumi Alamlestari, kepada syarikat sekutu utama kita, KLK.

Penanaman di ladang kelapa sawit kami yang dimiliki oleh syarikat perladangan Indonesia kita (dimiliki 92%) PT Satu Sembilan Delapan, sedang berjalan lancar dengan tanaman sehingga kini seluas 3,381 hektar. Kerja-kerja membangunkan ladang "plasma" untuk masyarakat tempatan sejajar dengan keperluan tempatan telah bermula. Kos pembangunan ladang "plasma" ini dibiayai syarikat kita dan pemulangan modal kos ini akan diperolehi apabila pokok-pokok kelapa sawit matang dan membuahkan hasil.

BATU KAWAN BERHAD

Ulasan Pengerusi (Sambungan)

BANGUNAN PEJABAT KOMERSIL

"Menara Batu Kawan", bangunan pejabat komersil 10 tingkat bersama blok podium 4 tingkat kita di Mutiara Damansara, Selangor telah siap dibina dan telah mendapat sijil kelayakan menduduki dalam Mac 2009. Penyewa awal utama adalah KKK yang akan menduduki 40% keluasan bolehsewa untuk operasinya yang berpusat di Kuala Lumpur. Pihak pengurusan kini berusaha untuk mendapatkan penyewa-penyewa berkualiti yang lain untuk menyewa baki ruang pejabat yang ada. Bangunan ini dimiliki oleh subsidiari kita, Batu Kawan Holdings Sdn Bhd dan kami menjangkakan ia akan menyumbangkan sumber pendapatan sewa jangka panjang yang stabil.

SECARA AM

Pada ketika penulisan ulasan ini, walaupun menampakkan sedikit tanda-tanda pemulihan ekonomi kesan akibat krisis ekonomi dan kewangan, kami masih sangsi terhadap kekukuhan dan kejituan pemulihan tersebut. Walau bagaimanapun, dengan harga minyak sawit sekarang dan harga getah pulih seperti sediakala, adalah dijangkakan pencapaian Syarikat pada tahun kewangan yang baru ini akan lebih memberangsangkan.

Saya ingin mengucapkan ribuan terima kasih kepada rakan sejawat Lembaga Pengarah dan semua kakitangan atas segala usaha dan sumbangan mereka dalam membantu pencapaian Kumpulan bagi tahun kewangan 2009 ini.

Pada Mesyuarat Agung Tahunan yang akan datang, YM Tengku Dato' Robert Hamzah dan Y. Bhg Dato' Lee Soon Hian akan bersara dan kedua-dua mereka tidak berhasrat untuk dilantik semula. Kami amat menghargai sumbangan dan perkhidmatan mereka kepada Lembaga Pengarah, terutamanya YM Tengku Robert Hamzah yang telah berkhidmat selama 33 tahun dengan Syarikat selaku pengarah. Bagi pihak anda sekalian, saya mengucapkan ribuan terima kasih atas jasa dan sumbangan berharga mereka.

Dato' Seri Lee Oi Hian
Pengerusi

2 Disember 2009

BATU KAWAN BERHAD

Statement of Corporate Governance

The Board is pleased to report on the application of the Principles of Corporate Governance contained in the Malaysian Code of Corporate Governance ("the Code") and the extent of compliance with the Best Practices of the Code as required under the Bursa Malaysia Securities Berhad's Main Market Listing Requirements ("Listing Requirements"). These Principles and Best Practices have been applied by the Group throughout the financial year ended 30 September 2009 unless stated otherwise.

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 2009, four (4) Board meetings were held and all Directors in office attended 100% of the meetings, except for Tan Sri Dato' Thong Yaw Hong who did not attend one meeting on 19 November 2008. 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 with 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.

One of the Committee members fulfilled the qualification under para 15.10(1)(c) of the Listing Requirements, as approved by Bursa Malaysia, in view that he has the required knowledge and experience in finance and accounting. The Company did not comply with the recommendation made by the Code of having a member of an accounting association or body. This matter is being addressed by the Board.

The report of the Audit Committee can be found on pages 29 to 31.

BATU KAWAN BERHAD

Statement of Corporate Governance (Continued)

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

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	-	636	677	368
7 Non-Executive Directors	742	-	-	25

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.

BATU KAWAN BERHAD

Statement of Corporate Governance (Continued)

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.

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.

For the year under review, the Directors attended various seminars, courses and training to keep abreast with the developments on a variety of areas relevant to the Group's business. Dato' Lee Soon Hian did not attend any official seminars or courses during the year, but he visited a subsidiary's chemical plant to update his knowledge on the plant's operations. The conferences, seminars and training programmes attended by Directors were as follows:-

- Harvard Club of Malaysia - Designing and Managing Effective Sales Organisations;
- Bank Negara Malaysia - Role of the Board in Changing Financial, Legal, Regulatory and Business Environment;
- Perdana Leadership Foundation - Industry Insights Seminar;
- Bank Negara Malaysia - The Board's Responsibility for Internal Control, Financial Reporting and Capital Management; and
- Zaid Ibrahim & Co. - Overview of the new SC and Bursa Securities Framework and Deregulations of the Foreign Investment Committee.

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 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. Any concern can be conveyed to any one of the Directors as they exercise their responsibilities collectively.

The Company's website is freely accessible to the public at www.bkawan.com.my and the Directors welcome feedback channelled through the website.

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.

BATU KAWAN BERHAD

Statement of Corporate Governance (Continued)

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 29 to 31.

CORPORATE SOCIAL RESPONSIBILITIES

The Group is committed to the welfare of its employees and to the communities in which environment it operates. Management recognises 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, contribution to the needy and less fortunate children from Good Shepherd Family Home, Ipoh Vision Home, Rumah Anak Yatim Hawa Kinta, providing training to undergraduates, organising dental care programme and sports events participated by members of the public and organising various safety related activities.

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, except as disclosed in Note 33.

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 Dato' Yeoh Eng Khoon ("YEK") <u>Interested major shareholders #</u>	5,904
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>	629
MSCI Group	Provision of transportation services	SSCB <u>Interested Directors</u> LOH, LHH, LSH, YEK <u>Interested major shareholders #</u>	4,157

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	Purchase of electricity	SSCB <u>Interested Directors</u> LOH, LHH, LSH, YEK <u>Interested major shareholders #</u>	18,830
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>	26,664
MSCI Group	Provision of transportation services	TMK Group <u>Interested Directors</u> LOH, LHH, LSH <u>Interested major shareholders #</u>	1,031
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>	3,863
MSCI Group	Sale of finished products	TMK Group <u>Interested Directors</u> LOH, LHH, LSH <u>Interested major shareholders #</u>	98,249
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>	60
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>	NIL
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>	629

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	Procurement of transportation services	MSCI <u>Interested Directors</u> LOH, LHH, LSH, YEK <u>Interested major shareholders #</u>	4,157
SSCB Group	Commission given for sale of products	TMK Group <u>Interested Directors</u> LOH, LHH, LSH <u>Interested major shareholders #</u>	1,822
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>	38,547
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>	5,904
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>	3,506
SSCB Group	Sale of electricity	MSCI <u>Interested Directors</u> LOH, LHH, LSH, YEK <u>Interested major shareholders #</u>	18,830
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

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 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>	498
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>	343
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>	4,044
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>	3,058

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"), Arusha Enterprise Sdn Bhd, Kampar Rubber and Tin Co. Sdn Bhd, Wan Yuen Mining Kongsi Sdn Bhd, Malay Rubber Plantations (Malaysia) Sdn Bhd, and Malay-Sino Formic Acid Sdn Bhd, 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 a major shareholder of SSCB. WHI is also a deemed major shareholder of 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 a major shareholder of SSCB. WHI is also a deemed major shareholder of 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 86% 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 a major shareholder of SSCB. WHI is also a deemed major shareholder of 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 33.

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 (2008 : RM5,000) 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's Main Market 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 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 2009.

The Group Risk Management Committee 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 24 November 2009.

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 2009.

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 2008, 10 December 2008, 17 February 2009, 25 May 2009 and 24 August 2009 respectively, a total of five (5) meetings.

Name	Status of directorship	Attendance of meetings
Dato’ Yeoh Eng Khoon (appointed as Chairman w.e.f. 27 May 2009)	Independent Non-Executive Director	Attended all five (5) meetings
YM Tengku Robert Hamzah (resigned as Chairman w.e.f. 27 May 2009)	Senior Independent Non-Executive Director	Attended all five (5) meetings
Tan Sri Dato’ Thong Yaw Hong	Independent Non-Executive Director	Attended three (3) out of 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:-

- To consider and recommend the appointment of external auditors, the audit fee and any questions of resignation, dismissal or re-appointment;
- 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
 - take cognizance of resignations of internal audit staff members (for in-house internal audit function) or the internal audit service provider (for out-sourced internal audit function) and provide the resigning staff member or the internal audit service provider an opportunity to submit his 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 2009 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;

BATU KAWAN BERHAD

Report of the Audit Committee (Continued)

- (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.

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.

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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 prioritised 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. The costs incurred for the Internal Audit function for the financial year ended 30 September 2009 were RM186,000.

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 2009.

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>341,687</u>	<u>306,974</u>
Attributable to:		
Equity holders of the Company	337,348	306,974
Minority interests	<u>4,339</u>	<u>-</u>
	<u>341,687</u>	<u>306,974</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 49 sen per share comprising a 9 sen gross per share less 25% income tax and a 40 sen single tier per share amounting to RM199,382,205 in respect of the financial year ended 30 September 2008 paid on 19 March 2009; and
- (b) a single tier interim dividend of 10 sen per share amounting to RM42,558,020 in respect of the financial year ended 30 September 2009 paid on 12 August 2009.

The Directors recommend the payment of a single tier final dividend of 30 sen per share amounting to RM127,674,060 which, subject to shareholders' approval at the forthcoming Annual General Meeting of the Company, will be paid on 19 March 2010 to shareholders on the Company's register at the close of business on 25 February 2010.

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 were as follows:-

Month	No. of shares bought back	Highest price paid per share RM	Lowest price paid per share RM	Average price paid per share RM	Total consideration RM
October 2008	743,200	7.10	6.05	6.64	4,950,154
November 2008	206,700	7.40	7.10	7.27	1,507,918
May 2009	799,700	8.90	8.35	8.56	6,869,422
June 2009	106,100	8.65	8.65	8.65	920,994
	<u>1,855,700</u>				<u>14,248,488</u>

As at 30 September 2009, the Company held as treasury shares a total of 10,370,800 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 2009.

The mandate given by the shareholders at the Annual General Meeting ("AGM") held on 18 February 2009 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.

BATU KAWAN BERHAD

Report of the Directors (Continued)

DIRECTORS OF THE COMPANY

The Directors in office since the date of the last report are shown on page 7.

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.

YM Tengku Robert Hamzah and Dato' Lee Soon Hian retire at the forthcoming AGM in accordance with the Company's Articles of Association, but will not seek re-appointment.

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 1.10.2008	Additions	(Disposal)	Balance as at 30.9.2009
	Number of ordinary shares of RM1 each			
Batu Kawan Berhad				
Direct interest				
Dato' Seri Lee Oi Hian	853,500	315	-	853,815
Dato' Lee Hau Hian	624,375	315	-	624,690
YM Tengku Robert Hamzah	15,000	-	-	15,000
Tan Sri Dato' Thong Yaw Hong	22,500	-	-	22,500
Dato' Yeoh Eng Khoon	315,000	-	-	315,000
Deemed interest				
Dato' Seri Lee Oi Hian	216,015,129	2,542,365	(6,300,000)	212,257,494
Dato' Lee Hau Hian	214,857,504	2,542,365	(6,300,000)	211,099,869
YM Tengku Robert Hamzah	10,000	10,000	-	20,000
R.M. Alias	1,500	-	-	1,500
Dato' Lee Soon Hian	3,336,350	2,792,250	(125,700)	6,002,900
Dato' Yeoh Eng Khoon	15,326,500	20,000	-	15,346,500

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:-

Subsidiaries:	Balance as at 1.10.2008	Additions	(Disposal)	Balance as at 30.9.2009
	Number of ordinary shares of RM1 each			
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

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 33 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.

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.

BATU KAWAN BERHAD

Report of the Directors (Continued)

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 2009 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 3 December 2009.

DATO' LEE HAU HIAN
(Managing Director)

DATO' YEOH ENG KHOON
(Director)

BATU KAWAN BERHAD

Directors' Responsibility Statement

The Board of Directors is required under Paragraph 15.26(a) of the Bursa Malaysia Securities Berhad's Main Market 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 2009, 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 2009

	Note	Group		Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Revenue	6	238,148	284,087	369,322	277,205
Cost of sales		(185,710)	(219,663)	-	-
Gross profit		52,438	64,424	369,322	277,205
Other income		51,099	4,536	5,953	1,575
Distribution costs		(12,680)	(12,962)	-	-
Administration expenses		(24,585)	(17,629)	(12,276)	(7,177)
Other expenses		(64)	(112)	-	-
Operating profit	7	66,208	38,257	362,999	271,603
Finance costs	8	(836)	-	(123)	-
Share of results of associates		285,344	484,523	-	-
Profit before taxation		350,716	522,780	362,876	271,603
Income tax expense	9	(9,029)	(8,749)	(55,902)	(70,535)
Profit for the year		341,687	514,031	306,974	201,068
Attributable to :-					
Equity holders of the Company		337,348	505,539	306,974	201,068
Minority interests		4,339	8,492	-	-
		341,687	514,031	306,974	201,068
Earnings and net dividends per share attributable to equity holders of the Company:-					
		Sen	Sen	Sen	Sen
Basic earnings per share	10	79.2	117.3	72.0	46.6
Net dividends per share					
- 40 sen single tier					
(2008 : 15 sen gross less 26% income tax,					
9 sen gross less 25% income tax and					
40 sen single tier)					
	11	40.0	57.9	40.0	57.9

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

BATU KAWAN BERHAD

Balance Sheets at 30 September 2009

	Note	Group		Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	12	103,561	145,695	619	768
Investment properties	13	55,356	756	-	-
Prepaid land lease payments	14	15,800	15,008	-	-
Biological assets	15	50,995	37,598	-	-
Goodwill on consolidation	16	12,954	18,788	-	-
Investment in subsidiaries	17	-	-	149,131	78,795
Investment in associates	18	2,536,526	2,491,264	493,008	493,008
Other investments	19	20,562	22,761	20,562	22,761
Deferred tax assets	20	907	944	-	-
		<u>2,796,661</u>	<u>2,732,814</u>	<u>663,320</u>	<u>595,332</u>
Current Assets					
Inventories	21	32,693	42,837	-	-
Trade receivables	22	52,019	82,411	-	-
Other receivables, deposits and prepayments	23	20,426	9,805	13	27
Amounts owing by subsidiaries	24	-	-	48,706	129,999
Tax recoverable		1,809	2,298	1,352	1,527
Short term trust funds	25	149,488	44,082	61,252	-
Term deposits	25	29,388	35,409	5,050	3,260
Cash and bank balances	25	6,688	2,048	50	46
		<u>292,511</u>	<u>218,890</u>	<u>116,423</u>	<u>134,859</u>
Non-current asset held for sale	26	-	3,855	-	-
TOTAL ASSETS		<u>3,089,172</u>	<u>2,955,559</u>	<u>779,743</u>	<u>730,191</u>
EQUITY AND LIABILITIES					
Share capital	27	435,951	435,951	435,951	435,951
Reserves	28	2,519,360	2,409,361	341,723	290,938
Equity attributable to equity holders of the Company		<u>2,955,311</u>	<u>2,845,312</u>	<u>777,674</u>	<u>726,889</u>
Minority interests		<u>59,394</u>	<u>58,459</u>	<u>-</u>	<u>-</u>
Total Equity		<u>3,014,705</u>	<u>2,903,771</u>	<u>777,674</u>	<u>726,889</u>
Non-Current Liabilities					
Deferred tax liabilities	20	10,216	11,408	-	-
Provision for retirement benefits	29	3,334	3,077	18	5
Bank borrowing	30	31,583	-	-	-
		<u>45,133</u>	<u>14,485</u>	<u>18</u>	<u>5</u>
Current Liabilities					
Trade payables	31	7,891	16,824	-	-
Other payables and accruals	32	16,805	18,321	2,051	2,291
Amount owing to a subsidiary	24	-	-	-	945
Provision for retirement benefits	29	343	125	-	61
Bank borrowing	30	4,000	-	-	-
Taxation		295	2,033	-	-
		<u>29,334</u>	<u>37,303</u>	<u>2,051</u>	<u>3,297</u>
Total Liabilities		<u>74,467</u>	<u>51,788</u>	<u>2,069</u>	<u>3,302</u>
TOTAL EQUITY AND LIABILITIES		<u>3,089,172</u>	<u>2,955,559</u>	<u>779,743</u>	<u>730,191</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 2009

Attributable to Equity Holders of the Company

	Attributable to Equity Holders of the Company									
	Share capital Note 27 RM'000	Revaluation reserve RM'000	Capital reserve RM'000	Exchange		Retained profits RM'000	Treasury shares RM'000	Total RM'000	Minority interests RM'000	Total equity RM'000
				General reserve Note 28 RM'000	fluctuation reserve RM'000					
At 1 October 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 17)	-	-	-	-	-	-	-	-	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 11)	-	-	-	-	-	(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
Share of reserves of associates	-	-	1,946	24,519	-	-	-	26,465	-	26,465
Currency translation differences	-	-	-	-	2,375	-	-	2,375	(62)	2,313
Net gains/(losses) directly recognised in equity	-	-	1,946	24,519	2,375	-	-	28,840	(62)	28,778
Purchase of shares from minority shareholders	-	-	-	-	-	-	-	-	(2,521)	(2,521)
Profit for the year	-	-	-	-	-	337,348	-	337,348	4,339	341,687
Dividends paid (Note 11)	-	-	-	-	-	(241,940)	-	(241,940)	-	(241,940)
Dividends paid to minority shareholders	-	-	-	-	-	-	-	-	(821)	(821)
Share buy back	-	-	-	-	-	-	(14,249)	(14,249)	-	(14,249)
At 30 September 2009	435,951	715	509,063	164,627	996	1,923,165	(79,206)	2,955,311	59,394	3,014,705

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 2009

	Attributable to Equity Holders of the Company						Total equity RM'000
	Share capital Note 27 RM'000	Revaluation reserve RM'000	Capital reserve RM'000	General reserve Note 28 RM'000	Retained profits RM'000	Treasury shares RM'000	
	At 1 October 2007	435,951	25	85,647	6,739	238,076	
Profit for the year	-	-	-	-	201,068	-	201,068
Dividends paid (Note 11)	-	-	-	-	(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
Profit for the year	-	-	-	-	306,974	-	306,974
Dividends paid (Note 11)	-	-	-	-	(241,940)	-	(241,940)
Share buy back	-	-	-	-	-	(14,249)	(14,249)
At 30 September 2009	435,951	25	85,647	6,739	328,518	(79,206)	777,674

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

BATU KAWAN BERHAD
Consolidated Cash Flow Statement
for the year ended 30 September 2009

	Note	2009 RM'000	2008 RM'000
Cash flows from operating activities			
Profit before taxation		350,716	522,780
Adjustments for:-			
Depreciation of property, plant and equipment		17,180	17,069
Depreciation of investment properties		928	40
Amortisation of prepaid land lease payments		399	350
Amortisation of biological assets		96	-
(Gain)/Loss on disposal of property, plant and equipment		(110)	69
Gain on government acquisition of land		(3,892)	-
Gain on disposal of unquoted investment		(41,808)	-
Surplus on voluntary liquidation of an investment		(1,980)	(156)
Share of results of associates		(285,344)	(484,523)
Dividend income		(3,545)	(6,010)
Interest income		(597)	(815)
Plant and equipment written off		109	45
Inventories written off		8	39
Inventories written down to net realisable value		5,653	-
Provision for retirement benefits		710	364
Allowance for diminution in value of - other quoted investment outside Malaysia		2,199	3,231
Net unrealised gain on foreign exchange		(13)	(144)
Interest expense		836	-
Goodwill on consolidation written off		5,789	-
Negative goodwill derecognised		(1,001)	-
Operating profit before working capital changes		<u>46,333</u>	<u>52,339</u>
Changes in working capital			
Inventories		4,468	(11,536)
Receivables		19,500	(2,794)
Payables		(10,660)	(37,008)
Associate's account		1,006	(558)
Cash generated from operations		<u>60,647</u>	<u>443</u>
Interest received		597	822
Interest paid		(700)	-
Retirement benefits paid		(236)	(74)
Tax paid		(9,743)	(9,651)
Tax refund		685	391
Net cash generated from/(used in) operating activities		<u>51,250</u>	<u>(8,069)</u>
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		118	1,780
Proceeds from redemption of preference shares		-	1,560
Proceeds from disposal of unquoted investment		43,505	-
Compensation from government acquisition of land		3,892	-
Capital distribution from an investment in voluntary liquidation		1,980	439
Purchase of shares from minority shareholders		(1,519)	(18,198)
Acquisition of a subsidiary	17	-	(911)
Share buy back		(14,249)	(48,899)
Purchase of property, plant and equipment	12(c)	(31,890)	(35,571)
Prepayment of land lease		(1,128)	(273)
Additions to biological assets		(11,862)	(4,636)
Dividends received		269,981	207,337
Net cash generated from investing activities		<u>258,828</u>	<u>102,628</u>

BATU KAWAN BERHAD

Consolidated Cash Flow Statement

for the year ended 30 September 2009 (Continued)

	Note	2009 RM'000	2008 RM'000
Cash flows from financing activities			
Dividends paid to shareholders		(241,940)	(175,660)
Dividends paid to minority shareholders		(821)	-
Proceeds from term loans		35,583	-
Net cash used in financing activities		<u>(207,178)</u>	<u>(175,660)</u>
Net increase/(decrease) in cash and cash equivalents		102,900	(81,101)
Effects of exchange rate changes		1,125	(1,994)
Cash and cash equivalents at beginning of year		81,539	164,634
Cash and cash equivalents at end of year	25	<u>185,564</u>	<u>81,539</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 2009

	Note	2009 RM'000	2008 RM'000
Cash flows from operating activities			
Profit before taxation		362,876	271,603
Adjustments for:-			
Depreciation of property, plant and equipment		176	60
Provision for retirement benefits		19	7
Dividend income		(369,122)	(276,930)
Interest income		(200)	(275)
Interest expense		123	-
Surplus on voluntary liquidation of an investment		(1,980)	(156)
Gain on disposal of plant and equipment		(53)	-
Allowance for diminution in value of			
- other quoted investment outside Malaysia		2,199	3,231
- unquoted subsidiary		6,183	-
Unrealised gain on foreign exchange		-	(8)
Gain on government acquisition of land		(3,892)	-
Operating loss before working capital changes		<u>(3,671)</u>	<u>(2,468)</u>
Changes in working capital			
Receivables		14	22
Payables		(240)	506
Subsidiaries' accounts		80,348	(52,672)
Cash generated from/(used in) operations		<u>76,451</u>	<u>(54,612)</u>
Interest received		200	282
Interest paid		(123)	-
Retirement benefits paid		(67)	-
Tax paid		(1)	(1)
Tax refund		644	391
Net cash generated from/(used in) operating activities		<u>77,104</u>	<u>(53,940)</u>
Cash flows from investing activities			
Purchase of additional investments in subsidiaries		(76,519)	(18,198)
Purchase of plant and equipment	12(c)	(27)	(802)
Dividends received		312,752	205,510
Compensation from government acquisition of land		3,892	-
Proceeds from redemption of preference shares		-	1,560
Capital distribution from an investment in voluntary liquidation		1,980	439
Share buy back		(14,249)	(48,899)
Proceeds from disposal of plant and equipment		53	-
Net cash generated from investing activities		<u>227,882</u>	<u>139,610</u>
Cash flows from financing activities			
Dividends paid, representing net cash used in financing activities		<u>(241,940)</u>	<u>(175,660)</u>
Net increase/(decrease) in cash and cash equivalents		<u>63,046</u>	<u>(89,990)</u>
Cash and cash equivalents at beginning of year		<u>3,306</u>	<u>93,296</u>
Cash and cash equivalents at end of year	25	<u>66,352</u>	<u>3,306</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 Market 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 consolidated financial statements as at and for the year ended 30 September 2009 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 2009 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 17.

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 2009 are consistent with those adopted in previous years, unless otherwise stated.

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.

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.

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

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).

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 12(a).

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

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 ¹ / ₄	-	33 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.

(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 2 - 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.

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

(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 with the following exceptions:-

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (Note 3(d)).

(ii) Operating Leases - the Group as Lessee

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

(iii) Operating Leases - the Group as Lessor

Assets leased out under operating leases are presented on the balance sheets according to the nature of the assets. Rental income from operating leases is recognised on an accrual basis in accordance with the substance of the relevant agreements (Note 3(p)).

(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 subsidiaries 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 accrual basis in accordance with the substance of the relevant agreements unless collectibility is in doubt, in which case the recognition of such income is suspended. Other rent related and car park income is recognised upon services being rendered.

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 16.

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) Standards and IC Interpretations Issued but Not Yet Effective

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

FRSs, Amendments to 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 101	Presentation of Financial Statements (revised)	1 January 2010
FRS 123	Borrowing Costs (revised)	1 January 2010
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010
Amendments to FRS 1 and FRS 127	First-time Adoption of Financial Reporting Standards and Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Amendment to FRS 2	Share-based Payment: Vesting Conditions and Cancellations	1 January 2010
Amendment to FRS 132	Financial Instruments: Presentation	1 January 2010
Amendments to FRS 139 and FRS 7	Financial Instruments: Recognition and Measurement and Financial Instruments: Disclosures	1 January 2010
IC Interpretation 9 and Amendment to IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10	Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11	FRS 2 – Group and Treasury Share Transactions	1 January 2010
IC Interpretation 13	Customer Loyalty Programmes	1 January 2010
IC Interpretation 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

The Malaysian Accounting Standards Board also issued "Improvements to FRSs (2009)" which contain amendments to twenty two FRSs and are effective for financial periods beginning on or after 1 January 2010.

FRS 4, Amendment to FRS 2, Amendment to FRS 120, Amendment to FRS 129 and IC Interpretation 13 are not relevant to the Group's and the Company's operations.

The Group and the Company have not early adopted FRS 7, FRS 139, Amendments to FRS 7 and FRS 139, IC Interpretation 9 and Amendment to IC Interpretation 9 and are exempted from disclosing the possible impact, if any, to the financial statements upon initial application of these FRSs and IC Interpretations.

The other new FRSs, revised FRSs, amendments to FRSs and IC Interpretations are expected to have no significant impact on the financial statements of the Group and the Company upon their initial application except for the changes in disclosures arising from the adoption of FRS 8, FRS 101 and Amendment to FRS 132.

(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 2008.

The revisions were accounted for prospectively as a change in accounting estimates and as a result, the depreciation charge of the Group for the current financial year end has decreased by RM176,000.

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	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Chemicals	212,567	259,569	-	-
Transportation services	20,273	17,629	-	-
Dividends (gross)	3,545	6,010	369,122	276,930
Rental	399	-	-	-
Palm products	739	-	-	-
Interest	597	815	200	275
Management fees	28	64	-	-
	<u>238,148</u>	<u>284,087</u>	<u>369,322</u>	<u>277,205</u>

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

7. OPERATING PROFIT

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
(a) This is arrived at after charging:-				
Auditors' remuneration				
- current year	137	111	23	23
- under-provision in previous year	2	-	-	-
- non-audit fee	5	5	5	5
Directors' remuneration				
- fees - Directors of the Company	766	766	742	742
- other directors	5	5	-	-
- other emoluments - Directors of the Company	1,579	1,577	1,579	1,577
- other director	405	319	-	-
Depreciation of property, plant and equipment (Note 12)	17,180	17,069	176	60
Depreciation of investment property	928	40	-	-
Amortisation of prepaid land lease payments	399	350	-	-
Amortisation of biological assets	96	-	-	-
Inventories written off	8	39	-	-
Interest expense	836	-	123	-
Plant and equipment written off	109	45	-	-
Loss on disposal of property, plant and equipment	2	69	-	-
Loss on foreign exchange				
- realised	95	228	74	-
- unrealised	27	53	-	-
Rental of premises	114	159	96	96
Rental of equipment	1,402	412	-	-
Provision for retirement benefits	710	364	19	7
Allowance for diminution in value of				
- other quoted investment outside Malaysia	2,199	3,231	2,199	3,231
- unquoted subsidiary	-	-	6,183	-
Inventories written down to net realisable value	5,653	-	-	-
Goodwill on consolidation written off	5,789	-	-	-
and crediting:-				
Gross dividend from:-				
- unquoted subsidiaries	-	-	43,894	-
- associate quoted in Malaysia	-	-	322,336	272,746
- other unquoted investments in Malaysia	2,154	1,906	2,154	1,906
- other quoted investments outside Malaysia	182	338	182	338
- short term trust funds quoted in Malaysia	1,209	3,766	556	1,939
Interest income	597	815	200	275
Gain on disposal of property, plant and equipment	112	-	53	-
Rental income	126	104	-	-
Rental income from investment properties	550	186	-	-
Gain on foreign exchange				
- realised	497	1,679	22	1,411
- unrealised	40	197	-	8
Gain on government acquisition of land	3,892	-	3,892	-
Gain on disposal of unquoted investment	41,808	-	-	-
Surplus on voluntary liquidation of an investment	1,980	156	1,980	156
Negative goodwill derecognised	1,001	-	-	-

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
(b) Employee information				
Staff costs				
Wages, salaries and other staff costs	27,413	26,392	2,040	2,162
Socso contributions	275	253	5	5
EPF contributions	2,649	2,514	305	310
Retirement benefits	710	364	19	7
Annual leave pay	163	59	23	3
	<u>31,210</u>	<u>29,582</u>	<u>2,392</u>	<u>2,487</u>

Included in staff costs of the Group and of the Company are Executive Directors' remuneration amounting to RM1,958,000 (2008 : RM1,898,000) and RM1,554,000 (2008 : RM1,550,000) 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	
	2009	2008
Executive Director		
RM1,500,001 to RM2,000,000	1	1
Non-Executive Directors		
RM60,001 to RM100,000	2	2
RM100,001 to RM150,000	5	5
	<u>2</u>	<u>2</u>
	<u>5</u>	<u>5</u>

8. FINANCE COSTS

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Term loans interest	836	-	123	-

9. INCOME TAX EXPENSE

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Current tax				
- Malaysian income tax	7,924	10,712	55,885	70,477
- Foreign income tax	2,289	61	-	61
- (Over)/Under-provision in previous years	(4)	(347)	17	(3)
	<u>10,209</u>	<u>10,426</u>	<u>55,902</u>	<u>70,535</u>
Deferred tax (Note 20)				
- Relating to origination and reversal of temporary differences	(1,179)	(1,680)	-	-
- Relating to changes in tax rates	-	(22)	-	-
- (Over)/Under-provision in prior years	(1)	25	-	-
	<u>(1,180)</u>	<u>(1,677)</u>	<u>-</u>	<u>-</u>
	<u>9,029</u>	<u>8,749</u>	<u>55,902</u>	<u>70,535</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2008 : 26%) of the estimated assessable profit for the year. In the previous year, certain subsidiaries of the Company being Malaysian resident companies with paid-up capital of RM2.5 million or less qualified for the preferential tax rates under Paragraph 2A, Schedule 1 of the Income Tax Act, 1967 as follows:-

On the first RM500,000 of chargeable income : 20%
In excess of RM500,000 of chargeable income : 26%

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

However, pursuant to Paragraph 2B, Schedule 1 of the Income Tax Act, 1967 that was introduced with effect from the year of assessment 2009, these subsidiaries no longer qualify for the above preferential tax rates.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Profit before taxation	350,716	522,780	362,876	271,603
Taxation at Malaysian statutory tax rate of 25% (2008 : 26%)	87,679	135,923	90,719	70,617
Effects of income subject to income tax rate of 20%	-	(87)	-	-
Effects of different tax rates on foreign dividend income	-	(27)	-	(27)
Effects of different tax rates in foreign jurisdictions	2,319	5	-	-
Effects of reduction in tax rate on opening deferred tax balances	-	(22)	-	-
Deferred tax recognised at different tax rates	-	(14)	-	-
Income not subject to tax	(12,978)	(1,555)	(37,402)	(980)
Expenses not deductible for tax purposes	1,108	1,325	2,576	940
Deferred tax assets not recognised	2,228	-	-	-
Deferred tax assets recognised in respect of unabsorbed capital allowances	(72)	-	-	-
Reversal of deferred tax upon disposal of property, plant & equipment to a related company	-	(522)	-	-
(Over)/Under-provision in prior years				
- current tax	(4)	(347)	17	(3)
- deferred tax	(1)	25	-	-
Effect of share of tax of associates results	(71,303)	(125,991)	-	-
Others	53	36	(8)	(12)
	9,029	8,749	55,902	70,535

10. EARNINGS PER SHARE

The basic earnings per share of the Group and the Company 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	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Net profit attributable to equity holders of the Company (RM'000)	337,348	505,539	306,974	201,068
Weighted average number of shares of RM1 each in issue ('000)	426,210	431,179	426,210	431,179
Basic earnings per share (sen)	79.2	117.3	72.0	46.6

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)

11. DIVIDENDS

	Group and Company	
	2009 RM'000	2008 RM'000
Dividends Paid		
Final 49 sen comprising 9 sen less Malaysian income tax @ 25% and 40 sen single tier (2008 : 40 sen less Malaysian income tax @ 26%)	199,382	127,762
Interim 10 sen single tier (2008 : 15 sen less Malaysian income tax @ 26%)	42,558	47,898
	241,940	175,660
Dividends Proposed		
Final 30 sen single tier (2008 : 49 sen comprising 9 sen less Malaysian income tax @ 25% and 40 sen single tier)	127,674	199,382

The proposed dividends have not been accounted for in the financial statements but will be recognised in the financial year ending 30 September 2010 upon shareholders' approval.

12. 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
2009							
Cost/Valuation							
At 1 October 2008	11,158	32,757	259,751	21,045	5,386	40,143	370,240
Additions	-	67	8,452	2,041	400	20,930	31,890
Transfers	-	316	1,060	-	-	(1,376)	-
Transfer to investment properties (Note 13)	(11,149)	-	-	-	-	(44,379)	(55,528)
Disposals/written off	-	(5)	(1,866)	(982)	(63)	-	(2,916)
Currency translation differences	-	(24)	63	(43)	-	52	48
At 30 September 2009	9	33,111	267,460	22,061	5,723	15,370	343,734
Accumulated depreciation							
At 1 October 2008	-	19,159	190,744	11,116	3,526	-	224,545
Current depreciation	-	1,598	14,185	2,204	383	-	18,370
Written back	-	(4)	(1,814)	(930)	(51)	-	(2,799)
Currency translation differences	-	5	27	25	-	-	57
At 30 September 2009	-	20,758	203,142	12,415	3,858	-	240,173
Net carrying amount							
At 30 September 2009	9	12,353	64,318	9,646	1,865	15,370	103,561
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 17)	-	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 17)	-	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

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

	Group	
	2009 RM'000	2008 RM'000
Depreciation charge for the year is allocated as follows:-		
Income statement (Note 7)	17,180	17,069
Biological assets (Note 15)	1,190	204
	<u>18,370</u>	<u>17,273</u>

Company

	Freehold Land RM'000	Vehicles RM'000	Furniture And Equipment RM'000	Total RM'000
2009				
Cost/Valuation				
At 1 October 2008	9	1,371	73	1,453
Additions	-	-	27	27
Disposals	-	(573)	(12)	(585)
At 30 September 2009	<u>9</u>	<u>798</u>	<u>88</u>	<u>895</u>
Accumulated depreciation				
At 1 October 2008	-	624	61	685
Current depreciation	-	166	10	176
Written back	-	(573)	(12)	(585)
At 30 September 2009	<u>-</u>	<u>217</u>	<u>59</u>	<u>276</u>
Net carrying amount At 30 September 2009	<u>9</u>	<u>581</u>	<u>29</u>	<u>619</u>

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>

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

Analysis of cost & valuation	Cost RM'000	Valuation RM'000	Total RM'000
Group			
2009			
Freehold land	-	9	9
Buildings	29,081	4,030	33,111
Plant and machinery	267,460	-	267,460
Vehicles	22,061	-	22,061
Furniture and equipment	5,723	-	5,723
Capital work-in-progress	15,370	-	15,370
	<u>339,695</u>	<u>4,039</u>	<u>343,734</u>
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>
Company			
2009			
Freehold land	-	9	9
Vehicles	798	-	798
Furniture and equipment	88	-	88
	<u>886</u>	<u>9</u>	<u>895</u>
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>

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	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Freehold land	1	1	1	1
Factory and office buildings	994	1,280	-	-
	<u>995</u>	<u>1,281</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 RM2,181,000 (2008 : RM1,559,000) 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.

BATU KAWAN BERHAD

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 87.

13. INVESTMENT PROPERTIES

Group	Freehold Land RM'000	Buildings RM'000	Total RM'000
2009			
Cost			
At 1 October 2008	-	800	800
Transfer from property, plant and equipment (Note 12)	11,149	44,379	55,528
At 30 September 2009	<u>11,149</u>	<u>45,179</u>	<u>56,328</u>
Accumulated depreciation			
At 1 October 2008	-	44	44
Current depreciation	-	928	928
At 30 September 2009	<u>-</u>	<u>972</u>	<u>972</u>
Net carrying amount			
At 30 September 2009	<u>11,149</u>	<u>44,207</u>	<u>55,356</u>
Fair value of investment properties			<u>56,397</u>
2008			
Cost			
At 1 October 2007 / 30 September 2008	-	800	800
Accumulated depreciation			
At 1 October 2007	-	4	4
Current depreciation	-	40	40
At 30 September 2008	<u>-</u>	<u>44</u>	<u>44</u>
Net carrying amount			
At 30 September 2008	<u>-</u>	<u>756</u>	<u>756</u>
Fair value of investment property			<u>870</u>

Investment property with a carrying value of RM54,640,000 (2008 : Nil) is pledged as securities to a licensed bank for term loans as disclosed in Note 30.

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

14. PREPAID LAND LEASE PAYMENTS

	Group	
	2009	2008
	RM'000	RM'000
At 1 October	15,008	14,103
Acquisition of a subsidiary (Note 17)	-	952
Additions	1,128	273
Current amortisation	(399)	(350)
Currency translation differences	63	30
At 30 September	<u>15,800</u>	<u>15,008</u>
Analysed as:-		
Long term leasehold land	13,421	12,424
Short term leasehold land	2,379	2,584
	<u>15,800</u>	<u>15,008</u>

15. BIOLOGICAL ASSETS

	Group	
	2009	2008
	RM'000	RM'000
Plantation development expenditure		
Cost		
At 1 October	37,598	-
Acquisition of a subsidiary (Note 17)	-	31,837
Additions	13,052	4,840
Currency translation differences	448	921
At 30 September	<u>51,098</u>	<u>37,598</u>
Accumulated amortisation		
Current amortisation	96	-
Currency translation differences	7	-
At 30 September	<u>103</u>	<u>-</u>
Net carrying amount		
At 30 September	<u>50,995</u>	<u>37,598</u>
Biological assets additions during the year included the following:-		
Depreciation of property, plant and equipment (Note 12)	1,190	204
Salaries and allowances	566	95
	<u>1,756</u>	<u>299</u>

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

16. GOODWILL ON CONSOLIDATION

	2009	Group
	RM'000	2008
		RM'000
At 1 October	18,788	11,999
Acquisition of a subsidiary (Note 17)	-	3,193
Acquisition of shares from minority shareholders	-	3,515
Written off	(5,789)	-
Exchange translation differences	(45)	81
At 30 September	<u>12,954</u>	<u>18,788</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:-

	2009	Group
	RM'000	2008
		RM'000
Chemicals	9,726	9,725
Investment holding	-	5,789
Plantations	3,228	3,274
At 30 September	<u>12,954</u>	<u>18,788</u>

Goodwill is tested for impairment on an annual basis by comparing the carrying amount with the recoverable amount of the CGU. The recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections based on financial budgets and forecasts approved by management covering a period ranging from 3 to 10 years. Key assumptions used in the value-in-use calculations are:-

- (i) the pre-tax discount rate used is 10%;
- (ii) the growth rate used for the plantation company is determined based on the management's estimate of commodity prices, palm yields, oil extraction rates as well as cost of productions whilst growth rates of companies in other segments are determined based on the industry trends and past performances of the respective companies; and
- (iii) profit margins are projected based on historical profit margin achieved.

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

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

17. SUBSIDIARIES

	Company	
	2009 RM'000	2008 RM'000
Unquoted shares at cost	149,131	78,795

Details of the subsidiaries are as follows:-

Name of Subsidiaries	Country of Incorporation	Percentage of Group Equity Held		Principal Activities
		2009	2008	
Held by the Company:-				
See Sen Chemical Berhad	Malaysia	61	61	Chemicals manufacturing
Malay-Sino Chemical Industries Sendirian Berhad	Malaysia	86	84	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	Ceased operations (under members' voluntary winding-up)
Held through Subsidiaries:-				
Malay-Sino Chemical Industries Sendirian Berhad:-				
Malay-Sino Agro-Chemical Products Sdn Bhd	Malaysia	86	84	Manufacture and sale of methyl chloride
Circular Agency Sdn Bhd	Malaysia	86	84	General transportation services
North-South Transport Sdn Bhd	Malaysia	86	84	General transportation services
Malay-Sino Properties Sdn Bhd	Malaysia	86	84	Letting of storage warehouse facilities
Malay-Sino Chemical Holdings Berhad	Malaysia	86	84	Dormant
Omega Network Sdn Bhd	Malaysia	86	84	Ceased operations (under members' voluntary winding-up)
See Sen Chemical Berhad:-				
See Sen Bulking Installation Sdn Bhd	Malaysia	61	61	Dormant
Whitmore Holdings Sdn Bhd:-				
P.T. Satu Sembilan Delapan *	Indonesia	92	92	Plantations

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

During the year, the subsidiary commenced letting out office space of its investment property.

2009

- (a) At a Special Meeting of Forever Green Venture Limited ("FGVL") held on 29 September 2009, it was resolved that FGVL be wound up voluntarily and Mr John Savournaden was appointed as the Liquidator.

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

2009

(b) Acquisition of shares from minority interests

On 9 September 2009, the Group acquired an additional 1.22% interest in Malay-Sino Chemical Industries Sdn Bhd ("MSCI") for RM1,519,000 in cash, increasing its ownership from 84.3% to 85.5%. The carrying amount of MSCI's net assets in the consolidated financial statements on the date of acquisition was RM123,508,000. The Group recognised a decrease in minority interests of RM2,521,000 and a negative goodwill derecognised of RM1,001,000.

(c) There was no acquisition of subsidiary during the financial year ended 30 September 2009 and subsequent to 30 September 2009.

2008

(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 a 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 had contributed the following results to the Group in previous year:-

	RM'000
Loss after taxation	70

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

	RM'000
Property, plant and equipment (Note 12)	5,216
Prepaid land lease payments (Note 14)	952
Biological assets (Note 15)	31,837
Deferred tax assets (Note 20)	302
Inventories	3,189
Receivables	3,410
Cash and bank balances	11,657
Other payables	(46,373)
Fair value of net assets	10,190
Less: Minority interests	(815)
Group's share of net assets	9,375
Goodwill on acquisition (Note 16)	3,193
Purchase consideration satisfied by cash	12,568
Less: Cash and cash equivalents of the subsidiary acquired	(11,657)
Cash flow on acquisition of a subsidiary	911

(c) Acquisition of shares from minority interests

On 18 June 2008, the Group acquired an additional 7.81% interest in Malay-Sino Chemical Industries Sdn Bhd ("MSCI") for RM18,198,000 in cash, increasing its ownership from 76.5% to 84.3%. The carrying amount of MSCI's net assets in the consolidated financial statements on the date of acquisition was RM104,992,000. The Group recognised a decrease in minority interests of RM14,683,000 and an increase in goodwill of RM3,515,000 (Note 16).

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

18. ASSOCIATES

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Quoted shares in Malaysia				
At cost	418,839	418,839	418,839	418,839
At valuation	74,169	74,169	74,169	74,169
	<u>493,008</u>	<u>493,008</u>	<u>493,008</u>	<u>493,008</u>
Unquoted shares at cost	2,130	2,130	-	-
	<u>495,138</u>	<u>495,138</u>	<u>493,008</u>	<u>493,008</u>
Group's share of retained reserves	2,041,388	1,996,126	-	-
	<u>2,536,526</u>	<u>2,491,264</u>	<u>493,008</u>	<u>493,008</u>
Market value of quoted shares	<u>6,843,441</u>	<u>4,760,655</u>	<u>6,843,441</u>	<u>4,760,655</u>

As at 30 September 2009, the carrying values of the investments in associates are represented by:-

	Group	
	2009 RM'000	2008 RM'000
Group's share of aggregate net tangible assets	2,376,189	2,347,193
Group's share of aggregate intangible assets	152,979	136,713
Goodwill on acquisition	7,358	7,358
	<u>2,536,526</u>	<u>2,491,264</u>

Details of the associates are as follows:-

Name of Associates	Country of Incorporation	Percentage of Group Equity Held		Principal Activities
		2009	2008	
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 2008 and the management accounts for the period ended 30 September 2009 have been used.

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

	Group	
	2009 RM'000	2008 RM'000
Total assets	8,610,467	8,516,970
Total liabilities	2,662,021	2,771,732
Revenue	6,663,648	7,864,040
Profit for the year	<u>612,944</u>	<u>1,040,463</u>

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

19. OTHER INVESTMENTS

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Quoted shares at cost - In overseas corporation	11,401	11,401	11,401	11,401
Unquoted shares at cost	14,991	14,991	14,591	14,591
	<u>26,392</u>	<u>26,392</u>	<u>25,992</u>	<u>25,992</u>
Less : Allowance for diminution in value of investment				
- Quoted shares in overseas corporation	(5,430)	(3,231)	(5,430)	(3,231)
- Unquoted shares	(400)	(400)	-	-
	<u>20,562</u>	<u>22,761</u>	<u>20,562</u>	<u>22,761</u>
Market value of quoted shares				
In overseas corporation	5,971	8,170	5,971	8,170

20. DEFERRED TAX

	Group	
	2009 RM'000	2008 RM'000
Balance brought forward	10,464	12,447
Acquisition of a subsidiary (Note 17)	-	(302)
Recognised in the income statement (Note 9)	(1,180)	(1,677)
Exchange translation differences	25	(4)
Balance carried forward	<u>9,309</u>	<u>10,464</u>
Presented after appropriate offsetting as follows:-		
Deferred tax assets	(907)	(944)
Deferred tax liabilities	10,216	11,408
	<u>9,309</u>	<u>10,464</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 2007	(290)	(2)	(63)	(715)	-	(1,070)
Acquisition of a subsidiary (Note 17)	-	-	-	-	(302)	(302)
Recognised in the income statement	(366)	2	11	(69)	(87)	(509)
Exchange translation differences	-	-	-	-	(7)	(7)
At 30 September 2008	(656)	-	(52)	(784)	(396)	(1,888)
Recognised in the income statement	167	(1,088)	(11)	(131)	(176)	(1,239)
Exchange translation differences	-	-	-	-	11	11
At 30 September 2009	(489)	(1,088)	(63)	(915)	(561)	(3,116)

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

Deferred Tax Liabilities of the Group

	Property, plant and equipment RM'000	Revaluation surplus RM'000	Investment property RM'000	Total RM'000
At 1 October 2007	13,447	528	-	13,975
Recognised in the income statement	(1,617)	(8)	-	(1,625)
Exchange translation differences	3	-	-	3
At 30 September 2008	11,833	520	-	12,353
Recognised in the income statement	(948)	(8)	1,015	59
Exchange translation differences	13	-	-	13
At 30 September 2009	10,898	512	1,015	12,425

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

	Group	
	2009 RM'000	2008 RM'000
Unrecognised tax losses	<u>271</u>	<u>155</u>

The unrecognised tax losses are available indefinitely for offset against future taxable profits.

21. INVENTORIES

	Group	
	2009 RM'000	2008 RM'000
At Cost		
Finished goods	4,080	9,566
Work-in-progress	264	251
Raw materials	13,938	18,387
Stores and consumables	13,124	14,633
	<u>31,406</u>	<u>42,837</u>
At Net realisable value		
Finished goods	1,256	-
Work-in-progress	31	-
	<u>1,287</u>	<u>-</u>
	<u>32,693</u>	<u>42,837</u>

The cost of inventories recognised as an expense during the financial year in the Group amounted to approximately RM164,044,000 (2008 : RM198,516,000).

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

22. TRADE RECEIVABLES

	Group	
	2009 RM'000	2008 RM'000
Included herein are:-		
Trade receivables from related parties being companies in which certain Directors have significant interests	34,470	49,688

The above are balances in connection with related party transactions disclosed in Note 33. 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 except that certain subsidiaries trade only with two major customers. Trade receivables are non-interest bearing.

23. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Other receivables (Note (a))	1,891	1,730	-	14
Advances for plasma plantation projects (Note (b))	14,158	3,585	-	-
Deposits	1,462	754	13	13
Prepayments	2,915	3,736	-	-
	20,426	9,805	13	27

	Group	
	2009 RM'000	2008 RM'000
a) Other receivables		

Included herein are:-

Amounts owing by related parties being companies in which certain Directors have significant interests	16	14
Amount owing by an associate	248	1,254

The above are balances in connection with related party transactions disclosed in Note 33. 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.

(b) Advances for plasma plantation projects

The plantation subsidiary in Indonesia participated in a "Kredit Koperasi Primer untuk Anggotanya" ("Plasma Plantation") to provide financing and to assist in the development of oil palm plantation for the benefit of the communities in the vicinity of their operations. 8% interest is chargeable on the advances for the plasma plantation projects.

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

24. AMOUNTS OWING BY/(TO) SUBSIDIARIES

	Company	
	2009 RM'000	2008 RM'000
Amounts owing by subsidiaries:-		
Current accounts	659	420
Unsecured, interest-free advances	48,047	129,579
	<u>48,706</u>	<u>129,999</u>
Amounts owing to a subsidiary:-		
Unsecured, interest-free advances	-	945

Amounts owing by/(to) subsidiaries denominated in currencies other than the functional currency are as follows:-

	2009	2008
	RM'000	RM'000
Indonesian Rupiah	78,477	-
United States Dollar	-	47,241

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

25. CASH AND CASH EQUIVALENTS

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Fixed income trust funds in Malaysia	149,488	44,082	61,252	-
Deposits with licensed banks	29,388	35,409	5,050	3,260
Cash and bank balances	6,688	2,048	50	46
	<u>185,564</u>	<u>81,539</u>	<u>66,352</u>	<u>3,306</u>

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

	Group		Company	
	2009 %	2008 %	2009 %	2008 %
Fixed income trust funds	1.82 - 2.96	3.31	1.82 - 1.87	-
Licensed banks	1.00 - 5.40	2.60 - 8.25	1.40	2.60 - 2.70

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

	Group		Company	
	2009 Days	2008 Days	2009 Days	2008 Days
Fixed income trust funds	30 - 34	30 - 31	31 - 34	-
Licensed banks	1 - 92	1 - 21	4	3 - 4

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

26. NON-CURRENT ASSET HELD FOR SALE

	Group	
	2009 RM'000	2008 RM'000
Unquoted shares, at cost	-	3,855

The directors of a subsidiary had resolved to dispose of its investment held in P.T. Sekarbumi Alamlestari, an unquoted company incorporated in Indonesia. The investment had 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 30 September 2008. The investment was disposed of during the financial year.

27. SHARE CAPITAL

	Group and Company			
	2009		2008	
	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	<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 share buy back can be applied in the best interests of the Company and its shareholders.

During the year, the Company bought back a total of 1,855,700 of its issued shares from the open market for a total cost of RM14,248,488. The average price paid for the shares bought back was RM7.65 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, 10,370,800 are held as treasury shares by the Company. As at 30 September 2009, the number of outstanding shares issued and fully-paid, after deducting treasury shares held, is 425,580,200 (2008 : 427,435,900) shares of RM1 each.

28. RESERVES

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Non-distributable:				
Revaluation reserve	715	715	25	25
Exchange fluctuation reserve	996	(1,379)	-	-
Capital reserve	<u>271,072</u>	<u>271,072</u>	<u>-</u>	<u>-</u>
	<u>272,783</u>	<u>270,408</u>	<u>25</u>	<u>25</u>
Distributable:				
Capital reserve	237,991	236,045	85,647	85,647
Revenue reserve - General reserve	164,627	140,108	6,739	6,739
- Retained profits	1,923,165	1,827,757	328,518	263,484
Share buy back	<u>(79,206)</u>	<u>(64,957)</u>	<u>(79,206)</u>	<u>(64,957)</u>
	<u>2,246,577</u>	<u>2,138,953</u>	<u>341,698</u>	<u>290,913</u>
	<u>2,519,360</u>	<u>2,409,361</u>	<u>341,723</u>	<u>290,938</u>

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

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.

(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 monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

(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 has elected for the irrevocable option to disregard the 108 balance with effect from 19 March 2009. Hence, the Company will be able to distribute dividends out of its entire retained profits as at 30 September 2009 under the single tier system.

The Company did not elect for the irrevocable option to disregard the 108 balance as at 30 September 2008. Accordingly, the Company may utilise the credit in the 108 balance as at 30 September 2008 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 30 September 2008, the Company has sufficient credit in the 108 balance to pay franked dividends amounting to RM29.1 million out of its retained profits. If the balance of the retained profits of RM150.7 million were to be distributed as dividends, the Company may distribute such dividends under the single tier system.

As at 30 September 2009, the Company has tax exempt income available for distribution of approximately RM153.3 million (2008 : RM111.1 million).

(e) Share buy back

Of the Company's retained profits at year end of RM328,518,000, RM79,206,000 was utilised for the purchase of the treasury shares and is considered as non-distributable.

Details of treasury shares are disclosed on page 33 and in Note 27.

29. PROVISION FOR RETIREMENT BENEFITS

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
At 1 October	3,202	2,912	66	59
Provision during the year	710	364	19	7
Payments	(236)	(74)	(67)	-
Currency translation differences	1	-	-	-
At 30 September	<u>3,677</u>	<u>3,202</u>	<u>18</u>	<u>66</u>
Represented by:-				
Payable not later than 1 year	343	125	-	61
Payable later than 1 year	3,334	3,077	18	5
	<u>3,677</u>	<u>3,202</u>	<u>18</u>	<u>66</u>

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

30. BANK BORROWING

	Group	
	2009 RM'000	2008 RM'000
Term loans (secured):-		
Current	4,000	-
Non-current	31,583	-
	<u>35,583</u>	<u>-</u>

Analysis of repayments of borrowing:-

	Year of maturity	Less than 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000
Term loans (secured)	2013	<u>4,000</u>	<u>8,000</u>	<u>8,000</u>	<u>8,000</u>	<u>7,583</u>

The above term loans are to be fully repaid within 5 years and the fixed interest rate applicable is 4.65% per annum.

The term loans are secured by the following:-

- (i) first legal charge on the freehold land and building of a subsidiary as disclosed in Note 13;
- (ii) assignment of all rental or lease or other agreements of a rental or an income yielding nature which shall be entered into from time to time in respect of an investment property of a subsidiary.

31. TRADE PAYABLES

	Group	
	2009 RM'000	2008 RM'000
Included herein are:-		
Amounts owing to related parties being companies in which certain Directors have significant interests	<u>1,660</u>	<u>2,473</u>

The above are balances in connection with related party transactions disclosed in Note 33. The amounts owing are unsecured and non-interest bearing.

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

32. OTHER PAYABLES AND ACCRUALS

	Group	
	2009 RM'000	2008 RM'000
Included herein are:-		
Amounts owing to related parties being companies in which certain Directors have significant interests	<u>174</u>	<u>62</u>

The above are balances in connection with related party transactions disclosed in Note 33. The amounts owing are unsecured, non-interest bearing and with no fixed terms of repayment.

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

33. RELATED PARTY TRANSACTIONS

The Company has a controlling related party relationship with its subsidiaries as disclosed in Note 17 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	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
(a) Transactions with associates				
BASF See Sen Sdn Bhd				
- Processing fee earned	567	600	-	-
- Sale of finished goods	1,955	4,138	-	-
- Sale of electricity	441	629	-	-
- Supply of manpower	96	96	-	-
Procurement of air charter services from				
- Kuala Lumpur Kepong Bhd	18	21	-	-
Manpower charges charged by				
- KL-Kepong Edible Oil Sdn Bhd	1	2	-	-
Rental of premises charged by				
- Taiko Plantations Sdn Bhd	96	96	96	96
Project management fees charged by				
- KL-Kepong Property Development Sdn Bhd	1,002	-	-	-
Rental of premises earned from				
- KL-Kepong Property Development Sdn Bhd	55	-	-	-
Rental of premises earned from				
- KL-Kepong Industrial Holdings Sdn Bhd	299	-	-	-
Plantation agency fees charged by				
- PT KLK Agriservindo	132	-	-	-
Sales of fresh fruit bunch to				
- PT Hutan Hijau Mas	739	-	-	-

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
(b) Transactions with other related parties being companies in which persons connected with certain Directors have significant interests				
Purchase of raw materials and finished goods from				
- Taiko Marketing Sdn Bhd	30,172	30,714	-	-
- Taiko Acid Works Sdn Bhd	498	273	-	-
- Taiko Drum Industries Sdn Bhd	402	631	-	-
- Hydro-K Management (M) Sdn Bhd	6	3	-	-
- Taiko Alumina Sdn Bhd	-	52	-	-
Rental of premises earned from				
- Taiko Marketing Sdn Bhd	228	228	-	-
Management fees and handling charges earned from				
- Taiko Marketing Sdn Bhd	136	13	-	-
Freight income earned from				
- Taiko Marketing Sdn Bhd	960	1,213	-	-
- Taiko Bleaching Earth Sdn Bhd	-	130	-	-
- Oriken Chemicals Sdn Bhd	1	171	-	-
- Chlor-Al Chemical Pte Ltd	69	26	-	-
Sale of indirect materials and finished goods to				
- Taiko Marketing Sdn Bhd	115,854	123,176	-	-
- Taiko Marketing (S) Pte Ltd	3,863	3,833	-	-
- Chlor-Al Chemical Pte Ltd	20,942	23,255	-	-
- Taiko Acid Works Sdn Bhd	86	-	-	-
- Taiko Bleaching Earth Sdn Bhd	1	-	-	-
- Premier Bleaching Earth Sdn Bhd	3,957	5,029	-	-
- Hydro-K Management (M) Sdn Bhd	-	52	-	-
Sales commissions charged by				
- Taiko Marketing Sdn Bhd	1,421	976	-	-
- Taiko Alumina Sdn Bhd	-	2	-	-
- Chlor-Al Chemical Pte Ltd	400	457	-	-

Information regarding outstanding balances arising from related party transactions at balance sheet date are disclosed in Note 22, 23, 31 and 32.

(c) 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	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Short-term employee benefits	4,567	4,064	2,426	2,483
Post-employment benefits:-				
Defined contribution plan	524	326	239	104
Other benefits	66	49	-	-
	5,157	4,439	2,665	2,587
Included in the total compensation of key management personnel are:-				
Directors' remuneration	2,882	2,773	2,447	2,427

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

Other significant related party transaction entered into since the end of the previous year by the Company or its subsidiaries which involved the interests of Directors or substantial shareholders was the disposal of a 17% equity stake consisting of 9,860 shares of Rp1,000,000 each in PT Sekarbumi Alamlestari, for a total cash consideration of USD12,823,770 to KL-Kepong Plantation Holdings Sdn Bhd, a wholly owned subsidiary of the Company's associate, Kuala Lumpur Kepong Berhad, by Forever Green Venture Limited, a wholly owned subsidiary of the Company.

34. CAPITAL COMMITMENTS

	Group	
	2009	2008
	RM'000	RM'000
Authorised and contracted for	25,717	37,886
Authorised but not contracted for	165,430	164,405
	<u>191,147</u>	<u>202,291</u>

35. 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, money lending and rental income from office building.

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.

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

(a) Information on Business Segments

2009

Revenue	Investment Holding RM'000	Chemicals RM'000	Plantations RM'000	Adjustments RM'000	Consolidated RM'000
External sales					
Chemicals	-	219,084	-	(6,517)	212,567
Transportation services	-	24,430	-	(4,157)	20,273
Dividend - subsidiaries	43,894	-	-	(43,894)	-
Dividend - associate - quoted in Malaysia	322,336	-	-	(322,336)	-
Dividend - other investments					
- quoted in Malaysia	556	653	-	-	1,209
- quoted outside Malaysia	182	-	-	-	182
- unquoted	2,154	-	-	-	2,154
	369,122	653	-	(366,230)	3,545
Interest income	235	471	46	(155)	597
Rental income	399	-	-	-	399
Palm products	-	-	739	-	739
Management fees	-	28	-	-	28
	369,756	244,666	785	(377,059)	238,148
Inter-segment sales	-	-	-	-	-
	369,756	244,666	785	(377,059)	238,148

Results

Segment result	411,431	28,072	(8,138)	(365,157)	66,208
Interest expense	(959)	(32)	-	155	(836)
Share of results of associates	285,211	133	-	-	285,344
Profit before taxation	695,683	28,173	(8,138)	(365,002)	350,716
Taxation					(9,029)
Profit for the year					341,687

Other Information

Segment assets	473,495	315,984	82,635	(322,184)	549,930
Associates	493,008	1,703	-	2,041,815	2,536,526
Unallocated corporate assets	1,753	731	-	232	2,716
Consolidated assets	968,256	318,418	82,635	1,719,863	3,089,172
Segment liabilities	88,277	25,258	81,405	(130,984)	63,956
Unallocated corporate liabilities	-	10,587	47	(123)	10,511
Consolidated liabilities	88,277	35,845	81,452	(131,107)	74,467
Capital expenditure	9,205	20,403	2,282	-	31,890
Depreciation of property, plant and equipment	189	17,043	59	(111)	17,180
Depreciation of investment properties	888	40	-	-	928
Amortisation of prepaid land lease payments	-	408	49	(58)	399
Amortisation of biological assets	-	-	96	-	96
Other non-cash expenses:					
Plant and equipment written off	-	109	-	-	109
Provision for retirement benefits	18	676	16	-	710
Allowance for diminution in value of investment	8,382	-	-	(6,183)	2,199

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Notes to the Financial Statements (Continued)

2008

Revenue	Investment				Consolidated RM'000
	Holding RM'000	Chemicals RM'000	Plantations RM'000	Adjustments 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	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
Profit before taxation	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
Amortisation of investment property	-	40	-	-	40
Depreciation 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

(b) Revenue by geographical location of customers

	2009 RM'000	2008 RM'000
Malaysia	175,845	259,385
Asia	62,303	24,702
	238,148	284,087

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	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Malaysia	3,002,664	2,891,819	29,608	34,443
Indonesia	82,635	58,667	2,282	6,037
Others	3,873	5,073	-	-
	<u>3,089,172</u>	<u>2,955,559</u>	<u>31,890</u>	<u>40,480</u>

36. 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 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. The Group's interest-bearing borrowing is disclosed in Note 30.

The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes. As at 30 September 2009, 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, Euro, Indonesian Rupiah 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 and appropriate, 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	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
Group				
As at 30 September 2009:-				
Ringgit Malaysia	8,605	3,672	15,866	28,143
As at 30 September 2008:-				
Ringgit Malaysia	2,702	3,240	8,752	14,694
Company			United States Dollar RM'000	Total RM'000
As at 30 September 2009:-				
Ringgit Malaysia			-	-
As at 30 September 2008:-				
Ringgit Malaysia			(660)	(660)

As at 30 September 2009, the Group has entered into forward foreign exchange contracts with the following notional amounts and maturities:-

As at 30 September 2009:-	Currency	Matures Within 1 Year RM'000	Total RM'000
Forwards used to hedge trade receivables	Singapore Dollar	4,549	4,549
As at 30 September 2008:-			
Forwards used to hedge trade receivables	Singapore Dollar	4,445	4,445

(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 2009 are not materially different from their carrying values, except for the following:-

Group	2009		2008	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Term loans	31,583	29,825	-	-

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

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

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

(ii) Non-Current Unquoted Investments

It is not practicable to estimate the fair value of the Group's and the Company'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 Companies

It is also not practicable to determine the fair values of amounts owing from subsidiaries, associates and related companies 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 36(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.

37. OPERATING LEASE ARRANGEMENT

The Group as lessor

The Group has entered into non-cancellable lease agreements on its investment properties portfolio. These leases have remaining non-cancellable lease terms of 2 to 8 years. All leases include a clause to enable upward revision of the rental charge based on prevailing market conditions.

The future minimum lease payments receivable under non-cancellable operating leases contracted for as at the balance sheet date but not recognised as receivables, are as follows:-

	Group	
	2009 RM'000	2008 RM'000
Not later than 1 year	1,558	186
Later than 1 year and not later than 5 years	2,716	473
	<u>4,274</u>	<u>659</u>

The future minimum lease payment for the remaining lease terms of 5 years are to be mutually agreed in the future years.

Investment properties rental income, recognised in profit or loss during the financial year is disclosed in Note 6.

BATU KAWAN BERHAD

Statement by the Directors and Statutory Declaration

Statement by the Directors

We, Dato' Lee Hau Hian and Dato' 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 2009 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 3 December 2009.

Signed on behalf of the Board in accordance with a resolution of the Directors, dated 3 December 2009.

DATO' LEE HAU HIAN
(Managing Director)

DATO' 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 3 December 2009.

CHONG SEE TECK

Before me,

SRI RENGAM A/L MUTHUSAMY
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 2009 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 38 to 81.

Directors' and management's responsibility for the financial statements

The Directors and management 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 2009 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 financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 17 to the financial statements.
- (c) We are satisfied that the financial statements 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 financial statements 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

OO BOON BENG
1939/12/10 (J)
Chartered Accountant

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

3 December 2009

BATU KAWAN BERHAD

Shareholding Statistics

at 30 November 2009

AUTHORISED SHARE CAPITAL	- RM1,000,000,000
ISSUED & FULLY PAID-UP CAPITAL	- RM435,951,000 (including 10,370,800 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	81	1.42	3,429	0.00
100 - 1,000	1,595	27.99	1,253,578	0.29
1,001 - 10,000	3,011	52.83	11,144,524	2.62
10,001 - 100,000	824	14.46	25,547,311	6.00
100,001 - less than 5% of issued shares	186	3.26	170,506,941	40.06
5% and above of issued shares	2	0.04	217,124,417	51.03
TOTAL	5,699	100.00	425,580,200	100.00

Thirty Largest Securities Accounts Holders

Name	No. of Shares	% of Issued Share Capital [^]
1. Arusha Enterprise Sdn Bhd	189,754,667	44.59
2. Lembaga Kemajuan Tanah Persekutuan (FELDA)	27,369,750	6.43
3. Yeoh Chin Hin Investments Sdn Berhad	15,285,000	3.59
4. HSBC Nominees (Tempatan) Sdn Bhd - A/C Heah Seok Yeong Realty Sdn Bhd	11,475,000	2.70
5. Wan Hin Investments Sdn Berhad	10,808,387	2.54
6. Valuecap Sdn Bhd	9,173,000	2.16
7. Lee Chan Investments Sdn Berhad	9,141,875	2.15
8. HSBC Nominees (Tempatan) Sdn Bhd - A/C Nomura Asset Management Malaysia for Employees Provident Fund	8,555,150	2.01
9. Yeoh Meng Ghee	8,100,000	1.90
10. Leong Wan Chin	6,394,265	1.50
11. Yeoh Chin Hin	6,311,250	1.48
12. Teoh Guat Eng	6,090,188	1.43
13. HSBC Nominees (Tempatan) Sdn Bhd - A/C Heah Seok Yeong Realty Sdn Bhd	3,375,000	0.79
14. Malay Rubber Plantations (Malaysia) Sdn Berhad	2,792,250	0.66
15. High Quest Holdings Sdn Bhd	2,697,615	0.63
16. HSBC Nominees (Tempatan) Sdn Bhd - A/C Di-Yi Sdn Bhd	2,663,375	0.63
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 DEM Value Fund	2,242,250	0.53
19. Elionai Sdn Bhd	1,936,750	0.46
20. Meng Hin Holdings Sdn Bhd	1,815,750	0.43
21. Wan Yuen Mining Kongsi Sdn Bhd	1,755,000	0.41
22. HSBC Nominees (Tempatan) Sdn Bhd - A/C Lee Rubber (Selangor) Sdn Bhd	1,620,000	0.38
23. Arusha Enterprise Sdn Bhd	1,500,000	0.35
24. Leong Wan Chin	1,500,000	0.35
25. HSBC Nominees (Tempatan) Sdn Bhd - A/C Lyne Ching Sdn Bhd	1,485,000	0.35
26. Malay-Sino Formic Acid Sdn Bhd	1,442,700	0.34
27. Citigroup Nominees (Asing) Sdn Bhd - A/C CB LDN for First State Asia Pacific Fund	1,290,882	0.30
28. DB (Malaysia) Nominee (Tempatan) Sendirian Berhad - A/C Exempt An for Deutsche Trustees Malaysia Berhad	1,215,900	0.29
29. Employees Provident Fund Board - A/C Unit Depositori Pusat	1,203,740	0.28
30. HSBC Nominees (Asing) Sdn Bhd - A/C Exempt An for Credit Suisse	1,082,800	0.25
TOTAL	342,506,419	80.48

[^] Calculated based on 425,580,200 shares which do not include 10,370,800 treasury shares.

BATU KAWAN BERHAD

Shareholding Statistics at 30 November 2009 (Continued)

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	10,808,387	198,476,367	49.18 #
2. Arusha Enterprise Sdn Bhd *	191,554,667	6,908,700	46.63
3. Lembaga Kemajuan Tanah Persekutuan (FELDA)	27,369,750	-	6.43

Includes the 45.01% held directly by Arusha Enterprise Sdn Bhd and 1.62% by its other subsidiaries.

* 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 425,580,200 shares which do not include 10,370,800 treasury shares.

Directors' Interest in Shares

The details of Directors' interest in the shares of the Company as at 2 December 2009 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	853,815	0.20	213,270,494	50.11
Dato' Lee Hau Hian	624,690	0.15	212,112,869	49.84
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	-	-	4,716,000	1.11
Dato' Yeoh Eng Khoon	315,000	0.07	15,346,500	3.61

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 2009

Location	Tenure	Year Lease Expiring	Titled Hectareage	Description/ Existing use	Date of Acquisition/ Revaluation *	Age of Buildings (Years)	Net Carrying Amount RM'000
Lot 113, 131, 156, 182, 805, 14109 Simpang Ampat, Seberang Perai Selatan, Pulau Pinang.	Freehold	-	1.93	Vacant land	14.07.1980 *	-	9
Lot 67321, Mukim of Sungai Buloh, Petaling Jaya, Selangor Darul Ehsan.	Freehold	-	0.57	Office building #	24.11.2003	-	54,640
PTD 21873 (formerly Plot 276), Pasir Gudang Industrial Estate, Pasir Gudang, Johor Darul Takzim.	Leasehold	2039	2.3	Chemicals factory and	06.10.1979	24	492
				Industrial warehouse #	01.08.2007	2	716
Lot No 3558, Kawasan Perindustrian Teluk Kalung, Mukim Teluk Kalung, Kemaman, Terengganu Darul Iman.	Leasehold	2055	4.0	Chemicals factory	27.12.1995	13	2,185
Lot No 2989, Kawasan Perindustrian Teluk Kalung, Mukim Teluk Kalung, Kemaman, Terengganu Darul Iman.	Leasehold	2055	7.74	Chemicals factory	12.11.1995	13	1,551
Lot No 5441, Kawasan Perindustrian Teluk Kalung, Mukim Teluk Kalung, Kemaman, Terengganu Darul Iman.	Leasehold	2056	0.9	Acid pipeline	03.09.2003	-	122
Lot No 4735, Kawasan Perindustrian Teluk Kalung, Mukim Teluk Kalung, Kemaman, Terengganu Darul Iman.	Leasehold	2025	5.0	Vacant industrial land	01.01.1996	-	2,213
Lot No 70810, 70811, 4.5 Miles, Jalan Lahat, Ipoh, Perak Darul Ridzuan.	Leasehold	2074	5.46	Chemicals factory	11.03.1996 *	33	3,801
Lot 541, Plot 7, Kg Acheh Industrial Estate, Sitiawan, Perak Darul Ridzuan.	Leasehold	2087	1.21	Industrial land with warehouse	21.03.1996 *	20	1,038
Lot PT 4406, Kawasan Perindustrian Teluk Kalung, Mukim Teluk Kalung, Kemaman, Terengganu Darul Iman.	Leasehold	2056	6.13	Chemicals factory	25.08.1996	11	9,598
Lot No 4524, Kawasan Perindustrian Teluk Kalung, Mukim Teluk Kalung, Kemaman, Terengganu Darul Iman.	Leasehold	2059	7.84	Chemicals factory	23.06.1999	6	2,265
Lot No 9878, Plot 6, Kg Acheh Industrial Estate, Sitiawan, Perak Darul Ridzuan.	Leasehold	2093	0.43	Industrial land with warehouse	21.03.1996 *	14	516
Lot No 202186, 202187, 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 *	14	1,263
Hak Guna Usaha No 24 Gunung Tabur, Berau, Kalimantan Timur, Indonesia.	Leasehold	2044	12.46	Oil palm estate	09.10.2007	1	3,109
# Investment properties						Total	<u>83,518</u>

Notes

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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, 24 February 2010 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-appointment of Directors pursuant to Section 129(6), Companies Act, 1965:- R.M. Alias		
4.	Tan Sri Dato' Thong Yaw Hong		
5.	Dato' Mustafa bin Mohd Ali		
6.	Approve the payment of Directors' fees		
7.	Re-appointment of Messrs. Ernst & Young as Auditors and to authorise the Directors to fix their remuneration		
8.	Proposed Authority to Buy Back its Own Shares by the Company		
9.	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.**

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