

**BATU KAWAN BERHAD** (6292-U)

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ANNUAL REPORT FOR THE YEAR ENDED 30 SEPTEMBER

**2013**

# BATU KAWAN BERHAD

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# BATU KAWAN BERHAD

## Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Forty-ninth ANNUAL GENERAL MEETING of the members of the Company will be held at its Registered Office, Wisma Taiko, No. 1, Jalan S. P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan, Malaysia on Wednesday, 19 February 2014 at 2.15 p.m. for the following purposes:

1. To receive the Financial Statements for the year ended 30 September 2013 and the Directors' and Auditors' Reports thereon. (Please Refer Note 1)
2. To approve the payment of a final single tier dividend of 40 sen per share for the year ended 30 September 2013. (Ordinary Resolution 1)
3. To re-elect Tan Sri Dato' Seri Lee Oi Hian who retires as a director in accordance to the Company's Articles of Association. (Ordinary Resolution 2)
4. To consider and, if thought fit, pass resolutions pursuant to Section 129(6) of the Companies Act, 1965 to re-appoint the following as Directors of the Company to hold office until the next Annual General Meeting of the Company:
  - (a) R.M. Alias; (Ordinary Resolution 3)
  - (b) Tan Sri Datuk Seri Utama Thong Yaw Hong; and (Ordinary Resolution 4)
  - (c) Dato' Mustafa bin Mohd Ali. (Ordinary Resolution 5)
5. To approve Directors' fees for the year ended 30 September 2013 amounting to RM765,000 (2012 : RM765,000). (Ordinary Resolution 6)
6. To consider and, if thought fit, to pass the following ordinary resolution: (Ordinary Resolution 7)

"THAT Messrs. KPMG be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs. Ernst & Young and to hold office until the conclusion of the next Annual General Meeting of the Company AND THAT authority be and is hereby given for the Directors to determine their remuneration."

7. As SPECIAL BUSINESS, to consider and, if thought fit, pass the following Resolutions:
  - (a) PROPOSED AUTHORITY TO BUY BACK ITS OWN SHARES BY THE COMPANY (Ordinary Resolution 8)

"THAT authority be given to the Company to buy back an aggregate number of ordinary shares of RM1.00 each in the Company ("Authority to Buy Back Shares") as may be determined by the Directors from time to time through Bursa Malaysia Securities Berhad ("Bursa Malaysia") upon such terms and conditions as the Directors may deem fit and expedient in the best interests of the Company provided that at the time of purchase, the aggregate number of shares purchased pursuant to this resolution does not exceed 10% of the total issued and paid-up share capital of the Company and that the maximum fund to be allocated for the Authority to Buy Back Shares shall not exceed the latest audited retained profits of the Company 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 Authority to Buy Back Shares with full powers to assent to any conditions, modifications, revaluations, variations and/or amendment (if any) as may be imposed by the relevant authorities AND THAT such Authority shall commence upon passing of this ordinary resolution and will expire at the conclusion of the next Annual General Meeting ("AGM") of the Company following the passing of this ordinary resolution or the expiry of the period within which the next AGM is required by law to be held (unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting) but not so as to prejudice the completion of a purchase by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the guidelines issued by Bursa Malaysia 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 Appendix II of the Circular to Shareholders dated 27 December 2013 involving the interests of Directors, major shareholders or persons connected with Directors or major shareholders ("Related Parties") of the Company and/or its subsidiaries provided that such arrangements and/or transactions are:

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

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

- (i) the conclusion of the next Annual General Meeting of the Company following the Annual General Meeting at which such mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or
- (ii) the expiration of the period within which the next Annual General Meeting after the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965; or
- (iii) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is earlier.

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

8. To transact any other ordinary business.

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

Ipoh,  
Perak Darul Ridzuan,  
Malaysia.

27 December 2013

# BATU KAWAN BERHAD

## Notice of Annual General Meeting (Continued)

### NOTES:

- (1) This item is meant for discussion only as under Section 169(1) of the Companies Act, 1965 and the Company's Articles of Association, the Audited Financial Statements are to be laid at the general meeting and do not require a formal approval of the shareholders. Hence, this matter will not be put forward for voting.
- (2) A member, other than an exempt authorised nominee who may appoint multiple proxies in respect of each Omnibus Account held, is entitled to appoint only one proxy to vote in his stead. The proxy need not be a member of the Company.
- (3) The instrument appointing the proxy, to be valid, must be deposited at the Registered Office of the Company at Wisma Taiko, No. 1, Jalan S. P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan, not less than 48 hours before the time for holding the meeting.
- (4) For purposes of determining shareholders who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company pursuant to Article 56(4)(c) of the Articles of Association of the Company and Paragraph 7.16(2) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, a Record of Depositors as of 12 February 2014 and a shareholder whose name appears on such Record of Depositors or Register of Members on such date shall be entitled to attend this meeting or appoint proxy to attend and/or vote in his stead.
- (5) The final single tier dividend, if approved, will be paid on 20 March 2014 to all shareholders on the Register of Members as at 24 February 2014.

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

- (a) securities deposited into the Depositor's Securities Account before 12.30 p.m. on 20 February 2014 in respect of securities which are exempted from mandatory deposit;
  - (b) securities transferred into the Depositor's Securities Account before 4.00 p.m. on 24 February 2014 in respect of transfers; and
  - (c) securities bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.
- (6) 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 2 to 5 are shown on pages 10 to 12 of this 2013 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 42 to 43.
  - (7) Ordinary Resolution 7 under item 6, if passed, will allow the appointment of Messrs. KPMG as the Auditors of the Company in place of the retiring Auditors, Messrs. Ernst & Young. Our auditors, Messrs. Ernst & Young had indicated that they do not wish to seek re-appointment at the Forty-ninth Annual General Meeting of the Company. The Company received a Notice of Nomination of Auditors pursuant to Section 172(11) of the Companies Act, 1965 for the nomination of Messrs. KPMG who have given their consent to act as the Auditors of the Company in place of the retiring Auditors, Messrs. Ernst & Young. A copy of the Notice of Nomination of Auditors dated 13 December 2013 is annexed as "Appendix A" to the Notice of this Forty-ninth Annual General Meeting.
  - (8) Ordinary Resolution 8 under item 7(a), if passed, is to give authority to Directors to buy back the Company's own shares. This authority will expire at the next Annual General Meeting of the Company unless earlier revoked or varied by ordinary resolution of the Company at a general meeting.
  - (9) Ordinary Resolution 9 under item 7(b), if passed, will allow the Group to enter into Recurrent Related Party Transactions of a Revenue or Trading Nature in the ordinary course of business made on normal commercial terms not more favourable to the related parties than those generally available to the public, and are not to the detriment of the minority shareholders.

By obtaining the Proposed Shareholders' Mandate under Ordinary Resolution 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 2013 Annual Report.

(A proxy form is attached with this Annual Report)

# BATU KAWAN BERHAD

## Notice of Annual General Meeting (Continued)

APPENDIX A



**ODD LOT HOLDINGS SDN BHD** (13677-U)  
(STOCK & SHARE DEALERS)

**HOUSE OF ODD LOT SECURITIES**  
*ESTABLISHED 1973*

P. O. BOX 429  
30750 IPOH  
MALAYSIA

**Directors:**  
LEE NGEOW SENG  
NG SIEW HING

Our Ref:

Your Ref:

13 December 2013

The Board of Directors  
Batu Kawan Berhad  
Wisma Taiko  
No. 1, Jalan S.P Seenivasagam  
30000 Ipoh, Perak

Dear Sirs,

**RE: NOTICE OF NOMINATION OF AUDITORS**

Pursuant to Section 172(11) of the Companies Act, 1965, we, being a shareholder of Batu Kawan Berhad ("BKB"), hereby give notice of our intention to nominate Messrs. KPMG for appointment as new Auditors of BKB in place of Messrs. Ernst & Young at the forthcoming Forty-ninth Annual General Meeting of BKB.

Accordingly, we propose that the following ordinary resolution be tabled at the forthcoming Forty-ninth Annual General Meeting of BKB:

"THAT Messrs. KPMG be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs. Ernst & Young and to hold office until the conclusion of the next Annual General Meeting of the Company AND THAT authority be and is hereby given for the Directors to determine their remuneration."

Thank you.

Yours faithfully  
ODD LOT HOLDINGS SDN BHD (13677-U)

.....  
(Lee Ngeow Seng)  
Managing Director

# BATU KAWAN BERHAD

## Notis Mesyuarat Agung Tahunan

**DENGAN INI DIBERITAHU** bahawa MESYUARAT AGUNG TAHUNAN pemegang-pemegang saham Syarikat yang Ke Empat Puluh Sembilan akan diadakan di Pejabat Berdaftar di Wisma Taiko, No. 1, Jalan S. P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan, Malaysia pada hari Rabu, 19 Februari 2014 pada jam 2.15 petang untuk tujuan-tujuan berikut:

1. Menerima Penyata Kewangan bagi tahun berakhir 30 September 2013 dan Laporan Lembaga Pengarah dan Juruaudit. (Sila Rujuk Nota 1)
2. Meluluskan bayaran dividen akhir "single tier" 40 sen sesaham bagi tahun berakhir 30 September 2013. (Resolusi Biasa 1)
3. Melantik semula Tan Sri Dato' Seri Lee Oi Hian yang bersara sebagai pengarah menurut Tataurus Syarikat. (Resolusi Biasa 2)
4. Mempertimbangkan dan sekiranya wajar, meluluskan resolusi menurut Seksyen 129(6) Akta Syarikat, 1965 bagi melantik semula penama berikut sebagai Pengarah Syarikat untuk berkhidmat hingga Mesyuarat Agung Tahunan Syarikat tahun berikutnya:
  - (a) R.M. Alias; (Resolusi Biasa 3)
  - (b) Tan Sri Datuk Seri Utama Thong Yaw Hong; dan (Resolusi Biasa 4)
  - (c) Dato' Mustafa bin Mohd Ali. (Resolusi Biasa 5)
5. Meluluskan bayaran yuran Pengarah-Pengarah sebanyak RM765,000 bagi tahun berakhir 30 September 2013 (2012 : RM765,000). (Resolusi Biasa 6)
6. Untuk pertimbangan dan jika sesuai, meluluskan resolusi biasa di bawah: (Resolusi Biasa 7)

"BAHAWA Tetuan KPMG dengan ini dilantik sebagai Juruudit Syarikat menggantikan Tetuan Ernst & Young yang akan bersara dan memegang jawatan tersebut sehingga berakhirnya Mesyuarat Agung Tahunan Syarikat selepas itu DAN BAHAWA Pengarah-pengarah adalah diberikan kuasa untuk menentukan ganjaran Juruudit tersebut."

7. Sebagai URUSAN KHAS, untuk menimbang dan sekiranya bersesuaian meluluskan yang berikut sebagai Resolusi-Resolusi:

- (a) CADANGAN MEMBERI KUASA MEMBELI BALIK SAHAM SENDIRI OLEH SYARIKAT (Resolusi Biasa 8)

"BAHAWA kuasa diberi kepada Syarikat untuk membeli balik sejumlah agregat 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 Malaysia") 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 dan amaun yang tidak melebihi jumlah keuntungan terkumpul Syarikat yang terkini dan diaudit akan diperuntukkan untuk Cadangan Memberi Kuasa Membeli Balik Saham 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, ubahsuaian, 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 Malaysia 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-subsidiarinya untuk mementerai perjanjian atau menangani transaksi dengan pihak-pihak yang berkaitan seperti yang tertera di Appendik II dalam Surat Pekeliling kepada pemegang-pemegang saham bertarikh 27 Disember 2013 yang melibatkan kepentingan Pengarah-pengarah atau pemegang saham utama atau pihak-pihak yang berkaitan dengan Pengarah-pengarah atau pemegang-pemegang saham utama (“Pihak-pihak berkaitan”) syarikat dan/atau subsidiari-subsidiarinya sekiranya transaksi-transaksi tersebut adalah:

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

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

- (i) penamatan Mesyuarat Agung Tahunan Syarikat selepas Mesyuarat Agung Tahunan pada mana mandat tersebut diluluskan bila mana ia akan luput, melainkan resolusi diluluskan untuk memperbaharui mandat, diperolehi dalam mesyuarat tersebut; atau
- (ii) tamatnya tempoh bilamasa Mesyuarat Agung Tahunan perlu diadakan mengikut seksyen 143(1) Akta Syarikat, 1965 (tetapi tidak dilanjutkan kepada lanjutan yang dibenarkan dibawah seksyen 143(2) Akta Syarikat, 1965 tersebut); atau
- (iii) dimansuhkan atau diubah oleh suatu resolusi yang diluluskan oleh pemegang-pemegang saham dalam mesyuarat agung;

yang mana lebih terdahulu.

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

8. Menguruskan lain-lain perkara biasa.

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

Ipoh,  
Perak Darul Ridzuan,  
Malaysia.

27 Disember 2013



# BATU KAWAN BERHAD

## Notis Mesyuarat Agung Tahunan (Sambungan)

### NOTA-NOTA:

- (1) Perkara ini bertujuan sebagai perbincangan sahaja seperti di bawah Seksyen 169(1) Akta Syarikat, 1965 dan Tataurusian Pertubuhan Syarikat, Penyata Kewangan Diaudit akan dibentangkan di mesyuarat agung dan tidak memerlukan kelulusan formal pemegang saham. Justeru, perkara ini tidak dibentangkan untuk undian.
- (2) Seorang pemegang saham Syarikat, selain daripada nomini diberi kuasa berkecuali yang boleh melantik beberapa proksi berhubung dengan setiap Akaun Omnibus, adalah berhak melantik seorang proksi sahaja untuk menghadiri dan mengundi bagi pihaknya. Proksi tersebut tidak semestinya seorang pemegang saham Syarikat.
- (3) Suratcara perlantikan proksi, supaya ianya sah, hendaklah sampai ke Pejabat Berdaftar Syarikat di Wisma Taiko, No. 1, Jalan S. P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan, tidak kurang daripada 48 jam sebelum mesyuarat ini diadakan.
- (4) Bagi tujuan menentukan pemegang saham yang berhak untuk menghadiri mesyuarat ini, Syarikat akan meminta Bursa Malaysia Depository Sdn Bhd menyediakan untuk Syarikat menurut Artikel 56(4)(c) Tataurusian Pertubuhan Syarikat dan Perenggan 7.16(2) Keperluan Penyenaraian Pasaran Utama Bursa Malaysia Securities Berhad, satu Rekod Pendeposit pada 12 Februari 2014 dan pemegang saham yang namanya terkandung di dalam Rekod Pendeposit atau Rekod Pendaftaran Ahli pada tarikh tersebut adalah layak untuk menghadiri mesyuarat ini atau melantik proksi untuk hadir dan/atau mengundi bagi pihaknya.
- (5) Dividen akhir "single tier", jika diluluskan, akan dibayar pada 20 Mac 2014 kepada semua pemegang-pemegang saham yang didaftarkan dalam Buku Pendaftaran Ahli pada 24 Februari 2014.

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

- (a) saham yang didepositkan ke dalam akaun sekuriti pendeposit sebelum pukul 12.30 petang pada 20 Februari 2014 berhubung dengan saham yang dikecualikan daripada deposit mandatori;
  - (b) saham yang dipindahkan ke dalam akaun sekuriti pendeposit sebelum pukul 4.00 petang pada 24 Februari 2014 berhubung dengan pindahan; dan
  - (c) saham yang dibeli di Bursa Malaysia Securities Berhad pada dasar bersama kelayakan menurut Peraturan Bursa Malaysia Securities Berhad.
- (6) Profil para pengarah (bersama dengan kehadiran mereka dalam Mesyuarat Lembaga Pengarah) yang akan dipilih atau dilantik semula sebagai pengarah-pengarah syarikat untuk resolusi-resolusi 2 hingga 5 tertera pada mukasurat 10 hingga 12 dalam Laporan Tahunan 2013. Kedudukan saham mereka di dalam syarikat induk dan syarikat-syarikat berkaitan dengannya serta kedudukan saham di dalam Syarikat dan subsidiari-subsidiari tertera pada mukasurat 42 hingga 43.
  - (7) Cadangan Resolusi Biasa 7 di bawah perenggan 6, jika diluluskan, akan membenarkan perlantikan Tetuan KPMG sebagai Juruodit Syarikat menggantikan Juruodit Tetuan Ernst & Young yang akan bersara. Juruodit kita Tetuan Ernst & Young telah menyatakan hasrat untuk tidak dipilih semula pada Mesyuarat Agung Tahunan Syarikat yang ke Empat Puluh Sembilan. Syarikat telah menerima Notis Pencalonan Juruodit yang mencalonkan Tetuan KPMG yang bersetuju dilantik sebagai Juruodit Syarikat menggantikan Tetuan Ernst & Young yang akan bersara. Sesalinan Notis tersebut yang bertarikh 13 Disember 2013 dilampirkan sebagai "Appendix A" dalam Notis Mesyuarat Agung Tahunan ke Empat Puluh Sembilan ini.
  - (8) Cadangan Resolusi Biasa 8 di bawah perenggan 7(a) jika diluluskan bertujuan memberi kuasa kepada para pengarah untuk membeli balik saham Syarikat pada satu masa bila mana terma dan syarat-syarat pengarah-pengarah mendapati sesuai dengan kepentingan Syarikat. Bidang kuasa ini akan luput pada Mesyuarat Agung Tahunan yang akan datang melainkan sekiranya diimansuhkan atau diubah melalui resolusi biasa Syarikat dalam suatu mesyuarat umum.
  - (9) Cadangan Resolusi Biasa 9 di bawah perenggan 7(b) jika diluluskan akan membenarkan Kumpulan menjalankan transaksi-transaksi sering berulang bersifat dagangan dengan pihak-pihak berkaitan dalam transaksi perniagaan biasa atas syarat-syarat komersil yang tidak memberikan apa-apa kelebihan kepada pihak berkaitan dan tidak merugikan atau menjejaskan kepentingan pemegang-pemegang saham minoriti.

Dengan mendapatkan mandat pemegang saham yang dicadangkan dalam Resolusi Biasa 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 dijamin 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 2013.

(Sesalinan borang proksi dikembalikan bersama Laporan Tahunan ini).

# BATU KAWAN BERHAD

## Corporate Information

### BOARD OF DIRECTORS

Tan Sri Dato' Seri Lee Oi Hian	- Non-Independent Non-Executive Chairman
Dato' Lee Hau Hian	- Managing Director
R.M. Alias	- Independent Non-Executive Director
Tan Sri Datuk Seri Utama Thong Yaw Hong	- Senior Independent Non-Executive Director
Dato' Mustafa bin Mohd Ali	- Independent Non-Executive Director
Dato' Yeoh Eng Khoon	- Independent Non-Executive Director
Quah Chek Tin	- Independent Non-Executive Director

### COMPANY SECRETARIES

Chong See Teck  
Md Shaizatul Azam bin Che Soda  
Yap Miow Kien

### REGISTERED OFFICE / PRINCIPAL PLACE OF BUSINESS

Wisma Taiko  
No. 1, Jalan S. P. Seenivasagam  
30000 Ipoh  
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Tel : 605-2417844  
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### SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd  
Level 6, Symphony House  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya  
Selangor Darul Ehsan, Malaysia  
Tel : 603-78418000  
Fax : 603-78418151

### 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

### PRINCIPAL BANKERS

Hong Leong Islamic Bank Berhad  
Malayan Banking Berhad  
OCBC Bank (Malaysia) Berhad  
OCBC Al-Amin Bank (Malaysia) Berhad  
Oversea-Chinese Banking Corporation Limited  
Public Bank Berhad  
Standard Chartered Bank Malaysia Berhad  
The Hongkong and Shanghai Banking Corporation Limited

# BATU KAWAN BERHAD

## Board of Directors



**DATO' LEE HAU HIAN**  
Managing Director



**R.M. ALIAS**



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



**TAN SRI DATUK SERI UTAMA  
THONG YAW HONG**



**DATO' MUSTAFA BIN MOHD ALI**



**QUAH CHEK TIN**



**DATO' YEOH ENG KHOON**

# BATU KAWAN BERHAD

## Profile of the Directors

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

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 2013.

Particulars of the Directors are as follows:

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

Malaysian, aged 62, 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 who is also a Director 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 three (3) out of four (4) Board of Directors' meetings held during the financial year ended 30 September 2013.

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

Malaysian, aged 60, Managing Director of BKB, joined the Board on 20 December 1993.

Dato' Lee Hau Hian is a director of Kuala Lumpur Kepong Berhad and Synthomer 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 an MBA degree from Stanford University, U.S.A.

He is the brother of Tan Sri Dato' Seri Lee Oi Hian who is also a Director 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 2013.

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

Malaysian, aged 81, 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 trustee of Yayasan KLK and Tan Sri Lee Loy Seng Foundation.

He has no family relationship with any director/major shareholder of BKB. He attended all the four (4) Board of Directors' meetings held during the financial year ended 30 September 2013.

# BATU KAWAN BERHAD

## Profile of the Directors (Continued)

### **TAN SRI DATUK SERI UTAMA THONG YAW HONG**

Malaysian, aged 83, Senior 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 Malaysia Property Inc. He is also a director of Kuala Lumpur Kepong Berhad, Glenealy Plantations (Malaya) Bhd, Lonpac Insurance Bhd, Malaysian South-South Corporation Bhd, Public Islamic Bank Berhad, Public Investment Bank Bhd (Co-Chairman) and LPI Capital Bhd (Co-Chairman). 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 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, 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 attended all the four (4) Board of Directors' meetings held during the financial year ended 30 September 2013.

### **DATO' MUSTAFA BIN MOHD ALI**

Malaysian, aged 76, joined the Board on 31 October 1994 and was re-designated as Independent Non-Executive Director on 22 May 2008. He is a member of the Remuneration Committee and Nomination 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 2½ 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. He attended all the four (4) Board of Directors' meetings held during the financial year ended 30 September 2013.

# BATU KAWAN BERHAD

## Profile of the Directors (Continued)

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

Malaysian, aged 66, Independent Non-Executive Director, was appointed to the Board on 24 February 2005. He is the Chairman of the Audit Committee and a member of the Nomination Committee of the Board.

He is also a director of Kuala Lumpur Kepong Berhad and 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 has attended all the four (4) Board of Directors' Meeting held during the financial year ended 30 September 2013.

### **QUAH CHEK TIN**

Malaysian, aged 62, Independent Non-Executive Director, was appointed to the Board on 4 March 2010. He is a member of the Audit Committee of the Board.

He began his career with Coopers & Lybrand London before returning to Malaysia. He joined the Genting Group in 1979 and has served in various positions within the Group. He was the Executive Director of Genting Berhad as well as the Executive Director and Chief Operating Officer of Genting Malaysia Berhad prior to his retirement in 2006. He holds a Bachelor of Science (Honours) Degree in Economics from the London School of Economics and Political Science and is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Malaysian Institute of Accountants.

In addition, he sits on the Boards of Genting Malaysia Berhad, Genting Plantations Berhad, Paramount Corporation Berhad and ECS ICT Berhad.

He has no family relationship with any director/major shareholder of BKB. He has attended all the four (4) Board of Directors' Meetings held during the financial year ended 30 September 2013.

### **Additional Information:**

- Save for Tan Sri Dato' Seri Lee Oi Hian and Dato' Lee Hau Hian, none of the other Directors has any conflict of interest with BKB Group.
- None of the Directors of BKB has been convicted of any offence within the past 10 years.



# BATU KAWAN BERHAD

## Group Financial Summary

### FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS

	2013 RM'000	2012 RM'000	2011 RM'000	2010 RM'000	2009 RM'000
Revenue	362,025	336,541	283,140	224,426	238,148
Profit before taxation	513,383	625,644	785,356	572,504	350,716
Profit attributable to owners of the Company	483,709	605,687	779,468	567,452	337,348
<b>Total assets</b>	<b>4,685,972</b>	<b>3,889,634</b>	<b>3,816,722</b>	<b>3,261,310</b>	<b>3,036,080</b>
Share capital	435,951	435,951	435,951	435,951	435,951
Treasury shares	223,387	196,442	182,218	146,619	79,206
Reserves	3,776,112	3,487,900	3,415,981	2,841,242	2,545,474
Equity attributable to owners of the Company	3,988,676	3,727,409	3,669,714	3,130,574	2,902,219
Non-controlling interests	74,564	66,836	64,151	58,407	59,394
Total equity	4,063,240	3,794,245	3,733,865	3,188,981	2,961,613
Total liabilities	622,732	95,389	82,857	72,329	74,467
Total equity and liabilities	4,685,972	3,889,634	3,816,722	3,261,310	3,036,080

### FINANCIAL STATISTICS

	2013	2012	2011	2010	2009
Basic earnings per share (sen)	116.5	145.3	186.5	134.2	79.2
Dividends per share (sen)	55.0	65.0	95.0	65.0	40.0
Share price as at 30 September (RM)	18.50	18.00	14.96	12.28	9.26
Historical price earnings ratio (times)	15.9	12.4	8.0	9.2	11.7
Dividend yield (%)	3.0	3.6	6.4	5.3	4.3
Dividend cover (times)	2.1	2.2	2.0	2.1	2.0
Net assets per share attributable to owners of the Company (RM)	9.62	8.96	8.80	7.47	6.82
Return on shareholders' equity (%)	12.1	16.3	21.2	18.1	11.6
Return on total assets (%)	10.3	15.6	20.4	17.4	11.1

### QUARTERLY FINANCIAL HIGHLIGHTS

	Year 2013 RM'000	Fourth Quarter RM'000	Third Quarter RM'000	Second Quarter RM'000	First Quarter RM'000
Revenue	362,025	99,652	88,276	83,800	90,297
Profit before taxation	513,383	146,334	107,087	114,482	145,480
Profit attributable to owners of the Company	483,709	125,385	110,513	108,918	138,893
Basic earnings per share (sen)	116.5	30.2	26.6	26.2	33.4
Net dividends per share (sen)	55.0	40.0	-	15.0	-



# BATU KAWAN BERHAD

## Group Plantation Statistics

### FIVE-YEAR GROUP PLANTATION STATISTICS

	2013	2012	2011	2010	2009
<b>OIL PALM</b>					
<b>PRODUCTION</b>					
Fresh Fruit Bunches ("FFB") Production (mt)	<b>78,589</b>	56,855	39,648	21,154	2,543
FFB Purchased (mt)	<b>20,062</b>	-	-	-	-
FFB Sold (mt)	<b>98,651</b>	56,855	39,648	21,154	2,543
FFB Yield per average mature hectare (mt/ha)	<b>22.96</b>	18.42	16.25	14.53	3.52
Profit/(Loss) per average mature hectare (RM/ha)	<b>3,700</b>	4,830	4,861	2,012	(393)
<b>AVERAGE SELLING PRICES</b>					
FFB (RM/mt)	<b>404</b>	554	608	459	305
<b>AREA STATEMENT as at 30 September</b>					
Mature (4 to 9 years) (ha)	<b>3,423</b>	3,087	2,516	1,868	844
Immature (ha)	<b>1,648</b>	515	911	1,559	2,537
Planted area (ha)	<b>5,071</b>	3,602	3,427	3,427	3,381
Plantable reserves * (ha)	<b>437</b>	1,906	2,085	2,062	2,007
Nurseries (ha)	<b>43</b>	43	43	43	30
Building sites, etc (ha)	<b>149</b>	149	145	145	259
Palm oil mill (ha)	<b>28</b>	28	28	-	-
<b>TOTAL AREA (ha)</b>	<b>5,728</b>	5,728	5,728	5,677	5,677

\* With effect from financial year 2013, unplanted areas are tabulated as Plantable reserves and comparatives are amended to conform to current year presentation.

# BATU KAWAN BERHAD

## Chairman's Statement

Lower commodity prices during the financial year ended 30 September 2013 have reduced the plantation profits of our main associate, Kuala Lumpur Kepong Berhad ("KLK"), thus resulting in your Company reporting an 18% lower group pre-tax profit of RM513.3 million compared to last year of RM625.6 million.

Our chemical subsidiaries achieved increased pre-tax profits at RM71.6 million, significantly higher than last year's figure of RM48.2 million. This higher profit was due to increased sales and receipts from expanded capacity in our chlor-alkali business amidst an environment of lower product prices, and the positive impact of better cost management and cost reduction in their operations.

Attributable after-tax profit to shareholders is RM483.7 million against the RM605.7 million last year. Earnings per share is 116 sen compared to 145 sen, a fall of 20%.

Mindful of the uncertain economic outlook, a lower single tier final dividend of 40 sen (last year: 50 sen) per share is being recommended, which together with the interim single tier dividend of 15 sen per share paid earlier, will bring total dividends for the financial year to 55 sen per share.

During the year, the Company made share buy backs amounting to 1,491,600 shares and as at the year-end, the Company holds 21,256,500 of its shares as Treasury shares.

### MAIN ASSOCIATE – KLK

The KLK Group reported a lower pre-tax profit of RM1,199.7 million, compared to RM1,560.4 million last year, a decrease of 23%.

Our Company's share of this profit, accounted for on an after-tax basis, is RM427.3 million against RM564.0 million, the prior year, or 24% lower.

Commodity prices were weaker during the year and as a result, KLK's plantation profit suffered a 33% reduction to RM791.1 million, or RM395.2 million lower than that achieved the prior year.

Average crude palm oil price achieved was RM2,275/mt compared to RM2,829/mt achieved last year. For rubber, the fall in price was more severe, with average rubber price realised for the year at RM9.42/kg against RM12.20/kg last year. An increase in FFB overall output by 10% helped partly to mitigate the impact of lower CPO prices.

The Indonesian plantations were affected by a slow increase in crop (partly weather-related), significant government mandated increases in wages costs, and the adverse impact of export duty levied on their CPO exports. KLK has since commissioned its first Indonesian refinery to address the export duty levy issue and is building another two more in Riau, Indonesia so that more of the group's Indonesian CPO production can be refined domestically.

The oleo-chemical operations significantly improved their profits to RM319.6 million, compared to RM181.1 million last year, through better margins. Sales for their fatty alcohol production, which is being expanded, has improved while the fatty acid plant in China has turned profitable after some under-performing years. The European oleo-chemical operations were however adversely affected by the economic slowdown in Europe and operational issues that are being addressed.

The Property Division reported higher profits with increased profit contributions from its 1,000 acre township project, being developed in Ijok, Selangor. Further phases of this development, which has met with good sales response, are being launched.

# BATU KAWAN BERHAD

## Chairman's Statement (Continued)

### INDUSTRIAL OPERATIONS

Our chemical and related logistics businesses achieved higher pre-tax profits of RM71.6 million compared to RM48.2 million last year.

Despite increased volume growth, sales revenues for Malay-Sino increased only marginally due to the adverse impact of lower prices for chlor-alkali products during the year. International caustic soda prices fell as much as 15% during the year with a direct influence on domestic prices. The final phase 2 expansion for our Kemaman plant was successfully commissioned in August 2013, marking the completion of our production capacity expansion plan to supply products on a long term contract to a major customer. However to-date, products off-takes from this customer were slower than anticipated, resulting in our receiving some compensation.

For Methyl Chloride, the business achieved better results from increased sales due to the commencement of long term product supply to a new customer.

Our Logistic companies benefited from the increase in sales volumes from our chemical businesses but challenges remain with the increase in diesel fuel cost.

For See Sen Chemical, prices of sulphuric acid remain depressed due to continuing competition from low price smelter acid. However, other downstream products, namely aluminium sulphate and sodium silicate, saw an increase in sales and more effort is being made to develop these markets.

During the year, all the above businesses benefitted from on-going initiatives to improve their operational effectiveness and to reduce costs.

### PLANTATION ACTIVITIES

Total planted area at our Indonesian plantation subsidiary, PT Satu Sembilan Delapan, ("SSD") has increased to 5,071 ha, leaving a balance of only 237 ha to be planted. Its plantation profits this year was however reduced by the lower FFB prices.

Currently a 70 mt/hr palm oil mill is being built on the property but due to delays in fabrication works and equipment supply, its commissioning will be delayed by several months to mid-2014.

All 1,712 ha of the plasma plantations have now been planted, with over 90% mature and in production.

We are still awaiting regulatory approval for our proposal to acquire 90% of another Indonesian company with an excess of 2,000 ha of land in east Kalimantan for oil palm cultivation. This land is near to SSD's existing land.

The Company's acquisition of an 18% equity stake in Collingwood Plantations Pte Ltd has since been completed, and with our associate KLK holding another 51%, this company has become an associate. Its project to develop green field oil palm plantations in Papua New Guinea is just commencing with the clearing of regulatory compliance and no significant profit contribution is expected in the short to medium term.

### COMMERCIAL OFFICE BUILDING

Menara KLK, our office building in Mutiara Damansara continues to be fully tenanted and this year, contributed a pre-tax profit of some RM3 million.

# BATU KAWAN BERHAD

## Chairman's Statement (Continued)

### GENERAL

At the time of writing, palm oil prices have begun an upward move from previous lower levels and this is expected to continue, auguring well for the current year prospects. However your Board remains mindful of the general slower growth expectations for both the regional and global economies.

On behalf of my fellow Directors, I thank our management and employees for their contributions and effort made during the year to improve our operations.

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

10 December 2013

# BATU KAWAN BERHAD

## Kenyataan Pengerusi

Harga komoditi yang lebih rendah pada tahun kewangan berakhir 30 September 2013 telah mengurangkan keuntungan perladangan syarikat bersekutu utama kita, Kuala Lumpur Kepong Berhad ('KLK'), menyebabkan Syarikat anda melaporkan keuntungan sebelum cukai kumpulan 18% lebih rendah daripada RM513.3 juta berbanding tahun lepas RM625.6 juta.

Anak-anak syarikat kimia kita bagaimanapun mencapai peningkatan keuntungan sebelum cukai sebanyak RM71.6 juta, jauh lebih tinggi daripada angka tahun lepas sebanyak RM48.2 juta. Keuntungan yang lebih tinggi ini adalah disebabkan oleh peningkatan jualan dan hasil daripada kapasiti berkembang dalam perniagaan klor-alkali kita di tengah-tengah suasana harga produk yang lebih rendah, dan kesan positif daripada pengurusan dan pengurangan kos yang lebih baik dalam operasi kita.

Keuntungan selepas cukai yang boleh diagih kepada pemegang saham adalah RM483.7 juta tahun ini berbanding RM605.7 juta yang dilaporkan pada tahun lepas. Pendapatan sesaham kita adalah 116 sen berbanding 145 sen, iaitu penurunan sebanyak 20%.

Mengambil kira keadaan ekonomi yang tidak menentu, adalah disyorkan dividen akhir satu peringkat (single tier) yang lebih rendah iaitu sebanyak 40 sen (tahun lepas 50 sen) bagi setiap saham dan jika dicampur dengan dividen interim satu peringkat (single tier) sebanyak 15 sen sesaham yang dibayar sebelum ini, akan menjadikan jumlah dividen bagi tahun kewangan kepada 55 sen sesaham.

Pada tahun ini, Syarikat telah membuat pembelian balik saham sendiri berjumlah 1,491,600 saham dan pada akhir tahun, Syarikat memegang 21,565,000 saham tersebut sebagai saham perbendaharaan.

### **SYARIKAT SEKUTU UTAMA – KLK**

Kumpulan KLK melaporkan keuntungan sebelum cukai yang lebih rendah sebanyak RM1,199.7 juta berbanding dengan RM1,560.4 juta tahun lepas, penurunan sebanyak 23%.

Daripada jumlah keuntungan tersebut, bahagian Syarikat kita adalah RM427.3 juta (berdasarkan keuntungan selepas cukai) berbanding RM564.0 juta tahun terdahulu, iaitu pengurangan sebanyak 24%.

Harga komoditi lebih lemah pada tahun ini dan hasilnya, keuntungan perladangan KLK mengalami pengurangan 33% kepada RM791.1 juta, atau RM395.2 juta lebih rendah daripada yang dicapai pada tahun sebelumnya.

Harga minyak sawit mentah (MSM) purata yang dicapai adalah sebanyak RM2,275/mt berbanding RM2,829/mt dicapai tahun lepas manakala getah pula mengalami kejatuhan harga lebih teruk, di mana harga purata getah dicapai pada tahun ini adalah RM9.42/kg berbanding RM12.20/kg tahun lepas. Peningkatan dalam pengeluaran keseluruhan Buah Tandan Segar (BTS) sebanyak 10% sebahagiannya membantu untuk mengurangkan kesan kejatuhan harga minyak sawit.

Ladang-ladang Indonesia terjejas oleh peningkatan yang perlahan dalam tanaman (sebahagiannya berkaitan dengan cuaca), peningkatan ketara gaji kos yang diarahkan kerajaan, dan kesan buruk daripada duti eksport yang dikenakan ke atas eksport MSM mereka. KLK telah memulakan kilang penapisan pertama di Indonesia untuk menangani isu levi duti eksport dan sedang membina dua lagi di Riau, Indonesia dengan lebih pengeluaran MSM Indonesia itu boleh ditapis dalam negara tersebut.

Operasi oleo-kimia KLK meningkat dengan ketara dan keuntungan melonjak ke RM319.6 juta, berbanding RM181.1 juta pada tahun lepas, melalui margin yang lebih baik. Jualan untuk pengeluaran alkohol lemak KLK yang sedang berkembang, telah bertambah baik sementara loji asid lemak di China lebih menguntungkan selepas beberapa tahun kurang memberangsangkan. Operasi oleo-kimia Eropah telah bagaimanapun terjejas dengan kelembapan ekonomi di Eropah dan isu-isu operasi yang sedang ditangani.

Sektor Hartanah KLK melaporkan keuntungan yang lebih tinggi dengan peningkatan sumbangan keuntungan daripada projek bandar 1,000 ekar itu, sedang dibangunkan di Ijok, Selangor. Lebih banyak fasa pembangunan, yang telah mendapat sambutan jualan yang baik, sedang dilancarkan.

# BATU KAWAN BERHAD

## Kenyataan Pengerusi (Sambungan)

### OPERASI INDUSTRI

Perniagaan industri kimia dan perniagaan pengangkutan berkaitan kita melaporkan keuntungan sebelum cukai sebanyak RM71.6 juta berbanding RM48.2 juta tahun lepas.

Walaupun volum jualan bertambah, nilai jualan Malay-Sino meningkat sedikit sahaja disebabkan kesan impak negatif penurunan harga jualan produk klor-alkali dalam tahun tinjauan. Harga pasaran antarabangsa untuk kaustik soda menurun sebanyak 15 % dalam tahun tinjauan dengan kesan terus ke atas harga jualan tempatan. Fasa 2 terakhir pembesaran loji Kemaman kita telah berjaya memulakan pengeluaran dalam bulan Ogos 2013. Ini melengkapkan pelaksanaan rancangan pengembangan kapasiti pengeluaran untuk membekalkan produk kepada pelanggan utama kita melalui kontrak jangka panjang. Meskipun demikian, kadar pengambilan produk oleh pelanggan ini lebih rendah daripada jangkaan. Ini menyebabkan pelanggan ini membayar pampasan kepada kita.

Untuk produk Metil Klorida, perniagaan tersebut mencapai prestasi yang lebih baik setelah merakamkan jualan yang lebih tinggi ekoran permulaan pembekalan kepada pelanggan baru.

Anak-anak syarikat pengangkutan kita menerima manfaat daripada pertambahan volum jualan syarikat-syarikat industri kimia kita namun cabaran terus menanti dengan peningkatan kos bahan api diesel.

Untuk See Sen Chemical, harga pasaran asid sulfurik kekal rendah disebabkan persaingan berterusan daripada asid peleburan logam yang berharga rendah. Walaupun demikian, produk hiliran lain seperti aluminium sulfat dan sodium silikat merakamkan peningkatan dalam jualan dan lebih banyak usaha sedang dijalankan untuk membangunkan pasaran-pasaran tersebut.

Dalam tahun tinjauan, kesemua perniagaan-perniagaan tersebut di atas telah menerima manfaat daripada usaha-usaha yang sedang dan masih dilaksanakan untuk meningkatkan keberkesanan operasi mereka untuk menurunkan kos.

### AKTIVITI PERLADANGAN

Jumlah kawasan tanaman di anak syarikat perladangan kita, PT Satu Sembilan Delapan ("SSD") telah bertambah kepada 5,071 hektar, bakinya hanya tinggal 237 hektar lagi untuk tanami dengan tanaman. Walaupun demikian, keuntungan perladangannya tahun ini berkurangan disebabkan harga BTS yang lebih rendah.

Buat masa ini, sebuah loji pemprosesan MSM sedang dibina di ladang SSD. Disebabkan kelengahan dalam kerja-kerja pembinaan dan pembekalan peralatan, penyiapan loji ini dijangka akan tertunda beberapa bulan lagi sehingga pertengahan tahun 2014.

Kesemua 1,712 hektar perladangan plasma telah ditanami manakala 90% keluasan telah matang dan mengeluarkan BTS.

Kita sedang menunggu kelulusan daripada pihak berkuasa untuk mengambilalih 90% saham sebuah syarikat Indonesia lain yang mempunyai lebih 2,000 hektar tanah di Kalimantan Timur untuk mengusahakan ladang kelapa sawit. Tanah tersebut terletak berhampiran ladang SSD.

Pengambilalihan 18% ekuiti saham dalam syarikat Collingwood Plantations Pte Ltd oleh Syarikat anda telah diselesaikan dan bersama syarikat sekutu kita, KLK, yang memegang 51% lagi, menjadikan syarikat ini syarikat sekutu kita. Usaha syarikat ini untuk membangunkan ladang kelapa sawit padang hijau baru bermula dengan memenuhi keperluan undang-undang. Syarikat ini dijangka tidak akan menyumbangkan apa-apa keuntungan yang nyata dalam tempoh terdekat sehingga tempoh pertengahan.

### BANGUNAN PEJABAT KOMERSIL

Menara KLK, bangunan pejabat kita di Mutiara Damansara mencatatkan kadar penyewaan penuh dalam tahun tinjauan dan menyumbangkan keuntungan sebelum cukai sebanyak RM3 juta.

# BATU KAWAN BERHAD

## Kenyataan Pengerusi (Sambungan)

### **SECARA AM**

Pada ketika penulisan kenyataan ini, harga MSM telah mula naik dari tahap rendah dahulu. Kenaikan ini dijangka akan berterusan dan mencerahkan prospek tahun semasa. Namun demikian, Lembaga Pengarah anda menyedari bahawa secara amnya kadar pertumbuhan dijangka lebih rendah untuk ekonomi serantau dan ekonomi dunia.

Bagi pihak para Pengarah, saya mengucapkan terima kasih kepada pihak pengurusan serta kakitangan atas sumbangan serta usaha mereka dalam tahun tinjauan demi meningkatkan prestasi operasi.

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

10 Disember 2013



# BATU KAWAN BERHAD

## Statement on 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 2012 ("the Code") and the extent of compliance of the Code as required under the Bursa Malaysia Securities Berhad's Main Market Listing Requirements ("Listing Requirements"). These Principles and Recommendations have been applied by the Group throughout the financial year ended 30 September 2013 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 2013, four (4) Board meetings were held and all Directors in office attended 100% of the meetings except for Tan Sri Dato'Seri Lee Oi Hian who did not attend one (1) meeting.

Details on the attendance of the Directors at Board meetings can be found in their respective profiles set out on pages 10 to 12.

### BOARD BALANCE AND INDEPENDENCE OF DIRECTORS

The Board currently has seven (7) members, comprising six (6) Non-Executive Directors (including the Chairman) and one (1) Executive Director, with five (5) of the seven (7) Directors being Independent Directors. 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 10 to 12.

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 decision.

The presence of five (5) Independent Non-Executive Directors fulfills a pivotal role in corporate accountability. Although all the Directors have an equal responsibility for the Group's operations, the role of these Independent Non-Executive Directors is particularly important as they provide unbiased and independent views, advice and judgement.

### TENURE OF INDEPENDENT DIRECTORS

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

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

In this respect, the Board has approved the continuation of R.M. Alias and Tan Sri Datuk Seri Utama Thong Yaw Hong as Independent Directors of the Company. The Board believes that it is in the best position to identify, evaluate and determine whether any Independent Director can continue acting in the best interests of the Company and bringing independent and professional judgement to board deliberations.

# BATU KAWAN BERHAD

## Statement on Corporate Governance (Continued)

### 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:

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

All Directors have access to the advice and services of the Company Secretaries. They also have direct and unrestricted access to senior management of the Company for information relating to the affairs of the Group and have authority to seek external professional advice should they so require.

### AUDIT COMMITTEE

The Audit Committee reviews issues of accounting policies and presentation for external financial reporting, monitors the work of the internal audit function and ensures an objective and professional relationship is maintained with the external auditors.

The Audit Committee has full access to the auditors both internally and externally who, in turn, have access at all times to the Chairman of the Audit Committee.

The report of the Audit Committee can be found on pages 36 to 38.

### NOMINATION COMMITTEE

The Nomination Committee currently consists of three Independent Non-Executive Directors as follows:

#### Independent Non-Executive

Tan Sri Datuk Seri Utama Thong Yaw Hong (Chairman)  
Dato' Yeoh Eng Khoon  
Dato' Mustafa bin Mohd Ali

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.

The Board acknowledges the recommendation of the Code pertaining to the establishment of boardroom gender diversity policy. The Board has no immediate plans to implement a gender diversity policy or target, as it is of the view that the suitability of candidates is dependent on each candidate's competency, skills, experience, character, time commitment, integrity and other qualities in meeting the needs of the Company, regardless of gender.

### 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.

# BATU KAWAN BERHAD

## Statement on Corporate Governance (Continued)

The members of the Remuneration Committee are as follows:

### Independent Non-Executive

R.M. Alias (Chairman)

Tan Sri Datuk Seri Utama 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	-	1,290	1,100	448
6 Non-Executive Directors	765	-	-	29

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

Range of Remuneration	Executive Director	Non-Executive Directors
RM100,001 to RM150,000	-	5
RM150,001 to RM200,000	-	1
RM2,800,001 to RM2,850,000	1	-

### 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

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

For the year under review, the Directors had attended various seminars, courses and training to keep abreast with the developments on a variety of areas relevant to the Group's business. Some of the conferences, seminars and training programmes, attended by Directors were as follows:

- The Malaysian Code on Corporate Governance 2012 and Statement on Risk Management by KPMG on 22 May 2013;
- Sustainability Training For Directors and Practitioners by Bursa Malaysia on 7 March 2013; and
- Advocacy Sessions on Corporate Disclosure for Directors of Listed Issuers by Bursa Malaysia on 5 September 2013.

# BATU KAWAN BERHAD

## Statement on Corporate Governance (Continued)

### INVESTOR RELATIONS AND SHAREHOLDER COMMUNICATION

The Company and the Group are committed to a policy which provides accurate, balanced, clear, timely and complete disclosure of corporate information to enable informed and orderly market decisions by investors. Importance is also placed on timely and equal dissemination of material information to the stakeholders, media and regulators.

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 2nd and 4th quarterly financial results are advertised in a major daily and copies of the full announcement are provided on request.

The Annual General Meeting which is held in February each year, provides a means of communication with shareholders. Shareholders who are unable to attend are allowed to appoint a proxy to attend and vote on their behalf. Members of the Board as well as the Auditors of the Company are present to answer questions raised at the meeting.

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

As there may be instances where investors and shareholders may prefer to express their concerns to an independent director, the Board has appointed Tan Sri Datuk Seri Utama Thong Yaw Hong, as the Senior Independent Non-Executive Director to whom concerns may be directed.

The Company has since February 2013 formalised and placed information on the Company's Website the following:

- The Board Charter clearly set out the roles and responsibilities of the Board and Board Committees and the processes and procedures for convening their meeting. Its serves as a reference providing prospective and existing Board Members and Management insight into the fiduciary duties of Directors;
- The Code of Conduct is based on principles in relation to integrity, sincerity, honesty, responsibility, social responsibility and accountability in order to enhance the standard of corporate governance and behaviour; and
- The Corporate Disclosure Policies and Procedures is to ensure that communications to the public are timely, factual, accurate, complete, broadly disseminated in accordance with Listing Requirements and other applicable laws.

The Board, shall review the above mentioned documents on a regular basis to keep them up to date with changes in regulation and best practices and ensure their effectiveness and relevance to Board's objectives.

### FINANCIAL REPORTING

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

The Directors consider that in preparing the financial statements, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. All accounting standards which the Board considers to be applicable have been followed, subject to any explanations and material departures disclosed in the notes to the financial statements.

### INTERNAL CONTROLS

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

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

The Board and management have formulated and adopted a formal approach towards risk management which is in compliance with the guidance issued by the relevant authorities.

# BATU KAWAN BERHAD

## Statement on Corporate Governance (Continued)

### SUITABILITY AND INDEPENDENCE OF EXTERNAL AUDITORS

Through the Audit Committee, the Company has established a transparent and professional relationship with the external auditors. The role of the Audit Committee in relation to the external auditors is stated on pages 36 to 38.

The suitability and independence of external auditors are consistently reviewed by the Audit Committee.

### SUSTAINABILITY OF BUSINESS

The Group is committed to operate its business in accordance with environmental, social and economic responsibilities. These include working within the law in order to be innovative and demonstrate initiative to meet the requirements of various stakeholders.

### CORPORATE SOCIAL RESPONSIBILITIES (“CSR”)

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.

The Group focus towards high performance in producing excellent quality products is intertwined with its commitment and holistic approach in managing its social and environmental obligations. With this in mind, it continues to initiate and sustain its activities and introduce new initiatives that relate to CSR. The activities undertaken are based on ethical values in appreciation of the environment, surrounding community, employees and our customers.

During the year, the Group organised several activities to sustain its CSR responsibilities to the environment, employees and the community. Apart from this, our employees had also actively participated in activities organized by local authorities and government agencies.

Among the main programmes initiated were the Health, Safety and Environment (“HSE”) awareness week, sport and recreation activities and welfare events. All of these events received overwhelming response from the employees, in-house contractor, contract workers and the communities.

#### The Workplace

##### **a. Sports and Recreational Activities**

Sports activities within and outside the workplace have been organized with the objective of encouraging employees to live a healthy lifestyle and at the same time promote a teamwork spirit among employees. The tournaments for darts (22 March 2013), volleyball (18 June 2013), futsal (14 March 2013) and bowling (15 December 2012) have been organised and received good participation from employees and in-house contract workers.

Other than competitions to promote a healthy lifestyle, our operating centre is also renting a badminton court and futsal arena on a monthly basis to provide the employees continual sporting and recreational activities.

##### **b. HSE Awareness Weeks 2013**

An awareness campaign was conducted by our operating centres in Ipoh and Kemaman from 7 to 11 May 2013 and 24 to 27 June 2013, respectively to ensure all our employees, in-house contractors and contract workers were aware of the importance of safety, health and environment in the workplace. Other activities carried out during the HSE Awareness Week were briefing to the public by HSE Staff, Safety Awareness Talk by PERKESO, Blood Donation campaign by the General Hospital, Free Dental check-up to promote dental hygiene, Self-Contained Breathing Apparatus (SCBA) briefing by our vendor as well as CPR and First Aid Talk by representatives of Hospital Kemaman.

##### **c. Welfare and Charity**

As part of the Group endeavours to create cohesiveness and foster relationship among the employees in the Group various activities have been organized which include Annual Dinner, donation to the needy under “Program Sinar Ramadan” on 28 July 2013 and Kurma giving and drinks were distributed to participating employees during the fasting month on 10 and 25 July 2013.

# BATU KAWAN BERHAD

## Statement on Corporate Governance (Continued)

### d. Employee Training and Development

Career development is one of the main priorities of the Company to provide development opportunities for the employees, which in turn allows for a clear succession plan in the organization. The Group continuously provides its employees with skills development and training programmes that encourage progression and self-enrichment. These include team building activities and also internal and external training programmes.

### The Community

#### a. Community Services

Our operating centre in Ipoh organized a “gotong-royong” campaign on 23 October 2012 with local residents from Taman Badri Shah and Taman Pasir Mas Bukit Merah to promote clean and healthy living environments in addition to helping the residents to clean up and beautify the residential surrounding and environments.

We also assisted a few government bodies by offering them donation to organize activities related to the community such as Berita Kesatuan Pekerja Bomba dan Penyelamat S.M., Badan Kebajikan Masyarakat Bekas Tentera (Majalah Perwira Ria) and Majlis Amal Persatuan Kalimah Negeri Terengganu.

Our Plantation Company in Indonesia, PT Satu Sembilan Delapan (PTSSD) participates in the “Kredit Koperasi Primer untuk Anggotanya” (“Plasma Plantation”) or Primary Co-operative Members Loan, whereby PTSSD assists in the development of oil palm plantation for the benefit of communities in the vicinity of its operation.

#### b. Internship Program

The Group has given opportunities to students from local university, polytechnics and technical skill centres to gain practical working experience, knowledge, skills and prepare them to the real working environment when they enter the job markets. Students doing their degree, diploma and certificate courses have been given these opportunities. During this period, 7 students at a level of degree, 4 students at a level of diploma and 2 students at a level of certificate have been given industrial training placements by the operating centres.

### Environment

Our chemical subsidiaries have been actively involved in several energy enhancement projects including the Industrial Energy Efficiency for Malaysian Manufacturing Sector (IEEMMS) projects. In June 2011, the Global Environment Facility (GEF) and United Nations Industrial Development Organization (UNIDO) approved the project on IEEMMS. The objective of the project is to promote energy efficiency improvements in the Malaysian manufacturing sector through the implementation of Energy Management System based on the ISO 50001 Energy Management Standards and the application of Energy System Optimization. Our operating centre in Kemaman has been selected as one of the host factory for UNIDO's Steam Systems Optimization (SSO) Expert Program this year.

As it strives to improve its business, the Group will remain as a committed socially responsible company both to its customers and shareholders and also will endeavour to improve its environmental responsibilities.

# BATU KAWAN BERHAD

## Statement on Corporate Governance (Continued)

### OTHER INFORMATION

#### Material Contracts

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

#### Recurrent Related Party Transactions of a Revenue or Trading Nature

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

Company	Type of transactions	Related Party and nature of relationship	Transactions aggregate value RM'000
Malay-Sino Chemical Industries Sendirian Berhad ("MSCI") Group	Purchase of raw materials and other products and services	See Sen Chemical Berhad ("SSCB") <u>Interested Directors</u> Tan Sri Dato' Seri Lee Oi Hian ("LOH") Dato' Lee Hau Hian ("LHH"), and Dato' Yeoh Eng Khoon ("YEK")  <u>Interested major shareholders #</u>	3,241
MSCI Group	Sale of finished goods and other products and services	SSCB  <u>Interested Directors</u> LOH, LHH, YEK  <u>Interested major shareholders #</u>	635
MSCI Group	Provision of transportation services	SSCB  <u>Interested Directors</u> LOH, LHH, YEK  <u>Interested major shareholders #</u>	2,952
MSCI Group	Rental of transport vehicles earned	SSCB  <u>Interested Directors</u> LOH, LHH, YEK  <u>Interested major shareholders #</u>	361
MSCI Group	Rental of transport vehicles incurred	SSCB  <u>Interested Directors</u> LOH, LHH, YEK  <u>Interested major shareholders #</u>	198
MSCI Group	Purchase of electricity	SSCB  <u>Interested Directors</u> LOH, LHH, YEK  <u>Interested major shareholders #</u>	4,864



# BATU KAWAN BERHAD

## Statement on Corporate Governance (Continued)

Company	Type of transactions	Related Party and nature of relationship	Transactions aggregate value RM'000
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  <u>Interested major shareholders #</u>	292
MSCI Group	Provision of transportation services	TMK Group <u>Interested Directors</u> LOH, LHH  <u>Interested major shareholders #</u>	736
MSCI Group	Sale of finished products	TMK Group <u>Interested Directors</u> LOH, LHH  <u>Interested major shareholders #</u>	144,020
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  <u>Interested major shareholders #</u>	19,745
MSCI Group	Purchase of storage and packing materials	Paragon Yield Sdn Bhd ("PYSB") Group <u>Interested Directors</u> LOH, LHH  <u>Persons connected @</u>  <u>Interested major shareholders #</u>	15
MSCI Group	Purchase and sale of products and services which relate to core chemical business	Chlor-Al Chemical Pte Ltd ("CAC") <u>Interested Directors</u> LOH, LHH  <u>Interested major shareholders #</u>	13,055
SSCB Group	Purchase of raw materials and other products and services	MSCI Group <u>Interested Directors</u> LOH, LHH, YEK  <u>Interested major shareholders #</u>	635

# BATU KAWAN BERHAD

## Statement on 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 Group <u>Interested Directors</u> LOH, LHH, YEK  <u>Interested major shareholders #</u>	2,952
SSCB Group	Rental of transport vehicles earned	MSCI Group <u>Interested Directors</u> LOH, LHH, YEK  <u>Interested major shareholders #</u>	198
SSCB Group	Rental of transport vehicles incurred	MSCI Group <u>Interested Directors</u> LOH, LHH, YEK  <u>Interested major shareholders #</u>	361
SSCB Group	Sale of finished goods and other products and services	MSCI Group <u>Interested Directors</u> LOH, LHH, YEK  <u>Interested major shareholders #</u>	3,241
SSCB Group	Sale of electricity	MSCI Group <u>Interested Directors</u> LOH, LHH, YEK  <u>Interested major shareholders #</u>	4,864
SSCB Group	Commission given for sale of products	TMK Group <u>Interested Directors</u> LOH, LHH  <u>Interested major shareholders #</u>	1,890
SSCB Group	Sale of finished goods and other products and services	TMK Group <u>Interested Directors</u> LOH, LHH  <u>Interested major shareholders #</u>	52,044
SSCB Group	Purchase of products and services which relate to core chemical business	TMK Group <u>Interested Directors</u> LOH, LHH  <u>Interested major shareholders #</u>	7,133

# BATU KAWAN BERHAD

## Statement on Corporate Governance (Continued)

Company	Type of transactions	Related Party and nature of relationship	Transactions aggregate value RM'000
SSCB Group	Commission given for sale of products	CAC <u>Interested Directors</u> LOH, LHH  <u>Interested major shareholders #</u>	351
SSCB Group	Purchase and sale of products and services which relate to core chemical business	CAC <u>Interested Directors</u> LOH, LHH  <u>Interested major shareholders #</u>	10,585
SSCB Group	Purchase and sale of products and services which relate to core chemical business	Taiko Clay Chemicals Sdn Bhd ("TCC") Group <u>Interested Directors</u> LOH, LHH  <u>Persons connected @</u>  <u>Interested major shareholders #</u>	6,753
SSCB Group	Purchase of storage and packing materials	PYSB Group <u>Interested Directors</u> LOH, LHH  <u>Persons connected @</u>  <u>Interested major shareholders #</u>	292
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, YEK  <u>Interested major shareholders #</u>	5,080
PT Satu Sembilan Delapan ("PTSSD")	Purchase and sale of fresh fruit bunches	PT Hujan Hijau Mas ("PTHHM") <u>Interested Directors</u> LOH, LHH  <u>Interested major shareholders #</u>	39,829
PTSSD	Management fees	PT KLK Agriservindo <u>Interested Directors</u> LOH, LHH  <u>Interested major shareholders #</u>	177

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

# BATU KAWAN BERHAD

## Statement on Corporate Governance (Continued)

### Note:-

- # *Wan Hin Investments Sdn Berhad ("WHI"), Arusha Enterprise Sdn Bhd, Malay Rubber Plantations (Malaysia) Sdn Bhd and Malay-Sino Formic Acid Sdn Bhd, High Quest Holdings Sdn Bhd (via Cubic Crystal Corp), Congleton Holdings Sdn Bhd, Cengal Emas Sdn Bhd and Di Yi Sdn Bhd (via Grateful Blessings Inc) are persons connected with LOH and LHH, who are Directors of BKB. LOH and LHH are also deemed major shareholders of BKB and they are brothers.*
- @ *Taiko Clay Chemicals Sdn Bhd, Taiko Chemical Industries Sdn Bhd and Paragon Yield Sdn Bhd are persons connected with LOH and LHH, who are Directors of BKB. LOH and LHH are also deemed major shareholders of BKB and they are brothers.*

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

#### 1. SSCB Group

- (a) SSCB is a 61% subsidiary of BKB.
- (b) Certain 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 substantial shareholder of SSCB. WHI is also a deemed major shareholder of BKB.

#### 2. TCC Group

TCC is a company in which Dato' Lee Soon Hian ("LSH"), a person connected with LOH and LHH, together with a person connected with him, 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) Certain 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 substantial shareholder of SSCB. WHI is also a deemed major shareholder of BKB.

#### 4. TMK Group

TMK is a company in which LSH and persons connected with him together with LOH and LHH are major shareholders.

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

These are the companies in which LSH, a person connected with LOH and LHH, 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) Certain BKB Directors, namely LHH and YEK are also Directors of MSCI.
- (c) WHI which is a deemed major shareholder of BKB, is also a shareholder of MSCI.

#### 8. PTHM and PT KLK Agriservindo

- (a) Subsidiaries of Kuala Lumpur Kepong Berhad ("KLK").
- (b) KLK is an associate company of BKB.
- (c) Certain BKB Directors, LOH and LHH are deemed major shareholders and directors of KLK.
- (d) WHI, a company in which LOH and LHH have interests, is a deemed major shareholder of BKB.
- (e) All BKB directors are also directors of KLK except Dato' Mustafa bin Mohd Ali and Mr Quah Chek Tin.

# BATU KAWAN BERHAD

## Statement on Corporate Governance (Continued)

### **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 41.

### **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 fees of RM99,000 (2012: RM22,000) was paid to the external auditors and its affiliate, by the Group during the financial year.

### **Profit Guarantees**

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

### **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 Risk Management and Internal Control

### INTRODUCTION

The Board, in compliance with the Bursa Malaysia Securities Berhad's ("Bursa Malaysia") Main Market Listing Requirements and in adopting the Malaysian Code of Corporate Governance 2012's principles, is pleased to provide the following Statement on Risk Management and Internal Control ("the Statement"). Preparation of the Statement, which outlines the nature and scope of risk management and internal control of the Group during the year, is guided by "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers" endorsed by Bursa Malaysia.

### 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 the 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 2013.

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 ERM 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 control 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 Risk Management and 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 the Operating Centres from whom the Board receives regular reports;
- Documented internal procedures are set out in circulars, Standard Operating Manuals and 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 the 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 the 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 Head of Internal Audit reports to the Audit Committee; and
- 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 Auditors.

### 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 Risk Management and Internal Control: Guidance for Directors of Listed Issuers" endorsed by Bursa Malaysia;
- Assess key business risks at each of the Group subsidiaries' operations, which were identified by risk analysis; and
- Prepare internal audit reports to the Audit Committee on the Group subsidiaries' operations, including identification and assessment of their key operational and business risks.

# BATU KAWAN BERHAD

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

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

The Board has reviewed the effectiveness of the Group's risk management and internal control system for the year under review and up to the date of approval of this statement for inclusion in the annual report.

The Board is satisfied with the Group's on-going process for identifying, evaluating, controlling and managing the risks of the business, including the scope and frequency of reports on both risk management and internal control that were received and reviewed during the year by the Audit Committee and Risk Management Committee and the Board, important risk and control matters discussed and associated actions taken by Management.

Based on the framework established and the reviews conducted, the Board is of the opinion, with the concurrence of the Audit Committee and Risk Management Committee, that there are sound and sufficient controls in place within the Group to address material financial, operational and compliance risks to meet the business and strategies of the Group in its current business environment.

No weaknesses in internal control that have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report were noted.

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

This statement is made in accordance with a resolution of the Board of Directors dated 20 November 2013.



# 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 2013.

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 20 November 2012, 10 December 2012, 19 February 2013, 21 May 2013 and 19 August 2013 respectively, a total of five (5) meetings.

<b>Name</b>	<b>Status of directorship</b>	<b>Attendance of meetings</b>
Dato' Yeoh Eng Khoon (Chairman)	Independent Non-Executive Director	Attended all five (5) meetings
Tan Sri Datuk Seri Utama Thong Yaw Hong	Senior Independent Non-Executive Director	Attended all five (5) meetings
Quah Chek Tin	Independent Non-Executive Director	Attended all five (5) meetings

### MEMBERSHIP

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

All members have attended trainings and seminars including the update on Audit Committee's duties and corporate governance.

### MEETINGS AND MINUTES

The Committee meets regularly and the Group Financial Controller, the Head of Internal Audit and occasionally, representatives of the external auditors, normally attend these meetings. Other members of the Board may attend the meetings upon the invitation of the Committee. At least twice a year, the Committee meets with the external auditors without the Executive Director and management 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:
- its evaluation of the system of internal controls;
  - its audit report;
  - the assistance given by the employees;
  - problems and reservations arising from the interim and final audits, and any matter it may wish to discuss (in the absence of management where necessary); and
  - its management letter and management's response.
- (d) To review and discuss with the Head of Internal Audit 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 2013 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;

# BATU KAWAN BERHAD

## Report of the Audit Committee (Continued)

- (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) make recommendations to management on improvement in internal control procedures and risk management;
- (g) review the adequacy of resources for the internal audit function including the appointment of internal auditors; and
- (h) review the risk management activities of the Company and its subsidiaries.

# BATU KAWAN BERHAD

## Internal Audit Function

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

- Assist in reviewing the adequacy, integrity and effectiveness of the Company's internal control system for the Board as well as to assist in drafting the Statement of Risk Management and 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 Group and Company that internal audit should focus on;
- 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; and
- Coordinate risk identification and risk management processes and activities.

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 Group's and 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 2013 were RM325,000 (2012: RM361,000).

# BATU KAWAN BERHAD

## Directors' Responsibility Statement

The Directors are required by the Companies Act, 1965 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 2013, 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

## 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 2013.

### 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 principal activities during the financial year.

### SUMMARY OF RESULTS

	Group RM'000	Company RM'000
Profit for the year	<u>492,823</u>	<u>324,191</u>
Attributable to:		
Owners of the Company	483,709	324,191
Non-controlling interests	<u>9,114</u>	<u>-</u>
	<u>492,823</u>	<u>324,191</u>

### DIVIDENDS

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

- (a) a final single tier dividend of 50 sen per share amounting to RM207,512,500 in respect of the financial year ended 30 September 2012 was paid on 22 March 2013; and
- (b) an interim single tier dividend of 15 sen per share amounting to RM62,206,725 in respect of the financial year ended 30 September 2013 was paid on 16 August 2013.

The Directors recommend the payment of a final single tier dividend of 40 sen per share amounting to RM165,415,000 (based on the number of shares less treasury shares as at 13 December 2013) which, subject to shareholders' approval at the forthcoming Annual General Meeting of the Company, will be paid on 20 March 2014 to shareholders on the Company's register at the close of business on 24 February 2014. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 30 September 2014.

### RESERVES AND PROVISIONS

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

### TREASURY SHARES

During the financial year, the Company bought back a total of 1,491,600 of its issued shares from the open market for a total cost of RM26,944,931. 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 2012	108,000	18.00	17.78	17.85	1,935,094
November 2012	74,700	17.60	17.50	17.56	1,316,278
December 2012	585,000	17.86	17.66	17.70	10,390,459
January 2013	22,800	18.32	18.32	18.32	419,274
February 2013	455,500	18.60	18.02	18.47	8,441,207
March 2013	193,700	18.00	17.90	18.00	3,498,222
April 2013	34,900	18.20	17.90	18.19	637,187
September 2013	17,000	18.00	18.00	18.00	307,210
	<u>1,491,600</u>				<u>26,944,931</u>

# BATU KAWAN BERHAD

## Report of the Directors (Continued)

As at 30 September 2013, the Company held as treasury shares a total of 21,256,500 of its 435,951,000 issued shares. The Company has not made any share cancellation nor resold its treasury shares during the financial year ended 30 September 2013. Such treasury shares are held at a carrying amount of RM223,387,000 and further details are disclosed in Note 31 to the financial statements.

The mandate given by the shareholders at the Annual General Meeting ("AGM") held on 20 February 2013 to approve the Company's plan to repurchase its own shares will expire at the forthcoming AGM and an ordinary resolution will be tabled at the forthcoming AGM for shareholders to renew the mandate for another year.

### DIRECTORS OF THE COMPANY

The Directors in office since the date of the last report are shown on page 8.

Tan Sri Dato' Seri Lee Oi Hian retires at the forthcoming AGM in accordance with the Company's Articles of Association and, being eligible, offers himself for re-election.

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

### DIRECTORS' SHAREHOLDINGS

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

	Balance as at 1 October 2012	Additions	(Disposals)	Balance as at 30 September 2013
<b>Company:</b>				
<b>Batu Kawan Berhad</b>				
<b>Direct interest</b>				
Tan Sri Dato' Seri Lee Oi Hian	854,355	-	-	854,355
Dato' Lee Hau Hian	625,230	-	-	625,230
Tan Sri Datuk Seri Utama Thong Yaw Hong	22,500	-	-	22,500
Dato' Yeoh Eng Khoon	315,000	-	-	315,000
<b>Deemed interest</b>				
Tan Sri Dato' Seri Lee Oi Hian	207,038,934	-	-	207,038,934
Dato' Lee Hau Hian	205,842,209	-	-	205,842,209
R.M. Alias	1,500*	-	-	1,500*
Dato' Yeoh Eng Khoon	15,379,000**	-	-	15,379,000**

\* Indirect interest held through child pursuant to Section 134(12)(c) of the Companies Act, 1965.

\*\* Includes indirect interest held through spouse pursuant to Section 134(12)(c) of the Companies Act, 1965.

By virtue of their deemed interests in the shares of the Company, Tan Sri Dato' Seri Lee Oi Hian and Dato' Lee Hau Hian are deemed to have an interest in the shares of the subsidiaries of the Company to the extent of the Company's interest in the respective subsidiaries as disclosed in Note 19 to the financial statements. In addition, they also have an interest in the shares of the subsidiaries held by other corporation related to them as detailed below:

	Balance as at 1 October 2012	Additions	(Disposals)	Balance as at 30 September 2013
<b>Subsidiaries:</b>				
<b>See Sen Chemical Berhad</b>				
<b>Deemed interest</b>				
Tan Sri Dato' Seri Lee Oi Hian	2,126,236	-	-	2,126,236
Dato' Lee Hau Hian	2,126,236	-	-	2,126,236



# BATU KAWAN BERHAD

## Report of the Directors (Continued)

	Balance as at 1 October 2012	Additions Number of shares of RM1 each	(Disposals)	Balance as at 30 September 2013
<b>Subsidiaries:</b>				
<b>Malay-Sino Chemical Industries Sendirian Berhad</b>				
<b>Deemed interest</b>				
Tan Sri Dato' Seri Lee Oi Hian	1,971,000	-	-	1,971,000
Dato' Lee Hau Hian	1,971,000	-	-	1,971,000

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

### DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received 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 benefits, which may be deemed to have arisen to certain Directors by virtue of the normal trading transactions entered into by the Group and the Company with the related parties as disclosed in Note 34 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, statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

- to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and had satisfied themselves that there were no known bad debts and that no provision for doubtful debts was necessary; and
- 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:

- that would render it necessary to write off any bad debts or to make any provision for doubtful debts in respect of the financial statements of the Group and the Company;
- that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading;
- 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
- 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:

- 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
- any contingent liabilities in respect of the Group or of the Company which have arisen since the end of the financial year.

# BATU KAWAN BERHAD

## Report of the Directors (Continued)

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

In the opinion of the Directors, the results of the operations of the Group or of the Company for the financial year ended 30 September 2013 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.

### **SIGNIFICANT EVENT**

Details of the significant event are disclosed in Note 41 to the financial statements.

### **SUBSEQUENT EVENT**

Details of the subsequent event are disclosed in Note 42 to the financial statements.

### **AUDITORS**

The auditors, Messrs. Ernst & Young, retire and are not seeking re-appointment at the forthcoming Annual General Meeting.

Signed in accordance with a resolution of the Directors, dated 13 December 2013.

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

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

# BATU KAWAN BERHAD

## Income Statements

for the year ended 30 September 2013

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Revenue</b>	4	<b>362,025</b>	336,541	<b>331,255</b>	431,627
Cost of sales	5	<b>(268,166)</b>	(255,414)	-	-
Gross profit		<b>93,859</b>	81,127	<b>331,255</b>	431,627
<b>Other items of income</b>					
Other income	6	<b>46,549</b>	19,102	<b>7,344</b>	150
<b>Other items of expense</b>					
Administration and general expenses		<b>(22,880)</b>	(21,303)	<b>(6,891)</b>	(5,843)
Selling and distribution expenses		<b>(23,216)</b>	(15,641)	-	-
Other expenses	7	<b>(160)</b>	(97)	-	-
Operating profit	8	<b>94,152</b>	63,188	<b>331,708</b>	425,934
Finance costs	11	<b>(8,363)</b>	(1,481)	<b>(6,436)</b>	-
Share of results of associates		<b>427,594</b>	563,937	-	-
<b>Profit before tax</b>		<b>513,383</b>	625,644	<b>325,272</b>	425,934
Income tax expense	12	<b>(20,560)</b>	(13,701)	<b>(1,081)</b>	(2,168)
<b>Profit for the year</b>		<b>492,823</b>	611,943	<b>324,191</b>	423,766
Profit attributable to:					
Owners of the Company		<b>483,709</b>	605,687	<b>324,191</b>	423,766
Non-controlling interests		<b>9,114</b>	6,256	-	-
		<b>492,823</b>	611,943	<b>324,191</b>	423,766
<b>Earnings per share</b> <b>attributable to owners of the Company:</b>		<b>Sen</b>	Sen	<b>Sen</b>	Sen
Basic earnings per share	13	<b>116.5</b>	145.3	<b>78.1</b>	101.7

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# BATU KAWAN BERHAD

## Statements of Comprehensive Income

for the year ended 30 September 2013

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Net profit for the year</b>	<b><u>492,823</u></b>	<b><u>611,943</u></b>	<b><u>324,191</u></b>	<b><u>423,766</u></b>
<b>Other comprehensive income</b>				
Net fair value gain on available-for-sale investments	240	785	100	522
Foreign currency translation differences	(18,532)	(14,624)	-	-
Share of other comprehensive income/(loss) of associates	92,398	(124,016)	-	-
<b>Other comprehensive income/(loss) for the year, net of tax</b>	<b><u>74,106</u></b>	<b><u>(137,855)</u></b>	<b><u>100</u></b>	<b><u>522</u></b>
<b>Total comprehensive income for the year</b>	<b><u>566,929</u></b>	<b><u>474,088</u></b>	<b><u>324,291</u></b>	<b><u>424,288</u></b>
Total comprehensive income attributable to:				
Owners of the Company	557,931	467,925	324,291	424,288
Non-controlling interests	8,998	6,163	-	-
	<b><u>566,929</u></b>	<b><u>474,088</u></b>	<b><u>324,291</u></b>	<b><u>424,288</u></b>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

**BATU KAWAN BERHAD**  
**Statements of Financial Position**  
at 30 September 2013

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, plant and equipment	14	270,464	254,460	238	240
Investment properties	15	52,977	53,906	-	-
Land use rights	16	3,356	3,853	-	-
Biological assets	17	63,849	58,083	-	-
Intangible asset	18	11,672	12,005	-	-
Investment in subsidiaries	19	-	-	278,452	240,202
Investment in associates	20	3,382,666	3,172,104	443,814	439,916
Other investments	21	21,365	20,648	19,289	19,189
Deferred tax assets	22	174	982	-	-
Other receivables	23	31,124	30,577	-	-
		<b>3,837,647</b>	<b>3,606,618</b>	<b>741,793</b>	<b>699,547</b>
<b>Current Assets</b>					
Inventories	24	33,966	34,244	-	-
Trade and other receivables	23	102,889	88,529	4,285	5,538
Other current assets	25	3,742	6,126	-	-
Tax recoverable		922	461	37	3
Derivatives	26	-	6	-	-
Short term trust funds	27	537,804	4,239	474,489	-
Term deposits	27	59,441	44,527	30	-
Cash and bank balances	27	109,561	104,884	104,819	86,641
		<b>848,325</b>	<b>283,016</b>	<b>583,660</b>	<b>92,182</b>
<b>TOTAL ASSETS</b>		<b>4,685,972</b>	<b>3,889,634</b>	<b>1,325,453</b>	<b>791,729</b>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

**BATU KAWAN BERHAD**  
**Statements of Financial Position**  
at 30 September 2013 (Continued)

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>EQUITY AND LIABILITIES</b>					
<b>Current Liabilities</b>					
Trade and other payables	28	54,065	36,699	9,119	3,025
Provision for retirement benefits	29	-	165	-	-
Taxation		1,492	3,934	-	-
Loans and borrowings	30	19,568	10,800	-	-
Derivatives	26	16	2	-	-
		<u>75,141</u>	<u>51,600</u>	<u>9,119</u>	<u>3,025</u>
<b>Net Current Assets</b>		<u>773,184</u>	<u>231,416</u>	<u>574,541</u>	<u>89,157</u>
<b>Non-Current Liabilities</b>					
Provision for retirement benefits	29	4,587	3,574	22	19
Deferred tax liabilities	22	22,004	11,085	-	-
Loans and borrowings	30	521,000	29,130	500,000	-
		<u>547,591</u>	<u>43,789</u>	<u>500,022</u>	<u>19</u>
<b>Total Liabilities</b>		<u>622,732</u>	<u>95,389</u>	<u>509,141</u>	<u>3,044</u>
<b>Net Assets</b>		<u>4,063,240</u>	<u>3,794,245</u>	<u>816,312</u>	<u>788,685</u>
<b>Equity attributable to owners of the Company</b>					
Share capital	31	435,951	435,951	435,951	435,951
Treasury shares	31	(223,387)	(196,442)	(223,387)	(196,442)
Reserves	32	3,776,112	3,487,900	603,748	549,176
		<u>3,988,676</u>	<u>3,727,409</u>	<u>816,312</u>	<u>788,685</u>
<b>Non-controlling interests</b>		<u>74,564</u>	<u>66,836</u>	<u>-</u>	<u>-</u>
<b>Total Equity</b>		<u>4,063,240</u>	<u>3,794,245</u>	<u>816,312</u>	<u>788,685</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>4,685,972</u>	<u>3,889,634</u>	<u>1,325,453</u>	<u>791,729</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# BATU KAWAN BERHAD

## Statements of Changes in Equity of the Group for the year ended 30 September 2013

	Attributable to Owners of the Company											
	Non-distributable		Distributable		Non-distributable		Distributable		Non-distributable		Non-controlling interests	Total equity
	Share capital Note 31 RM'000	Revaluation reserve RM'000	Capital reserve* RM'000	General reserve RM'000	Exchange fluctuation reserve Note 32 RM'000	Fair value reserve RM'000	Retained earnings RM'000	Treasury shares Note 31 RM'000	Total RM'000			
At 1 October 2011	435,951	706	520,265	87,837	(124)	(694)	2,807,991	(182,218)	3,669,714	64,151	3,733,865	
Total comprehensive income	-	-	(2,775)	(121,241)	(14,531)	785	605,687	-	467,925	6,163	474,088	
Transactions with owners:												
Share buy back	-	-	-	-	-	-	-	(14,224)	(14,224)	-	(14,224)	
Acquisition of non-controlling interest	-	-	-	-	-	-	-	-	-	(154)	(154)	
Dividends paid (Note 33)	-	-	-	-	-	-	(396,006)	-	(396,006)	-	(396,006)	
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(3,324)	(3,324)	
	-	-	-	-	-	-	(396,006)	(14,224)	(410,230)	(3,478)	(413,708)	
At 30 September 2012	<b>435,951</b>	<b>706</b>	<b>517,490</b>	<b>(33,404)</b>	<b>(14,655)</b>	<b>91</b>	<b>3,017,672</b>	<b>(196,442)</b>	<b>3,727,409</b>	<b>66,836</b>	<b>3,794,245</b>	
Total comprehensive income	-	-	435	91,963	(18,416)	240	483,709	-	557,931	8,998	566,929	
Transactions with owners:												
Share buy back	-	-	-	-	-	-	-	(26,945)	(26,945)	-	(26,945)	
Dividends paid (Note 33)	-	-	-	-	-	-	(269,719)	-	(269,719)	-	(269,719)	
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(1,270)	(1,270)	
	-	-	-	-	-	-	(269,719)	(26,945)	(296,664)	(1,270)	(297,934)	
At 30 September 2013	<b>435,951</b>	<b>706</b>	<b>517,925</b>	<b>58,559</b>	<b>(33,071)</b>	<b>331</b>	<b>3,231,662</b>	<b>(223,387)</b>	<b>3,988,676</b>	<b>74,564</b>	<b>4,063,240</b>	

\* Included in capital reserve is RM246,853,000 (2012: RM246,418,000) which is distributable.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.



# BATU KAWAN BERHAD

## Statements of Changes in Equity of the Company for the year ended 30 September 2013

	Share capital Note 31 RM'000	Non- distributable		Distributable	Non- Distributable		Non- distributable	Total equity RM'000
		Revaluation reserve RM'000	Capital reserve RM'000	General reserve Note 32 RM'000	Fair value reserve RM'000	Retained earnings RM'000	Treasury shares Note 31 RM'000	
At 1 October 2011	435,951	16	32,555	6,739	(694)	482,278	(182,218)	774,627
Total comprehensive income	-	-	-	-	522	423,766	-	424,288
Transactions with owners:								
Share buy back	-	-	-	-	-	-	(14,224)	(14,224)
Dividends paid (Note 33)	-	-	-	-	-	(396,006)	-	(396,006)
	-	-	-	-	-	(396,006)	(14,224)	(410,230)
<b>At 30 September 2012</b>	<b>435,951</b>	<b>16</b>	<b>32,555</b>	<b>6,739</b>	<b>(172)</b>	<b>510,038</b>	<b>(196,442)</b>	<b>788,685</b>
Total comprehensive income	-	-	-	-	100	324,191	-	324,291
Transactions with owners:								
Share buy back	-	-	-	-	-	-	(26,945)	(26,945)
Dividends paid (Note 33)	-	-	-	-	-	(269,719)	-	(269,719)
	-	-	-	-	-	(269,719)	(26,945)	(296,664)
<b>At 30 September 2013</b>	<b>435,951</b>	<b>16</b>	<b>32,555</b>	<b>6,739</b>	<b>(72)</b>	<b>564,510</b>	<b>(223,387)</b>	<b>816,312</b>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

**BATU KAWAN BERHAD**  
**Consolidated Statement of Cash Flows**  
for the year ended 30 September 2013

	Note	2013 RM'000	2012 RM'000
<b>Cash flows from operating activities</b>			
Profit before tax		513,383	625,644
Adjustments for:			
Depreciation of property, plant and equipment	14	27,427	26,852
Depreciation of investment properties	15	929	938
Amortisation of land use rights	16	153	161
Amortisation of biological assets	17	2,844	2,675
Gain on disposal of property, plant and equipment		(3)	(3)
Fair value of rental deposit received		(159)	-
Gain on disposal of short term funds		(288)	(720)
Impairment loss on receivable		26	-
Share of results of associates		(427,594)	(563,937)
Dividend income		(4,835)	(1,398)
Interest income		(4,932)	(3,597)
Plant and equipment written off		312	1,130
Surplus on voluntary liquidation of investments		(4,046)	-
Impairment loss on property, plant and equipment		-	81
Inventories written off		331	222
Inventories written down to net realisable value		574	1,185
Inventories value gain adjustment		-	(3,245)
Retirement benefits recognised	29	1,090	685
Net unrealised (gain)/loss on foreign exchange		(3,028)	101
Interest expense		8,363	1,481
Fair value loss on financial instruments	7	160	97
Receivables written off		314	-
Total adjustments		<u>(402,362)</u>	<u>(537,292)</u>
Operating cash flows before changes in working capital		111,021	88,352
Changes in working capital			
Inventories		(1,099)	2,106
Receivables		(13,025)	(18,787)
Payables		9,730	(4,232)
Derivatives		-	(1)
Total changes in working capital		<u>(4,394)</u>	<u>(20,914)</u>
Cash flows from operations		106,627	67,438
Interest received		2,350	1,301
Interest paid		(1,958)	(1,550)
Retirement benefits paid		(204)	(464)
Tax paid		(10,761)	(245)
Tax refund		16	2,010
<b>Net cash flows from operating activities</b>		<u>96,070</u>	<u>68,490</u>

# BATU KAWAN BERHAD

## Consolidated Statement of Cash Flows for the year ended 30 September 2013 (Continued)

	Note	2013 RM'000	2012 RM'000
<b>Cash flows from investing activities</b>			
Proceeds from disposal of property, plant and equipment		188	43
Proceeds from disposal of short term funds		288	720
Purchase of shares from non-controlling interests		-	(144)
Purchase of other investments		(477)	(1,195)
Purchase of shares in associates		(12,564)	-
Share buy back		(26,945)	(14,224)
Purchase of property, plant and equipment	14	(49,934)	(68,492)
Subsequent expenditure on investment property	15	-	(70)
Land use rights		-	(10)
Additions to biological assets		(15,710)	(5,137)
Dividend received		327,130	422,913
Capital distributions from investments in voluntary liquidation		4,046	-
<b>Net cash flows from investing activities</b>		<b>226,022</b>	<b>334,404</b>
<b>Cash flows from financing activities</b>			
Dividends paid to shareholders	33	(269,719)	(396,006)
Dividends paid to non-controlling interests		(1,270)	(3,324)
Proceeds from term loan		11,638	12,279
Repayment of term loans		(11,000)	(8,000)
Other receivables		(1,941)	(4,394)
Issuance of Islamic medium term notes	30	500,000	-
<b>Net cash flows from/(used in) financing activities</b>		<b>227,708</b>	<b>(399,445)</b>
<b>Net increase in cash and cash equivalents</b>		<b>549,800</b>	<b>3,449</b>
<b>Effects of exchange rate changes</b>		<b>3,356</b>	<b>(539)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>153,650</b>	<b>150,740</b>
<b>Cash and cash equivalents at end of year</b>	27	<b>706,806</b>	<b>153,650</b>

The accompanying accounting policies and explanatory notes form an integral part of financial statements.

# BATU KAWAN BERHAD

## Statement of Cash Flows of the Company

for the year ended 30 September 2013

	Note	2013 RM'000	2012 RM'000
<b>Cash flows from operating activities</b>			
Profit before tax		325,272	425,934
Adjustments for:			
Depreciation of property, plant and equipment	14	16	11
Retirement benefits recognised	29	27	4
Dividend income		(330,844)	(431,177)
Net unrealised gain on foreign exchange		(3,244)	-
Interest income		(411)	(450)
Surplus on voluntary liquidation of investments		(4,046)	-
Gain on disposal of short term funds		(54)	-
Interest expense		6,436	-
Total adjustments		<u>(332,120)</u>	<u>(431,612)</u>
Operating cash flows before changes in working capital		(6,848)	(5,678)
Changes in working capital			
Receivables		28	(21)
Payables		<u>(342)</u>	<u>177</u>
Total changes in working capital		<u>(314)</u>	<u>156</u>
Cash flows used in operations		(7,162)	(5,522)
Interest received		411	450
Tax paid		(120)	(109)
Tax refund		-	474
Retirement benefit paid		(24)	-
<b>Net cash flows used in operating activities</b>		<u>(6,895)</u>	<u>(4,707)</u>
<b>Cash flows from investing activities</b>			
Proceeds from disposal of short term funds		54	-
Purchase of plant and equipment	14	(14)	(7)
Dividends received		329,819	429,095
Additional investment in subsidiaries		(38,250)	(94,894)
Purchase of shares in an associate		(3,898)	-
Capital distributions from investments in voluntary liquidation		4,046	-
Share buy back		(26,945)	(14,224)
Loans to subsidiaries		(40,915)	(29,384)
Repayment from subsidiaries		42,170	100,826
<b>Net cash flows from investing activities</b>		<u>266,067</u>	<u>391,412</u>
<b>Cash flows from financing activities</b>			
Issuance of Islamic medium term notes	30	500,000	-
Dividends paid		<u>(269,719)</u>	<u>(396,006)</u>
<b>Net cash flows from/(used in) financing activities</b>		<u>230,281</u>	<u>(396,006)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>489,453</u>	<u>(9,301)</u>
<b>Effects of exchange rate changes</b>		3,244	-
<b>Cash and cash equivalents at beginning of year</b>		<u>86,641</u>	<u>95,942</u>
<b>Cash and cash equivalents at end of year</b>	27	<u>579,338</u>	<u>86,641</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# BATU KAWAN BERHAD

## Notes to the Financial Statements

### 1. CORPORATE INFORMATION

Batu Kawan Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Wisma Taiko, No. 1, Jalan S.P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan.

The principal activity of the Company is investment holding while the principal activities of its subsidiaries and associates are shown in Notes 19 and 20.

There have been no significant changes in the nature of the principal activities during the financial year.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of preparation

The financial statements of the Group and the Company have been prepared in accordance with Financial Reporting Standards ("FRS") and the requirements of the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRS which are mandatory for financial periods beginning on or after the dates as described fully in Note 2.2.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except where otherwise indicated.

#### 2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 October 2012, the Group and the Company adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after the dates as stated below:

<b>FRS, Amendments to FRS and IC Interpretations</b>	<b>Effective for financial periods beginning on or after</b>
Amendments to FRS 7: <i>Financial Instruments: Disclosures - Mandatory Dates of FRS 9 and Transition Disclosures</i>	Effective Immediately
FRS 124: <i>Related Party Disclosures</i>	1 January 2012
Amendments to FRS 1: <i>Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>	1 January 2012
Amendments to FRS 7: <i>Disclosure - Transfers of Financial Assets</i>	1 January 2012
Amendments to FRS 112: <i>Deferred Tax: Recovery of Underlying Assets</i>	1 January 2012
Amendments to FRS 101: <i>Presentation of Items of Other Comprehensive Income</i>	1 July 2012

Adoption of the above standards and interpretations did not have any significant effect on the financial performance or position of the Group and the Company except for those discussed below:

#### FRS 124: Related Party Disclosures

The revised FRS 124 clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised FRS 124 expands the definition of a related party and would treat two entities as related to each other whenever a person (or a close member of that person's family) or a third party has control or joint control over the entity, or has significant influence over the entity. The revised standard also introduces a partial exemption of disclosure requirements for government-related entities. The revised standard affects disclosure only and has no impact on the Group's and the Company's financial position or performance.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 2.3 Standards issued but not yet effective

The Group and the Company have not adopted the following standards and interpretations that have been issued but not yet effective:

Description	Effective for financial periods beginning on or after
Amendments to FRS 101: <i>Presentation of Financial Statements (Improvements to FRSs (2012))</i>	1 January 2013
FRS 10: <i>Consolidated Financial Statements</i>	1 January 2013
FRS 11: <i>Joint Arrangements</i>	1 January 2013
FRS 12: <i>Disclosure of Interests in Other Entities</i>	1 January 2013
FRS 13: <i>Fair Value Measurement</i>	1 January 2013
FRS 119: <i>Employee Benefits</i>	1 January 2013
FRS 127: <i>Separate Financial Statements</i>	1 January 2013
FRS 128: <i>Investment in Associates and Joint Ventures</i>	1 January 2013
Amendments to IC Interpretation 2 : <i>Members' Shares in Co-operative Entities and Similar Instruments (Improvements 2009 - 2011 Cycle)</i>	1 January 2013
IC Interpretation 20: <i>Stripping Costs in the Production Phase of a Surface Mine</i>	1 January 2013
Amendments to FRS 7: <i>Disclosures - Offsetting Financial Assets and Financial Liabilities</i>	1 January 2013
Amendments to FRS 1: <i>First-time Adoption of Malaysian Financial Reporting Standards - Government Loans</i>	1 January 2013
Amendments to FRS 1: <i>First-time Adoption of Malaysian Financial Reporting Standards (Improvements to FRSs (2012))</i>	1 January 2013
Amendments to FRS 116: <i>Property, Plant and Equipment (Improvements to FRSs (2012))</i>	1 January 2013
Amendments to FRS 132: <i>Financial Instruments: Presentation (Improvements to FRSs (2012))</i>	1 January 2013
Amendments to FRS 134: <i>Interim Financial Reporting (Improvements to FRSs (2012))</i>	1 January 2013
Amendments to FRS 10: <i>Consolidated Financial Statements: Transition Guidance</i>	1 January 2013
Amendments to FRS 11: <i>Joint Arrangements: Transition Guidance</i>	1 January 2013
Amendments to FRS 12: <i>Disclosure of Interests in Other Entities: Transition Guidance</i>	1 January 2013
IC Interpretation 21: <i>Levies</i>	1 January 2014
Amendments to FRS 132: <i>Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014
Amendments to FRS 10, FRS 12 and FRS 127: <i>Investment Entities</i>	1 January 2014
Amendments to FRS 136: <i>Recoverable Amount Disclosures for Non-Financial Assets</i>	1 January 2014
Amendments to FRS 139: <i>Novation of Derivatives and Continuation of Hedge Accounting</i>	1 January 2014
FRS 9: <i>Financial Instruments: Classification and Measurement</i>	1 January 2015

The Group and the Company plan to adopt these standards, if applicable, when they become effective in the respective financial periods. The Directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application, except as disclosed below:

#### FRS 10: Consolidated Financial Statements

FRS 10 replaces part of FRS 127 Consolidated and Separate Financial Statements that deals with consolidated financial statements and IC Interpretation 112 Consolidation – Special Purpose Entities.

Under FRS 10, an investor controls an investee when (a) the investor has power over an investee, (b) the investor has exposure, or rights, to variable returns from its involvement with the investee, and (c) the investor has ability to use its power over the investee to affect the amount of the investor's returns. Under FRS 127 Consolidated and Separate Financial Statements, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

FRS 10 includes detailed guidance to explain when an investor has control over the investee. FRS 10 requires the investor to take into account all relevant facts and circumstances.

The application of FRS 10 will affect the accounting for the Group's equity interest in Kuala Lumpur Kepong Berhad, which is currently treated as an associate of the Group and accounted for using the equity method of accounting.

As at 1 October 2013, the Group is the majority shareholder of Kuala Lumpur Kepong Berhad ("KLK") with a 47% equity interest. All other shareholders individually own less than 1% of the equity shares of KLK. Historically, the other shareholders did not form a group to exercise their votes collectively. The directors have assessed that the Group has had control over KLK and therefore, in accordance with the requirements of FRS 10, KLK will be accounted for as a subsidiary of the Company.

The change in accounting of the Group's investment in KLK will be applied in accordance with the relevant transitional provisions as set out in FRS 10. The acquisition of KLK will be accounted for in accordance with FRS 3.

### FRS 12: Disclosure of Interests in Other Entities

FRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and has no impact on the Group's and the Company's financial position or performance.

### FRS 13: Fair Value Measurement

FRS 13 establishes a single source of guidance under FRS for all fair value measurements. FRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under FRS when fair value is required or permitted. The Group and the Company are currently assessing the impact that this standard will have on the financial position and performance, but based on preliminary analysis, no material impact is expected.

### FRS 119: Employee Benefits

The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the "corridor approach" as permitted under the previous version of FRS 119 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to FRS 119 require retrospective application with certain exceptions. The directors anticipate that the application of the amendments to FRS 119 may have impact on amounts reported in respect of the Group's defined benefit plans. However, the Group is currently assessing the impact that this standard will have on the financial position and performance of the Group.

### FRS 127: Separate Financial Statements

As a consequence of the new FRS 10 and FRS 12, FRS 127 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

### FRS 128: Investment in Associates and Joint Ventures

As a consequence of the new FRS 11 and FRS 12, FRS 128 is renamed as FRS 128: *Investment in Associates and Joint Ventures*. This new standard describes the application of the equity method to investments in joint ventures in addition to associates.



# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### Amendments to FRS 7: Disclosure - Offsetting Financial Assets and Financial Liabilities

The amendments require additional information to be disclosed to enable users of financial statements to evaluate the effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. The amendment affects disclosure only and has no impact on the Group's and the Company's financial position or performance.

### Amendments to FRS 132: Offsetting Financial Assets and Financial Liabilities

The amendments to FRS 132 clarified that a legally enforceable right to set off is a right of set off that must not be contingent on a future event; and must be legally enforceable in the normal course of business, the event of default and the event of insolvency or bankruptcy of the entity and all of the counterparties. The amendments further clarified that an entity will meet the net settlement criterion as provided in FRS 132 if the entity can settle amounts in a manner that the outcome is, in effect, equivalent to net settlement.

### FRS 9: Financial Instruments: Classification and Measurement

FRS 9 reflects the first phase of work on the replacement of FRS 139: *Financial Instruments: Recognition and Measurement* and applies to classification and measurement of financial assets and financial liabilities as defined in FRS 139: *Financial Instruments: Recognition and Measurement*. The adoption of the first phase of FRS 9 will have an effect on the classification and measurement of the Group's and the Company's financial assets but will potentially have no effect on classification and measurements of financial liabilities. The Group and the Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

### **Malaysian Financial Reporting Standards ("MFRS Framework")**

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS) Framework.

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venture (herein called "Transitioning Entities").

Adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2015.

The Group and the Company fall within the scope definition of Transitioning Entities and has opted to defer adoption of the new MFRS Framework. Accordingly, the Group and the Company will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 30 September 2016. In presenting its first MFRS financial statements, the Group and the Company will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

At the date of these financial statements, the Group and the Company have not completed its quantification of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework. Accordingly, the financial performance and financial position as disclosed in these statements for the year ended 30 September 2013 could be different if prepared under the MFRS Framework.

The Group and the Company expect to be in a position to fully comply with requirements of the MFRS Framework for the financial year ending 30 September 2016.



# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the period in which the costs are incurred and the services are received.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate shares of the acquiree's net identifiable assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of the financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

### 2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly to owners of the Company, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any differences between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 2.6 Foreign currency

#### (a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

#### (b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

#### (c) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

### 2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, 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.

Subsequent to recognition, plant and equipment and furniture and fixtures are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

Certain long term 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 accumulated impairment losses. These properties have since not been revalued. The Directors have not adopted a policy of regular revaluations of such assets and no later valuation has been recorded. 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 impairment losses. The year of valuation for certain leasehold land and buildings is stated in Note 14.

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 profit or loss.

Freehold land has an unlimited useful life and therefore is not depreciated. Leasehold land are depreciated over their remaining lease periods of 53 to 99 years as at date of acquisition.

Depreciation is computed on a straight-line basis over the estimated useful lives of the other assets as follows:

Buildings	5 – 10% per annum
Plant and machinery	6¼ - 33 <sup>1</sup> / <sub>3</sub> % per annum
Motor vehicles	16 – 20% per annum
Furniture and equipment	10 – 33 <sup>1</sup> / <sub>3</sub> % per annum

Capital work-in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

### 2.8 Investment properties

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

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

Investment 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 gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. A transfer from investment property to owner-occupied property is made at the carrying amount as at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.7 up to the date of change in use.

Buildings are depreciated on a straight-line basis to write down the cost of each building to its residual value over its estimated useful life. The principal annual depreciation rate is 2%.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 2.9 Biological assets and replanting expenditure

Biological assets comprise oil palm plantation development expenditure incurred for immature and mature plantations.

#### 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 amortised over the shorter of the life of the lease and the estimated productive lifespan of the biological assets.

#### Replanting expenditure

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

### 2.10 Intangible asset

#### Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

### 2.11 Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over their remaining lease period of 23 to 35 years.

### 2.12 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

### 2.13 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

### 2.14 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associates is measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss for the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

When there is share buyback by an associate, the accretion of the Group's interest is recognised as a deemed acquisition of additional equity interest in the associate. Any reduction of the Group's pre-acquisition reserves arising from the share buyback (i.e. goodwill) is included in the carrying amount of the investment and is not amortised. Any increase of the Group's pre-acquisition reserves arising from the share buyback (i.e. negative goodwill) is included as income in the determination of the Group's share of associate's results in the period of share buybacks.

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

### 2.15 Financial assets

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

When financial assets are recognised initially, they are measured at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

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

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that is held primarily for trading purposes are presented as current whereas financial assets that is not held primarily for trading purposes are presented as current or non-current based on the settlement date.

#### b) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### (c) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

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

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group and the Company commit to purchase or sell the asset.

## 2.16 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

### (a) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic condition that correlate with default on receivables.



# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

### **(b) Unquoted equity securities carried at cost**

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

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

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

## **2.17 Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

## **2.18 Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials, stores and consumables: purchase costs on the weighted average costs basis.
- Finished goods and work-in-progress: cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These cost are assigned on weighted average basis.

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



# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 2.19 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### 2.20 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

#### (b) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 2.21 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

### 2.22 Employee benefits

#### (a) Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year 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-cumulating compensated absences such as sick leave are recognised when the absences occur.

#### (b) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employee Provident Fund ("EPF") in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

#### (c) Defined benefit plans

The Group and the Company provide for retirement benefits for eligible employees on an unfunded deferred benefits basis in accordance with the terms of the Unions' Collective Agreements and/or employment agreements. Defined benefit plan defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and last drawn salary.

The estimated liabilities in respect of the defined benefit plans are the present values of the defined benefit obligations at the reporting date, adjusted for unrecognised actuarial gains and losses and past service costs. The defined benefit obligations calculated using the Projected Unit Credit Method, are determined by independent actuaries, if it is material, considering the estimated future cash outflows. The present value of the defined benefit obligations is determined by discounting the estimated future outflows using interest rate of high quality bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arise from market adjustments and changes in actuarial assumptions. Past service costs are recognised immediately in profit or loss.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 2.23 Leases

#### (a) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

#### (b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.24(f).

### 2.24 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

#### (a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

#### (b) Transportation services

Revenue from transportation services rendered is recognised upon delivery.

#### (c) Interest income

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

#### (d) Management fees

Management fees are recognised when services are rendered.

#### (e) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### (f) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

Other rent related and car-park income is recognised upon services being rendered.

### 2.25 Income taxes

#### (a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

#### (b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### 2.26 Segment operating

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the performance. Additional disclosure on each of these segments are shown in Note 36, including the factors used to identify the reportable segments and the measurement basis of segment information.

### 2.27 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

### 2.28 Treasury shares

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

### 2.29 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

## 3. Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

### 3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### (a) Impairment of available-for-sale investments

The Group reviews its equity securities classified as available-for-sale investments at each reporting date to assess whether they are impaired. The Group also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost. In prior year, the Group impaired quoted and unquoted equity instruments with "significant" decline in fair value greater than 20% and 30% respectively, and for "prolonged" period of greater than 12 months or more.

For the financial year ended 30 September 2013, the amount of impairment loss recognised for available-for-sale financial assets was Nil (2012: Nil).

### (b) Operating lease commitments – as lessor

The Group has entered into commercial property leases on its investment properties. The commercial properties combined leases of land and buildings. Therefore, the Group evaluated based on terms and conditions of the arrangement, whether the land and the buildings were clearly operating leases or finance leases. The Group assessed the following:

- (i) the land titles do not pass to the lessees, and
- (ii) the lease term do not form major part of the economic lives of the properties, and
- (iii) the lessees do not participate in the residual value of the land and building.

Management judged that it retains all the significant risks and rewards of ownership of these properties and thus accounted for the contracts as operating leases.

## 3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting 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.

### (a) Useful lives 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' estimated economic useful lives. Management estimates the useful lives of these motor vehicles and buildings to be within 5 to 6¼ years and 10 to 20 years respectively. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's plant and equipment at the reporting date is disclosed in Note 14.

### (b) Impairment of goodwill

Goodwill, is tested for impairment annually and at other times when such indicators exist. This requires an estimation of the value in use of the cash-generating units to which goodwill is allocated. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Details of the carrying value, the key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in the assumptions are given in Note 18.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### (c) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and unutilised reinvestment allowances to the extent that it is probable that taxable profit will be available against which the losses, unabsorbed capital allowances and unutilised reinvestment allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies. Further details of the recognised and unrecognised deferred tax assets are disclosed in Note 22.

### (d) Defined benefit plans

The cost of defined benefit plans and the present value of the defined benefit obligation is determined by using actuarial method which involves making assumptions about discount rates, future salary increases and mortality rates. All assumptions are reviewed at each reporting date. The net employee liability as at 30 September 2013 is RM4,587,000 (2012: RM3,739,000). Further details are disclosed in Note 29.

In determining the appropriate discount rate, management has derived the applicable interest rates from high quality corporate bonds in the country with a minimum AA rating. The bonds have been selected based on the expected duration of the defined benefit obligation.

Future salary increases are based on last three years average increases and mortality and disability rates are based on the experience of Malaysian insured lives Table 1999-2003.

## 4. REVENUE

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Chemicals	277,632	268,631	-	-
Transportation services	27,963	25,420	-	-
Palm products	39,923	31,195	-	-
Dividends (gross)	4,835	1,398	330,844	431,177
Rental	6,694	6,265	-	-
Interest	4,932	3,597	411	450
Management fees	46	35	-	-
	<u>362,025</u>	<u>336,541</u>	<u>331,255</u>	<u>431,627</u>

Included in dividends (gross) are the following:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Unquoted subsidiaries	-	-	3,980	8,329
Associate quoted in Malaysia	-	-	322,336	421,516
Other unquoted investments in Malaysia	939	102	939	102
Other quoted investments outside Malaysia	223	136	126	125
Short term trust funds quoted in Malaysia	3,673	1,160	3,463	1,105
	<u>4,835</u>	<u>1,398</u>	<u>330,844</u>	<u>431,177</u>

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 5. COST OF SALES

	Group	
	2013 RM'000	2012 RM'000
Cost of inventories sold	238,608	225,691
Cost of services rendered	29,558	29,723
	<u>268,166</u>	<u>255,414</u>

### 6. OTHER INCOME

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Gain on disposal of property, plant and equipment	34	6	-	-
Rental income	239	252	-	-
Fair value of rental deposit received	159	-	-	-
Gain on foreign exchange				
- realised	1,376	-	-	-
- unrealised	3,467	178	3,244	150
Surplus on voluntary liquidation of investments	4,046	-	4,046	-
Gain on disposal of short term funds	288	720	54	-
Compensation claim from a customer	33,575	14,890	-	-
Insurance claim	207	325	-	-
Oleum processing fee and manpower charges	696	696	-	-
Profit from sale of electricity	592	613	-	-
Sundry income	1,786	1,403	-	-
Fair value gain on financial instruments	84	19	-	-
	<u>46,549</u>	<u>19,102</u>	<u>7,344</u>	<u>150</u>

### 7. OTHER EXPENSES

	Group	
	2013 RM'000	2012 RM'000
Fair value loss on financial instruments	160	97



# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 8. OPERATING PROFIT

The following items have been included in arriving at operating profit:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Auditors' remuneration				
- audit fee - current year	294	198	81	66
- non-audit fee - assurance related	81	7	79	6
- non-audit fee - tax and other non-audit services	18	15	-	-
Amortisation of land use rights (Note 16)	153	161	-	-
Amortisation of biological assets (Note 17)	2,844	2,675	-	-
Depreciation of property, plant and equipment (Note 14)	27,427	26,852	16	11
Depreciation of investment properties (Note 15)	929	938	-	-
Inventories written off	331	222	-	-
Inventories written down to net realisable value	574	1,185	-	-
Impairment loss on property, plant and equipment	-	81	-	-
Impairment loss on receivable	26	-	-	-
Loss on foreign exchange				
- realised	27	13	23	-
- unrealised	439	279	-	-
Loss on disposal of property, plant and equipment	31	3	-	-
Plant and equipment written off	312	1,130	-	-
Rental of premises	96	96	96	96
Rental of equipment	2,728	2,470	-	-
Rental of warehouse	162	102	-	-
Receivables written off	314	-	-	-
Staff costs (Note 9)	43,193	43,924	4,038	4,276

### 9. EMPLOYEE BENEFITS EXPENSES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Staff costs:				
Wages, salaries and others	37,900	39,002	3,503	3,757
Socso contributions	406	353	6	6
Contributions to defined contribution plans	3,518	3,812	485	485
Retirement benefits (Note 29)	1,090	685	27	4
Service gratuity	32	55	-	-
Annual leave pay	247	17	17	24
	43,193	43,924	4,038	4,276

Included in employee benefits expense of the Group and the Company are Executive Directors' remuneration amounting to RM3,602,000 (2012: RM3,813,000) and RM2,820,000 (2012: RM2,812,000) respectively.

### 10. DIRECTORS' REMUNERATION

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Executive:				
Salaries and other emoluments	3,136	3,319	2,456	2,448
Contributions to defined contribution plans	466	494	364	364
	3,602	3,813	2,820	2,812
Other benefits	36	232	18	28
	3,638	4,045	2,838	2,840

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Non-Executive:				
Fees	795	795	765	765
Other benefits	29	25	29	25
	<u>824</u>	<u>820</u>	<u>794</u>	<u>790</u>
Total directors' remuneration (Note 34 (c))	<u>4,462</u>	<u>4,865</u>	<u>3,632</u>	<u>3,630</u>

The Directors of the Company whose total remuneration during the year fell within the following bands is analysed below:

	Number of Directors	
	2013	2012
Executive Director		
RM2,800,001 to RM2,850,000	1	1
Non-Executive Directors		
RM100,001 to RM150,000	5	5
RM150,001 to RM200,000	1	1
	<u>1</u>	<u>1</u>

### 11. FINANCE COSTS

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Interest expense on:				
- term loans	1,927	1,481	-	-
Islamic profit arising on:				
- Islamic Medium Term Notes	6,436	-	6,436	-
Total finance costs	<u>8,363</u>	<u>1,481</u>	<u>6,436</u>	<u>-</u>

### 12. INCOME TAX EXPENSE

#### Major components of income tax expense

The major components of income tax expense for the years ended 30 September 2013 and 2012 are:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Current tax				
- Malaysian income tax	8,244	5,411	1,081	2,168
- Foreign income tax	1,147	917	-	-
- Over provision in prior years	(700)	(716)	-	-
	<u>8,691</u>	<u>5,612</u>	<u>1,081</u>	<u>2,168</u>
Deferred tax (Note 22)				
- Relating to origination and reversal of temporary differences	11,260	9,510	-	-
- Under/(Over) provision in prior years	609	(1,421)	-	-
	<u>11,869</u>	<u>8,089</u>	<u>-</u>	<u>-</u>
	<u>20,560</u>	<u>13,701</u>	<u>1,081</u>	<u>2,168</u>

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% of the assessable profit for the year.

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

### Reconciliation between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 30 September 2013 and 2012 are as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Profit before tax	<b>513,383</b>	625,644	<b>325,272</b>	425,934
Taxation at Malaysian statutory tax rate of 25%	<b>128,346</b>	156,411	<b>81,318</b>	106,484
Effects of different tax rates in foreign jurisdictions	<b>(1,627)</b>	(1,374)	-	-
Income not subject to tax	<b>(8,092)</b>	(3,674)	<b>(83,552)</b>	(105,750)
Expenses not deductible for tax purposes	<b>8,859</b>	5,479	<b>3,315</b>	1,434
(Over)/Under provision in prior years				
- current tax	<b>(700)</b>	(716)	-	-
- deferred tax	<b>609</b>	(1,421)	-	-
Tax effects of associates' results	<b>(106,835)</b>	(141,004)	-	-
	<b>20,560</b>	13,701	<b>1,081</b>	2,168

### 13. EARNINGS PER SHARE

The basic earnings per share of the Group and the Company is calculated based on the net profit attributable to owners 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	
	2013	2012	2013	2012
Net profit attributable to owners of the Company (RM'000)	<b>483,709</b>	605,687	<b>324,191</b>	423,766
Weighted average number of shares of RM1 each in issue ('000)	<b>415,136</b>	416,774	<b>415,136</b>	416,774
Basic earnings per share (sen)	<b>116.5</b>	145.3	<b>78.1</b>	101.7

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

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 14. PROPERTY, PLANT AND EQUIPMENT

#### Group

	Freehold Land	Leasehold Land	Buildings	Plant And Machinery	Motor Vehicles	Furniture And Equipment	Capital Work-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Cost/Valuation</b>								
At 1 October 2011	-	13,817	67,811	378,710	27,479	6,420	3,095	497,332
Additions	-	-	4,370	13,513	705	939	48,965	68,492
Reclassified from investment properties	-	-	800	-	-	-	-	800
Transfers	-	-	3,295	7,056	4,025	-	(14,376)	-
Disposals	-	-	-	(309)	(196)	(3)	-	(508)
Written off	-	-	(1,500)	(4,246)	(247)	(73)	-	(6,066)
Currency translation differences	-	-	(1,481)	(715)	(575)	(26)	(588)	(3,322)
At 30 September 2012	-	13,817	73,358	394,009	31,191	7,257	37,096	556,728
Additions	6,793	-	619	15,314	955	816	25,437	49,934
Transfers	-	-	5,860	23,890	524	-	(30,274)	-
Disposals	-	-	(7)	(281)	(460)	-	-	(748)
Written off	-	-	(16)	(819)	(299)	(149)	-	(1,283)
Currency translation differences	-	-	(1,804)	(734)	(695)	(32)	(2,911)	(6,176)
At 30 September 2013	6,793	13,817	78,010	431,379	31,216	7,892	29,348	598,455
<b>Accumulated depreciation</b>								
At 1 October 2011	-	3,037	24,704	232,139	16,152	4,377	-	280,409
Depreciation charge for the year	-	204	3,957	20,462	2,644	599	-	27,866
Reclassified from investment properties	-	-	164	-	-	-	-	164
Impairment loss	-	-	-	81	-	-	-	81
Disposals	-	-	-	(275)	(190)	(2)	-	(467)
Written off	-	-	(1,021)	(3,648)	(206)	(61)	-	(4,936)
Currency translation differences	-	-	(161)	(308)	(374)	(6)	-	(849)
At 30 September 2012	-	3,241	27,643	248,451	18,026	4,907	-	302,268
Depreciation charge for the year	-	205	4,007	20,960	2,770	534	-	28,476
Disposals	-	-	(8)	(555)	(1)	-	-	(564)
Written off	-	-	(16)	(378)	(450)	(127)	-	(971)
Currency translation differences	-	-	(354)	(390)	(464)	(10)	-	(1,218)
At 30 September 2013	-	3,446	31,272	268,088	19,881	5,304	-	327,991
<b>Net carrying amount</b>								
At 30 September 2012								
At cost	-	6,181	45,577	145,558	13,165	2,350	37,096	249,927
At valuation	-	4,395	138	-	-	-	-	4,533
	-	10,576	45,715	145,558	13,165	2,350	37,096	254,460
At 30 September 2013								
At cost	6,793	6,042	46,738	163,291	11,335	2,588	29,348	266,135
At valuation	-	4,329	-	-	-	-	-	4,329
	6,793	10,371	46,738	163,291	11,335	2,588	29,348	270,464

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

	Group	
	2013 RM'000	2012 RM'000
Depreciation charge for the year is allocated as follows:		
Income statements (Note 8)	27,427	26,852
Biological assets (Note 17)	1,049	1,014
	<u>28,476</u>	<u>27,866</u>

### Company

	Motor Vehicles RM'000	Furniture And Equipment RM'000	Total RM'000
<b>Cost</b>			
At 1 October 2011	798	99	897
Additions	-	7	7
Written off	-	(3)	(3)
	<u>798</u>	<u>103</u>	<u>901</u>
At 30 September 2012	798	103	901
Additions	-	14	14
Written off	-	(13)	(13)
	<u>798</u>	<u>104</u>	<u>902</u>
At 30 September 2013	798	104	902
<b>Accumulated depreciation</b>			
At 1 October 2011	573	80	653
Depreciation charge for the year	-	11	11
Written off	-	(3)	(3)
	<u>573</u>	<u>88</u>	<u>661</u>
At 30 September 2012	573	88	661
Depreciation charge for the year	-	16	16
Written off	-	(13)	(13)
	<u>573</u>	<u>91</u>	<u>664</u>
At 30 September 2013	573	91	664
<b>Net carrying amount</b>			
At 30 September 2012	225	15	240
	<u>225</u>	<u>13</u>	<u>238</u>
At 30 September 2013	225	13	238

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

Analysis of cost & valuation	Cost RM'000	Valuation RM'000	Total RM'000
<b>Group</b>			
<b>2013</b>			
Freehold land	6,793	-	6,793
Leasehold land	8,017	5,800	13,817
Buildings	73,980	4,030	78,010
Plant and machinery	431,379	-	431,379
Motor vehicles	31,216	-	31,216
Furniture and equipment	7,892	-	7,892
Capital work-in-progress	29,348	-	29,348
	<u>588,625</u>	<u>9,830</u>	<u>598,455</u>
<b>2012</b>			
Freehold land	-	-	-
Leasehold land	8,017	5,800	13,817
Buildings	69,328	4,030	73,358
Plant and machinery	394,009	-	394,009
Motor vehicles	31,191	-	31,191
Furniture and equipment	7,257	-	7,257
Capital work-in-progress	37,096	-	37,096
	<u>546,898</u>	<u>9,830</u>	<u>556,728</u>
<b>Company</b>			
<b>2013</b>			
Motor vehicles	798	-	798
Furniture and equipment	104	-	104
	<u>902</u>	<u>-</u>	<u>902</u>
<b>2012</b>			
Motor vehicles	798	-	798
Furniture and equipment	103	-	103
	<u>901</u>	<u>-</u>	<u>901</u>

- (a) Certain leasehold land and buildings of the subsidiaries were revalued by their Directors in 1996 based on independent professional valuation using the open market value basis.

As allowed by the transitional provisions of International Accounting Standard 16 (Revised) *Property, Plant and Equipment* issued by the MASB, these assets continue to be stated on the basis of their 1996 valuations.

If the leasehold land and buildings of the Group were measured using the cost model, the carrying amounts would be as follows:

	Group	
	2013 RM'000	2012 RM'000
<b>Leasehold land at 30 September</b>		
Cost	6,136	6,136
Less: Accumulated depreciation	(1,524)	(1,431)
Net carrying amount	<u>4,612</u>	<u>4,705</u>
<b>Factory and office buildings at 30 September</b>		
Cost	3,802	3,802
Less: Accumulated depreciation	(3,716)	(3,667)
Net carrying amount	<u>86</u>	<u>135</u>

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

- (b) The ownership of certain property, plant and equipment of subsidiaries with a carrying amount of RM922,000 (2012: RM1,218,000) are held in trust by third parties.
- (c) All subsequent additions to property, plant and equipment are recorded at cost and subsequent disposals/write off at cost or valuation where applicable.
- (d) On 30 September 2013, the Company signed a Sale and Purchase Agreement to acquire a piece of freehold land at a cost of RM6,793,380 of which 10% of the purchase price amounting to RM679,338 was paid as deposit. Pursuant to this Sale and Purchase Agreement, the Company is entitled to a right of specific performance if there is an event of default by the Vendor. As this right of specific performance satisfies the requirement that the risks and rewards in relation to the ownership of the freehold land have passed to the Company, the Company, pursuant to FRS 116 Para 7, has fully recognised this freehold land as the Company's property, plant and equipment in the financial year ended 30 September 2013.
- (e) During the financial year, the Group conducted a review on the estimated residual values of its motor vehicles. The revision in estimate has been applied on a prospective basis from 1 October 2012. The effects of the above revision on depreciation charge in current and future periods are as follows:

	2013 RM'000	2014 RM'000	2015 RM '000	2016 and subsequent year RM'000
Decrease in depreciation expense	<u>(101)</u>	<u>(55)</u>	<u>(16)</u>	<u>(25)</u>

- (f) Leasehold land

The remaining lease periods of the leasehold land of the Group range from 26 to 74 years.

- (g) Property, plant and equipment purchased during the year were fully paid for in cash.

- (h) The descriptions and locations of the Group's properties are shown on pages 116 to 117.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 15. INVESTMENT PROPERTIES

Group	Freehold Land RM'000	Buildings RM'000	Total RM'000
<b>2013</b>			
<b>Cost</b>			
At 1 October 2012 and 30 September 2013	11,149	46,428	57,577
<b>Accumulated depreciation</b>			
At 1 October 2012	-	3,671	3,671
Depreciation charge for the year	-	929	929
At 30 September 2013	-	4,600	4,600
<b>Net carrying amount</b>			
<b>At 30 September 2013</b>	11,149	41,828	52,977
Fair value of investment property			85,000
<b>2012</b>			
<b>Cost</b>			
At 1 October 2011	11,149	47,158	58,307
Additions	-	70	70
Reclassified to property, plant and equipment	-	(800)	(800)
At 30 September 2012	11,149	46,428	57,577
<b>Accumulated depreciation</b>			
At 1 October 2011	-	2,897	2,897
Depreciation charge for the year	-	938	938
Reclassified to property, plant and equipment	-	(164)	(164)
At 30 September 2012	-	3,671	3,671
<b>Net carrying amount</b>			
<b>At 30 September 2012</b>	11,149	42,757	53,906
Fair value of investment property			80,000

An investment property with a carrying value of RM52,977,000 (2012 : RM53,906,000) is pledged as security to a licensed bank for term loans as disclosed in Note 30.



# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 16. LAND USE RIGHTS

	Group	
	2013 RM'000	2012 RM'000
<b>Cost</b>		
At 1 October	6,719	7,113
Additions	-	10
Currency translation differences	(555)	(404)
At 30 September	<u>6,164</u>	<u>6,719</u>
<b>Accumulated amortisation and impairment losses</b>		
At 1 October		
Accumulated amortisation	1,729	1,424
Accumulated impairment loss	1,137	1,308
Amortisation for the year (Note 8)	153	161
Currency translation differences	(211)	(27)
At 30 September	<u>2,808</u>	<u>2,866</u>
<b>Net carrying amount</b>	<u>3,356</u>	<u>3,853</u>
Amount to be amortised:		
Not later than one year	153	161
Later than one year but not later than five years	613	644
Later than five years	<u>2,590</u>	<u>3,048</u>

### 17. BIOLOGICAL ASSETS

	Group	
	2013 RM'000	2012 RM'000
<b>Plantation development expenditure</b>		
<b>Cost</b>		
At 1 October	63,562	64,829
Additions	16,759	6,151
Currency translation differences	(9,073)	(7,418)
At 30 September	<u>71,248</u>	<u>63,562</u>
<b>Accumulated amortisation</b>		
At 1 October	5,479	3,317
Current amortisation (Note 8)	2,844	2,675
Currency translation differences	(924)	(513)
At 30 September	<u>7,399</u>	<u>5,479</u>
<b>Net carrying amount</b>		
At 30 September	<u>63,849</u>	<u>58,083</u>
Biological assets additions during the year include the following:		
Depreciation of property, plant and equipment (Note 14)	1,049	1,014
Salaries and allowances	<u>1,085</u>	<u>1,056</u>

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 18. INTANGIBLE ASSET

	Group	
	2013	2012
	RM'000	RM'000
<b>Goodwill</b>		
At 1 October	12,005	12,356
Exchange translation differences	(333)	(351)
At 30 September	<u>11,672</u>	<u>12,005</u>

The carrying amounts of goodwill allocated to the Group's cash-generating units ("CGU") 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 segments as follows:

	Group	
	2013	2012
	RM'000	RM'000
Chemicals	9,136	9,136
Plantations	2,536	2,869
At 30 September	<u>11,672</u>	<u>12,005</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 of 5 years. Key assumptions used in the value-in-use calculations are:

- (a) the pre-tax discount rate used is 11% - 20% per annum;
- (b) 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 production whilst growth rates of companies in other segments are determined based on the industry trends and past performances of the respective companies; and
- (c) 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)

### 19. SUBSIDIARIES

	Company	
	2013	2012
	RM'000	RM'000
Unquoted shares at cost	<b>278,452</b>	<b>240,202</b>

Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Percentage of Equity Held		Principal Activities
		2013	2012	
<b>Held by the Company:</b>				
See Sen Chemical Berhad	Malaysia	<b>61</b>	61	Chemicals manufacturing
Malay-Sino Chemical Industries Sendirian Berhad	Malaysia	<b>86</b>	86	Chemicals manufacturing
Batu Kawan Holdings Sdn Bhd	Malaysia	<b>100</b>	100	Investment holding
Caruso Enterprises Sdn Bhd	Malaysia	<b>100</b>	100	Money lending
Whitmore Holdings Sdn Bhd	Malaysia	<b>100</b>	100	Investment holding
Enternal Edge Sdn Bhd	Malaysia	<b>100</b>	100	Investment holding
BKB Overseas Investments Ltd #	British Virgin Islands	<b>100</b>	-	Investment holding
<b>Held through Subsidiaries:</b>				
<b>Malay-Sino Chemical Industries Sendirian Berhad:</b>				
Malay-Sino Agro-Chemical Products Sdn Bhd	Malaysia	<b>86</b>	86	Manufacture and sale of methyl chloride
Circular Agency Sdn Bhd	Malaysia	<b>86</b>	86	General transportation services
North-South Transport Sdn Bhd	Malaysia	<b>86</b>	86	General transportation services
Malay-Sino Properties Sdn Bhd	Malaysia	<b>86</b>	86	Letting of storage warehouse facilities
Malay-Sino Chemical Holdings Berhad	Malaysia	<b>86</b>	86	Dormant
<b>See Sen Chemical Berhad:</b>				
See Sen Bulking Installation Sdn Bhd	Malaysia	<b>61</b>	61	Dormant
<b>Whitmore Holdings Sdn Bhd:</b>				
P.T. Satu Sembilan Delapan *	Indonesia	<b>92</b>	92	Plantation

\* The financial statements of this subsidiary is not audited by Messrs. Ernst & Young.

# This company is not required to be audited in the country of incorporation. The results of this company is consolidated based on the unaudited financial statements.

#### 2013

Acquisition of a subsidiary

On 18 October 2012, the Company incorporated a new wholly-owned subsidiary in British Virgin Islands, BKB Overseas Investments Ltd, which has an issued and paid-up capital of USD2.

#### 2012

Acquisition of shares from non-controlling interests

On 15 March 2012, the Group acquired an additional 0.06% interest in Malay-Sino Chemical Industries Sdn Bhd ("MSCI") for RM144,000 in cash, increasing its ownership from 85.5% to 85.6%. The carrying amount of MSCI's net assets in the consolidated financial statements on the date of acquisition was RM252,823,000. The Group recognised decrease in non-controlling interests of RM154,000 and a negative goodwill derecognised of RM10,000.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 20. ASSOCIATES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Quoted shares in Malaysia at cost	439,916	439,916	439,916	439,916
Unquoted shares at cost	15,036	2,130	3,898	-
	<b>454,952</b>	442,046	<b>443,814</b>	439,916
Group's share of retained reserves	2,927,714	2,730,058	-	-
	<b>3,382,666</b>	3,172,104	<b>443,814</b>	439,916
Market value of quoted shares	<b>11,207,375</b>	10,939,588	<b>11,207,375</b>	10,939,588

The carrying values of the investment in associates are represented by:

	Group	
	2013 RM'000	2012 RM'000
Group's share of aggregate net tangible assets	3,221,872	3,022,124
Group's share of aggregate intangible assets	147,420	142,622
Goodwill on acquisition	13,374	7,358
	<b>3,382,666</b>	3,172,104

Details of the associates are as follows:

Name of Associates	Country of Incorporation	Percentage of Equity Held		Principal Activities
		2013	2012	
<b>Held by the Company:</b>				
Quoted:				
Kuala Lumpur Kepong Berhad *	Malaysia	47	47	Plantations
Unquoted:				
Smith Zain (Penang) Sdn Bhd *	Malaysia	30	-	Dormant
Collingwood Plantations Pte Ltd *	Singapore	42	-	Investment holding
<b>Held through a Subsidiary</b>				
<b>See Sen Chemical Berhad:</b>				
Unquoted:				
BASF See Sen Sdn Bhd *	Malaysia	30	30	Manufacture of sulphuric acid products

\* The financial statements of the associates are not audited by Messrs. Ernst & Young.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

The financial year end of the associates is coterminous with that of the Group, except for BASF See Sen Sdn Bhd and Smith Zain (Penang) Sdn Bhd which have a financial year end of 31 December to conform with their respective 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 and Smith Zain (Penang) Sdn Bhd for the year ended 31 December 2012 and the management accounts for the period ended 30 September 2013 have been used.

The summarised financial information of the associates are as follows:

	<b>Group</b>	
	<b>2013</b>	2012
	<b>RM'000</b>	RM'000
Total assets	<b>11,780,218</b>	11,389,282
Total liabilities	<b>3,812,902</b>	3,876,623
Revenue	<b>9,154,211</b>	10,576,562
Profit for the year	<b><u>967,829</u></b>	<u>1,210,982</u>

### 21. OTHER INVESTMENTS

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	2012	<b>2013</b>	2012
<b>Non-Current</b>	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Available-for-sale financial assets				
- Equity instruments (quoted in Malaysia) - at fair value	<b>477</b>	-	-	-
- Equity instruments (quoted outside Malaysia) - at fair value	<b>6,898</b>	6,658	<b>5,299</b>	5,199
- Equity instruments (unquoted in Malaysia) - at cost	<b>13,990</b>	13,990	<b>13,990</b>	13,990
	<b><u>21,365</u></b>	<u>20,648</u>	<b><u>19,289</u></b>	<u>19,189</u>
Market value of quoted investments	<b><u>7,375</u></b>	<u>6,658</u>	<b><u>5,299</u></b>	<u>5,199</u>

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 22. DEFERRED TAX

	Group	
	2013 RM'000	2012 RM'000
Balance brought forward	10,103	1,990
Recognised in profit or loss (Note 12)	11,869	8,089
Exchange translation differences	(142)	24
Balance carried forward	<u>21,830</u>	<u>10,103</u>
Presented after appropriate offsetting as follows:		
Deferred tax assets	(174)	(982)
Deferred tax liabilities	<u>22,004</u>	<u>11,085</u>
	<u>21,830</u>	<u>10,103</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	Unutilised Reinvestment Allowances RM'000	Total RM'000
At 1 October 2011	(408)	(3,842)	(103)	(880)	(1,836)	(12,660)	(19,729)
Recognised in profit or loss	(122)	847	(267)	(54)	1,136	5,509	7,049
Exchange translation differences	-	-	-	5	122	-	127
<b>At 30 September 2012</b>	<b>(530)</b>	<b>(2,995)</b>	<b>(370)</b>	<b>(929)</b>	<b>(578)</b>	<b>(7,151)</b>	<b>(12,553)</b>
Recognised in profit or loss	799	1,009	150	(220)	438	6,835	9,011
Exchange translation differences	-	-	-	9	7	-	16
<b>At 30 September 2013</b>	<b>269</b>	<b>(1,986)</b>	<b>(220)</b>	<b>(1,140)</b>	<b>(133)</b>	<b>(316)</b>	<b>(3,526)</b>

#### Deferred Tax Liabilities of the Group

	Property, Plant and Equipment RM'000	Revaluation Surplus RM'000	Investment Property RM'000	Biological Assets RM'000	Land Use Rights RM'000	Total RM'000
At 1 October 2011	16,893	496	4,086	207	37	21,719
Recognised in profit or loss	1,189	(7)	(327)	167	19	1,041
Exchange translation differences	(67)	-	-	(32)	(5)	(104)
<b>At 30 September 2012</b>	<b>18,015</b>	<b>489</b>	<b>3,759</b>	<b>342</b>	<b>51</b>	<b>22,656</b>
Recognised in profit or loss	2,748	(8)	(77)	178	17	2,858
Exchange translation differences	(93)	-	-	(58)	(7)	(158)
<b>At 30 September 2013</b>	<b>20,670</b>	<b>481</b>	<b>3,682</b>	<b>462</b>	<b>61</b>	<b>25,356</b>

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 23. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Current</b>				
<b>Trade receivables</b>				
Third parties	12,012	20,385	-	-
Less: Allowance for impairment	(23)	-	-	-
Trade receivables (net)	11,989	20,385	-	-
Amount due from an associate	335	358	-	-
Amount due from related parties being companies in which persons connected with certain Directors have significant interests	71,767	56,734	-	-
	<b>84,091</b>	<b>77,477</b>	<b>-</b>	<b>-</b>
<b>Other receivables</b>				
Other receivables	17,152	10,078	76	70
Less: Allowance for impairment	(3)	-	-	-
Other receivables (net)	17,149	10,078	76	76
Amount due from subsidiaries	-	-	4,201	5,456
Amount due from related parties being companies in which persons connected with certain Directors have significant interests	660	5	-	-
Amount due from an associate	158	149	-	-
Refundable deposits	831	820	8	12
	<b>18,798</b>	<b>11,052</b>	<b>4,285</b>	<b>5,538</b>
	<b>102,889</b>	<b>88,529</b>	<b>4,285</b>	<b>5,538</b>
<b>Non-Current</b>				
<b>Other receivables</b>				
Plasma receivables	31,124	30,577	-	-
Total trade and other receivables	134,013	119,106	4,285	5,538
Add: Cash and bank balances (Note 27)	706,806	153,650	579,338	86,641
Total loans and receivables	<b>840,819</b>	<b>272,756</b>	<b>583,623</b>	<b>92,179</b>

#### (a) Trade receivables

Trade receivables are non-interest bearing and are generally on 7 to 90 days (2012: 30 to 90 days) terms. They are recognised at their original invoice amounts which represent their fair value on initial recognition.

#### Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

Group 2013	Gross RM'000	Individual impairment RM'000	Collective impairment RM'000	Net RM'000
Neither past due nor impaired	81,102	-	-	81,102
1 to 30 days past due not impaired	1,776	-	-	1,776
31 to 60 days past due not impaired	399	-	-	399
61 to 90 days past due not impaired	220	-	-	220
91 to 120 days past due not impaired	282	-	-	282
More than 121 days past due	335	(23)	-	312
	3,012	(23)	-	2,989
	<b>84,114</b>	<b>(23)</b>	<b>-</b>	<b>84,091</b>

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

Group 2012	Gross RM'000	Individual impairment RM'000	Collective impairment RM'000	Net RM'000
Neither past due nor impaired	74,149	-	-	74,149
1 to 30 days past due not impaired	2,519	-	-	2,519
31 to 60 days past due not impaired	174	-	-	174
61 to 90 days past due not impaired	554	-	-	554
91 to 120 days past due not impaired	34	-	-	34
More than 121 days past due not impaired	47	-	-	47
	3,328	-	-	3,328
	<u>77,477</u>	-	-	<u>77,477</u>

### Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

### Receivables that are past due but not impaired

The Group has trade receivables amounting to RM2,989,000 (2012: RM3,328,000) that are past due at the reporting date but not impaired. The Directors are of the opinion that these debts should be realised in full without material losses in the ordinary course of business. These trade receivables that are past due but not impaired are unsecured in nature.

### Receivables that are impaired

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that the recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

## (b) Related party balances

### Company

- Amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demand.

### Group and Company

- Amount due from an associate is unsecured, non-interest bearing and repayable on demand.
- Amount due from related parties being companies in which persons connected with certain Directors have significant interests are unsecured, non-interest bearing and repayable on demand.

## (c) Plasma receivables

The Company's plantation subsidiary in Indonesia participates in a "Kredit Koperasi Primer untuk Anggotanya" ("Plasma Plantation") project to provide financing and to assist in the development of oil palm plantation for the benefit of the communities in Indonesia in the vicinity of its operations. Interest rate of 8% (2012: 8%) per annum is chargeable on the advances given for the plasma plantation projects.

	Group	
	2013 RM'000	2012 RM'000
At 1 October	30,577	27,753
Additions	10,793	9,677
Payments	(6,239)	(3,477)
Currency translation	(4,007)	(3,376)
At 30 September	<u>31,124</u>	<u>30,577</u>



# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 24. INVENTORIES

	<b>Group</b>	
<b>At Cost</b>	<b>2013</b>	2012
	<b>RM'000</b>	RM'000
Finished goods	5,792	8,642
Work-in-progress	618	493
Raw materials	13,903	12,416
Stores and consumables	11,466	8,320
	<b>31,779</b>	29,871
<b>At Net Realisable Value</b>		
Finished goods	1,062	419
Work-in-progress	10	24
Raw materials	1,115	3,930
	<b>2,187</b>	4,373
	<b>33,966</b>	34,244

The cost of inventories recognised as an expense during the financial year in the Group amounted to approximately RM215,604,000 (2012: RM233,894,000).

### 25. OTHER CURRENT ASSETS

	<b>Group</b>	
	<b>2013</b>	2012
	<b>RM'000</b>	RM'000
Prepaid operating expenses	3,742	6,126
	<b>3,742</b>	6,126

### 26. DERIVATIVES

	<b>Group</b>					
	<b>2013</b>			2012		
	<b>Contract/ Notional Amount</b>	<b>RM'000</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Contract/ Notional Amount</b>	<b>RM'000</b>
<b>Non-hedging derivatives:</b>						
<b>Current</b>						
Forward currency contracts	3,439	-	(16)	1,760	6	(2)
	<b>3,439</b>	<b>-</b>	<b>(16)</b>	<b>1,760</b>	<b>6</b>	<b>(2)</b>

The Group uses forward currency contracts to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.

Forward currency contracts are used to hedge the Group's sales denominated in SGD for which firm commitments existed at the reporting date, extending to November 2013 (2012: November 2012).

During the financial year, the Group recognised a loss of RM160,000 (2012: RM97,000) arising from fair value changes of derivatives. The fair value changes are attributable to changes in foreign exchange spot and forward rate. The method and assumptions applied in determining the fair values of derivatives are disclosed in Note 38.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 27. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Short term trust funds in Malaysia	537,804	4,239	474,489	-
Term deposits with licensed banks	59,441	44,527	30	-
Cash and bank balances	109,561	104,884	104,819	86,641
	<u>706,806</u>	<u>153,650</u>	<u>579,338</u>	<u>86,641</u>

The effective interest rates of deposits per annum at the reporting date are as follows:

	Group		Company	
	2013 %	2012 %	2013 %	2012 %
Short term trust funds	2.73 - 3.40	2.63	3.14	-
Term deposits with licensed banks	0.05 - 3.45	0.05 - 3.05	3.15	-

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

	Group		Company	
	2013 Days	2012 Days	2013 Days	2012 Days
Short term trust funds	30 - 183	30	30 - 183	-
Term deposits with licensed banks	1 - 365	3 - 92	365	-

### 28. TRADE AND OTHER PAYABLES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Current</b>				
<b>Trade payables</b>				
Third parties	11,542	10,915	-	-
Amount due to related parties being companies in which persons connected with certain Directors have significant interests	1,473	1,195	-	-
	<u>13,015</u>	<u>12,110</u>	<u>-</u>	<u>-</u>
<b>Other payables</b>				
Other payables	25,335	14,071	-	-
Amount due to related parties being companies in which persons connected with certain Directors have significant interests	1,167	1,095	-	-
Accrued operating expenses	13,957	8,836	9,119	3,025
Deposits received	591	587	-	-
	<u>41,050</u>	<u>24,589</u>	<u>9,119</u>	<u>3,025</u>
Total trade and other payables	54,065	36,699	9,119	3,025
Add: Loans and borrowings (Note 30)	540,568	39,930	500,000	-
Total financial liabilities carried at amortised cost	<u>594,633</u>	<u>76,629</u>	<u>50,919</u>	<u>3,025</u>

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

**(a) Trade payables**

These amounts are non-interest bearing. The normal trade credit terms granted to the Group range from 30 to 90 days (2012: 30 to 90 days).

**(b) Other payables**

These amounts are non-interest bearing. The normal trade credit terms granted to the Group range from 30 to 90 days (2012: 30 to 90 days).

**(c) Related party balances**

Amounts due to related parties being companies in which persons connected with certain Directors have significant interests are unsecured, non-interest bearing and repayable on demand.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 29. PROVISION FOR RETIREMENT BENEFITS

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Present value of unfunded defined benefit obligation	3,739	3,537	19	15
Recognised in profit or loss	1,090	685	27	4
Payments	(204)	(464)	(24)	-
Currency translation differences	(38)	(19)	-	-
Net liabilities	<u>4,587</u>	<u>3,739</u>	<u>22</u>	<u>19</u>
Represented by:				
Payable not later than 1 year	-	165	-	-
Payable later than 1 year	<u>4,587</u>	<u>3,574</u>	<u>22</u>	<u>19</u>
	<u>4,587</u>	<u>3,739</u>	<u>22</u>	<u>19</u>

The retirement benefits recognised in profit or loss are as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Current service cost	428	271	1	1
(Over)/Under provision	(57)	618	25	2
Interest cost	211	206	1	1
Past service cost	81	-	-	-
Remeasurements	17	-	-	-
Actuarial loss on obligation	410	(410)	-	-
Total, included in employee benefits expenses (Note 9)	<u>1,090</u>	<u>685</u>	<u>27</u>	<u>4</u>

Movements in the net liabilities are as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
At 1 October	3,739	3,537	19	15
Current service cost	428	271	1	1
Interest cost	211	206	1	1
Past service cost	81	-	-	-
Remeasurements	17	-	-	-
Actuarial loss on obligation	410	(410)	-	-
Payments	(204)	(464)	(24)	-
(Over)/Under provision	(57)	618	25	2
Currency translation differences	(38)	(19)	-	-
At 30 September	<u>4,587</u>	<u>3,739</u>	<u>22</u>	<u>19</u>

Principal actuarial assumptions used are as follows:

	Group		Company	
	2013 %	2012 %	2013 %	2012 %
Discount rate	4.59 - 9.00	4.31 - 7.50	4.66	5.07
Expected rate of salary increase	3.00 - 7.86	3.50 - 6.05	7.86	6.05
Mortality rate	0.03 - 0.67	0.03 - 0.41	-	-
Turnover rate	5.00	5.00	-	-

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 30. LOANS AND BORROWINGS

	Maturity	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Current</b>					
Secured term loans:					
- 4.65% p.a. fixed rate RM bank loans	2014	7,568	8,000	-	-
Unsecured term loan:					
- RM loan at bank's COF + 0.75% p.a.	2014	12,000	2,800	-	-
		<u>19,568</u>	<u>10,800</u>	<u>-</u>	<u>-</u>
<b>Non-Current</b>					
Secured term loans:					
- 4.65% p.a. fixed rate RM bank loans		-	7,568	-	-
Unsecured term loan:					
- RM loan at bank's COF + 0.75% p.a.	2015 - 2016	21,000	21,562	-	-
Islamic Medium Term Notes	2023	500,000	-	500,000	-
		<u>521,000</u>	<u>29,130</u>	<u>500,000</u>	<u>-</u>
Total loans and borrowings (Note 28)		<u>540,568</u>	<u>39,930</u>	<u>500,000</u>	<u>-</u>

The maturities of the loans and borrowings are as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Within 1 year	19,568	10,800	-	-
More than 1 year and less than 2 years	12,000	24,368	-	-
More than 2 years and less than 5 years	9,000	4,762	-	-
More than 5 years	500,000	-	500,000	-
	<u>540,568</u>	<u>39,930</u>	<u>500,000</u>	<u>-</u>

#### (a) 4.65% p.a. fixed rate RM bank loans

These loans are to be fully repaid within 5 years by 7 equal half yearly instalments of RM4,000,000 and one final instalment of RM7,568,000 commencing 13 months from the date of the first drawdown (1 April 2009), and are secured by the following:

- (i) first legal charge on a freehold land and building of a subsidiary as disclosed in Note 15; and
- (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 the investment property of a subsidiary (Note 15).

#### (b) RM loan at bank's COF + 0.75% p.a.

This loan has been partially drawn down under a six-year RM36,000,000 term loan facility. This loan is repayable by 36 equal monthly instalments of RM1,000,000.

The weighted average floating interest rates per annum as at reporting date for the term loan is 4.37% (2012: 4.16%).

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### (c) Islamic Medium Term Notes

During the financial year, the Company has issued the full RM500.0 million 10-year Sukuk Musharakah Islamic Medium Term Notes ("IMTN") under the RM500.0 million Islamic Medium Term Notes Programme ("Programme") at a periodic distribution rate of 4.05% per annum, payable semi-annually.

Salient features of the Programme are as follows:

- (i) Total outstanding nominal value of the IMTN (collectively known as "Notes") shall not exceed RM500.0 million;
- (ii) The tenure of the Programme is up to 10 years from the date of the first issuance of any Notes under this Programme;
- (iii) The IMTN has a maturity of more than 1 year and up to 10 years and on condition that the maturity dates of the IMTN do not exceed the tenure of the Programme. The IMTN may be non-profit bearing or bear profit at a rate determined at the point of issuance. The profit is payable semi-annually in arrears from the date of issue of the IMTN with the last periodic distribution to be made on the maturity date; and
- (iv) Debt to Equity Ratio of the Group shall be maintained at not more than one time throughout the tenure of the Programme.

### 31. SHARE CAPITAL

	Group and Company			
	2013		2012	
	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>
Treasury shares	<u>21,256</u>	<u>223,387</u>	<u>19,765</u>	<u>196,442</u>

#### (a) Share Capital

The holders of shares (except treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share without restrictions at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

#### (b) Treasury Shares

Treasury shares relate to shares of the Company that are held by the Company.

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 1,491,600 of its issued shares from the open market for a total cost of RM26,944,931. The average price paid for the shares bought back was RM18.00 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, 21,256,500 (2012: 19,764,900) are held as treasury shares by the Company as at 30 September 2013. As at this date, the number of outstanding shares issued and fully-paid, after deducting treasury shares held, is 414,694,500 (2012: 416,186,100) shares of RM1 each.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 32. RESERVES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Non-distributable:				
Revaluation reserve	706	706	16	16
Exchange fluctuation reserve	(33,071)	(14,655)	-	-
Capital reserve	271,072	271,072	-	-
Fair value reserve	331	91	(72)	(172)
	<u>239,038</u>	<u>257,214</u>	<u>(56)</u>	<u>(156)</u>
Distributable:				
Capital reserve	246,853	246,418	32,555	32,555
Revenue reserve - General reserve	58,559	(33,404)	6,739	6,739
- Retained earnings	3,231,662	3,017,672	564,510	510,038
	<u>3,537,074</u>	<u>3,230,686</u>	<u>603,804</u>	<u>549,332</u>
	<u>3,776,112</u>	<u>3,487,900</u>	<u>603,748</u>	<u>549,176</u>

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

(a) Revaluation reserve

The Group's and Company's revaluation reserve arose from revaluation of properties in prior years.

(b) Exchange fluctuation reserve

The exchange fluctuation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(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) Fair value reserve

Fair value reserve comprises the cumulative net change in the fair value of available-for-sale investments until the investments are derecognised or impaired.

(e) Revenue reserve

The Company has elected for the irrevocable option under the Finance Act 2007 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 earnings as at 30 September 2013 and 2012 under the single tier system.

Of the Company's retained earnings at year end of RM564,510,000, RM223,387,000 was utilised for the purchase of the treasury shares and is considered as non-distributable. Details of treasury shares are disclosed on page 41 and in Note 31.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 33. DIVIDENDS

	Group and Company	
	2013 RM'000	2012 RM'000
<b>Dividends Paid</b>		
Final 50 sen single tier (2012 : 80 sen single tier)	207,512	333,479
Interim 15 sen single tier (2012 : 15 sen single tier)	62,207	62,527
	<b>269,719</b>	<b>396,006</b>
<b>Dividend Proposed</b>		
Final 40 sen single tier (2012 : 50 sen single tier)	165,415	207,863

The proposed dividend (based on the number of shares less treasury shares of 413,538,300 as at 13 December 2013) has not been accounted for in the financial statements but will be recognised in the financial year ending 30 September 2014 upon shareholders' approval.

### 34. RELATED PARTY TRANSACTIONS

The Company has a controlling related party relationship with its subsidiaries as disclosed in Note 19 and has significant influence in its associates as disclosed in Note 20.

The Directors who are major shareholders and close members of their families including companies where persons connected with certain Directors have significant interests 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 non-controlling interests of the Company:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
(a) Transactions with associates and their related companies:				
Processing fee from	600	600	-	-
Sales of finished goods to	3,486	2,808	-	-
Sales of electricity to	898	730	-	-
Supply of manpower to	96	96	-	-
- BASF See Sen Sdn Bhd				
Procurement of air charter services from				
- Kuala Lumpur Kepong Bhd	-	19	-	-
Rental of premises charged by				
- Kuala Lumpur Kepong Bhd	96	96	96	96
Rental of premises and car park fees earned from				
- KL-Kepong Industrial Holdings Sdn Bhd	1,415	1,274	-	-
- KL-Kepong Property Development Sdn Bhd	-	274	-	-
- KL-Kepong Country Homes Sdn Bhd	464	61	-	-
- Kuala Lumpur Kepong Berhad	1,113	1,039	-	-
Plantation agency fees and internal audit fee charged by				
- PT KLK Agriservindo	177	179	-	-
Sales of fresh fruit bunches to				
- PT Hutan Hijau Mas	39,829	31,498	-	-
Rental of office charged by				
- PT Steelindo Wahana Perkasa	1	-	-	-
Recruitment fees charges by				
- Taiko Plantations Pte Ltd	9	6	-	-



# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 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	7,383	5,043	-	-
- Taiko Marketing (S) Pte Ltd	18,942	18,595	-	-
- Taiko Drum Industries Sdn Bhd	307	262	-	-
- Taiko Acid Works Sdn Bhd	413	-	-	-
Rental of premises, car park fees and tankers earned from				
- Taiko Marketing Sdn Bhd	889	889	-	-
- Chlor-Al Chemical Pte Ltd	30	22	-	-
- Taiko Clay Marketing Sdn Bhd	240	239	-	-
- Belgrand Sdn Bhd	246	-	-	-
- Premier Bleaching Earth Sdn Bhd	60	-	-	-
Freight income earned from				
- Taiko Marketing Sdn Bhd	736	1,309	-	-
- Chlor-Al Chemical Pte Ltd	751	105	-	-
- Taiko Acid Works Sdn Bhd	-	598	-	-
Sales of indirect materials and finished goods to				
- Taiko Marketing Sdn Bhd	196,064	173,959	-	-
- Taiko Marketing (S) Pte Ltd	803	394	-	-
- Chlor-Al Chemical Pte Ltd	22,859	23,476	-	-
- Taiko Acid Works Sdn Bhd	391	2,381	-	-
- Premier Bleaching Earth Sdn Bhd	5,949	5,563	-	-
Sales commissions charged by				
- Taiko Marketing Sdn Bhd	1,890	1,329	-	-
- Chlor-Al Chemical Pte Ltd	351	443	-	-
- Wakomas Chemical Sdn Bhd	687	-	-	-

Information regarding outstanding balances arising from related party transactions at balance sheet date are disclosed in Notes 23 and 28.

### (c) Compensation of key management personnel

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Short-term employee benefits	5,404	5,492	3,530	3,595
Post-employment benefits:				
Defined contribution plan	670	691	402	411
Retirement benefits	240	180	-	-
Other benefits	59	60	-	-
	<u>6,373</u>	<u>6,423</u>	<u>3,932</u>	<u>4,006</u>
Included in compensation of key management personnel are:				
Directors' remuneration (Note 10)	<u>4,462</u>	<u>4,865</u>	<u>3,632</u>	<u>3,630</u>

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 35. CAPITAL COMMITMENTS

	Group	
	2013 RM'000	2012 RM'000
Authorised and contracted for:		
Property, plant and equipment	<u>4,488</u>	<u>21,542</u>
Authorised but not contracted for:		
Property, plant and equipment	<u>82,699</u>	<u>66,224</u>
	<u>87,187</u>	<u>87,766</u>

### 36. SEGMENT INFORMATION

#### Group

The Group has 4 reportable segments which are the Group's strategic business units. The strategic business units offer different products and are managed separately as they require different technology and marketing strategies. The Group's Managing Director reviews internal management reports of each of the strategic business units on a monthly basis.

The reportable segments of the Group comprise the following:

- Investment holding
- Deposits with licensed banks, fixed income trust funds and investment in quoted and unquoted corporations.
- Chemicals
- Manufacture and sale of chemicals and transportation services.
- Plantations
- Cultivation of oil palm.
- Investment properties
- Letting out of office space and car parks.

The accounting policies of the segments are as disclosed in Note 2.

Inter-segment pricing is determined based on arm's length basis in a manner similar to transactions with third parties.

Performance is measured based on segment profit before tax as included in the internal management reports that are reviewed by the Group's Managing Director. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate in these industries.

Segment assets/liabilities exclude tax assets/liabilities.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### (a) Information on Business Segments

2013

	Investment Holding RM'000	Chemicals RM'000	Investment Property RM'000	Plantations RM'000	Elimination RM'000	Consolidated RM'000
<b>Revenue</b>						
External revenue						
Chemicals	-	277,632	-	-	-	277,632
Transportation services	-	28,009	-	-	-	28,009
Dividends	4,625	210	-	-	-	4,835
Rental income	-	-	6,694	-	-	6,694
Palm products	-	-	-	39,923	-	39,923
Interest income	415	1,914	6	2,597	-	4,932
	<b>5,040</b>	<b>307,765</b>	<b>6,700</b>	<b>42,520</b>	<b>-</b>	<b>362,025</b>
Inter segment revenue	16,076	-	-	-	(16,076)	-
	<b>21,116</b>	<b>307,765</b>	<b>6,700</b>	<b>42,520</b>	<b>(16,076)</b>	<b>362,025</b>
<b>Results</b>						
Operating results	21,186	72,831	3,547	12,664	(16,076)	94,152
Finance cost	(6,436)	(1,450)	(477)	(10,787)	10,787	(8,363)
Share of results of associates	427,340	254	-	-	-	427,594
	<b>442,090</b>	<b>71,635</b>	<b>3,070</b>	<b>1,877</b>	<b>(5,289)</b>	<b>513,383</b>
Income tax expense						(20,560)
Profit for the year						<b>492,823</b>
<b>Assets</b>						
Operating assets	605,522	485,176	54,246	157,266	-	1,302,210
Associates	3,380,891	1,775	-	-	-	3,382,666
	<b>3,986,413</b>	<b>486,951</b>	<b>54,246</b>	<b>157,266</b>	<b>-</b>	<b>4,684,876</b>
Unallocated assets (tax assets)						1,096
Total assets						<b>4,685,972</b>
<b>Liabilities</b>						
Segment liabilities	514,002	68,669	9,583	6,982	-	599,236
Unallocated liabilities (tax liabilities)						23,496
Total liabilities						<b>622,732</b>
<b>Other Information</b>						
Depreciation of property, plant and equipment	16	25,734	52	1,736	(111)	27,427
Depreciation of investment property	-	-	929	-	-	929
Amortisation of land use rights	-	118	-	93	(58)	153
Amortisation of biological assets	-	-	-	2,844	-	2,844
Other material non-cash expenses:						
Plant and equipment written off	-	312	-	-	-	312
Receivables written off	-	314	-	-	-	314
Impairment loss on receivable	-	-	26	-	-	26
Inventories written off	-	331	-	-	-	331
Retirement benefits recognised	27	905	-	158	-	1,090
Inventories written down to net realisable value	-	541	-	-	-	541
Net unrealised loss on foreign exchange	13,939	(182)	-	(33)	(16,752)	(3,028)

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

2012

<b>Revenue</b>	<b>Investment Holding</b>		<b>Investment Properties</b>		<b>Elimination</b>	<b>Consolidated</b>
	<b>RM'000</b>	<b>Chemicals RM'000</b>	<b>RM'000</b>	<b>Plantations RM'000</b>		
External revenue	-	268,631	-	-	-	268,631
Chemicals	-	25,455	-	-	-	25,455
Transportation services	1,344	55	-	-	-	1,399
Dividends	-	-	6,265	-	-	6,265
Rental income	-	-	-	31,195	-	31,195
Palm products	455	801	7	2,333	-	3,596
Interest income	1,799	294,942	6,272	33,528	-	336,541
Inter segment revenue	18,790	-	-	-	(18,790)	-
	20,589	294,942	6,272	33,528	(18,790)	336,541
<b>Results</b>						
Operating results	14,901	48,897	3,271	14,909	(18,790)	63,188
Finance cost	-	(627)	(854)	(9,153)	9,153	(1,481)
Share of results of associates	564,016	(79)	-	-	-	563,937
Profit before tax	578,917	48,191	2,417	5,756	(9,637)	625,644
Income tax expense						(13,701)
Profit for the year						611,943
<b>Assets</b>						
Operating assets	110,498	415,896	54,472	135,221	-	716,087
Associates	3,170,583	1,521	-	-	-	3,172,104
Segment assets	3,281,081	417,417	54,472	135,221	-	3,888,191
Unallocated assets (tax assets)						1,443
Total assets						3,889,634
<b>Liabilities</b>						
Segment liabilities	3,047	56,048	17,508	3,767	-	80,370
Unallocated liabilities (tax liabilities)						15,019
Total liabilities						95,389
<b>Other Information</b>						
Depreciation of property, plant and equipment	11	25,606	47	1,299	(111)	26,852
Depreciation of investment properties	-	-	938	-	-	938
Amortisation of land use rights	-	118	-	101	(58)	161
Amortisation of biological assets	-	-	-	2,675	-	2,675
Other material non-cash expenses:						
Plant and equipment written off	-	1,129	1	-	-	1,130
Retirement benefits recognised	4	622	-	59	-	685
Inventories written down to net realisable value	-	1,171	-	-	-	1,171
Net unrealised gain on foreign exchange	-	101	-	-	-	101

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

Addition to non-current assets, other than financial instruments and deferred tax assets, are as follows:

	Investment Holding RM'000	Chemicals RM'000	Investment Property RM'000	Plantations RM'000	Elimination RM'000	Consolidated RM'000
<b>2013</b>						
Capital expenditure	14	28,140	31	21,749	-	49,934
<b>2012</b>						
Capital expenditure	7	53,890	68	14,528	-	68,493
Land use rights	-	-	70	-	-	70
	7	53,890	138	14,528	-	68,563

### (b) Geographical Segments

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets. The amounts of non-current assets do not include tax assets.

#### (i) Revenue by geographical location of customers

	2013 RM'000	2012 RM'000
Malaysia	286,807	269,332
Other countries in Asia	75,218	67,182
Europe	-	27
	<b>362,025</b>	<b>336,541</b>

#### (ii) Non-current assets (excluding deferred tax assets) and additions to capital expenditure by geographical location of assets

	Segment Assets		Additions to Capital Expenditure	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Malaysia	3,688,211	3,484,941	28,185	54,035
Indonesia	140,243	120,694	21,749	14,528
Singapore	9,019	-	-	-
	<b>3,837,473</b>	<b>3,605,635</b>	<b>49,934</b>	<b>68,563</b>

- (c) Revenue from one major customer amounting to RM196,800,000 (2012: RM175,268,000) arose from sales by the chemical segment.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 37. FINANCIAL INSTRUMENTS

#### Financial Risk Management Objectives and Policies

The Group and the Company are exposed to financial risks from their operations and the use of financial instruments. The key financial risks include interest rate risk, credit risk, foreign currency risk, liquidity risk and market price risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks which are executed by the Group Financial Controller.

#### (a) Interest Rate Risk

The Group's and the Company's primary interest rate risk relates to interest-bearing debt. The investment 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 with licensed banks and tax-exempt fixed income trust funds which yield better returns than cash at bank as disclosed in Note 27.

The Group and the Company manage their 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 borrowings are 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 2013, the Group and the Company have not entered into any hedging instruments arrangement such as interest rate swaps to minimise its exposure to interest rate volatility.

#### Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 10 basis points lower/higher, with all other variables held constant, the impact is immaterial to the Group's profit net of tax.

#### (b) 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 and the Company's associations to business partners with high credit worthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

Concentration of credit risk exists in certain subsidiaries to the extent of trade receivables owing by 1 to 4 (2012: 2) debtors which represents 89% to 91% (2012: 90%) of total trade receivables as at the reporting date.

#### Exposure to credit risk

At the reporting date, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 23.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### (c) Foreign Currency Risk

The Group and the Company operate internationally and is exposed to various currencies, mainly United States Dollar ("USD"), Euro, Indonesian Rupiah and Singapore Dollar ("SGD"). Foreign currency denominated assets and liabilities together with expected cash flows from high probable purchases and sales give rise to foreign exchange exposures.

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 currency contracts.

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

Functional Currencies	Net Financial Assets/(Liabilities) Held in Non-Functional Currencies					
	United States Dollar RM'000	Singapore Dollar RM'000	Euro RM'000	CHF RM'000	Indonesian Rupiah RM'000	Total RM'000
<b>Group</b>						
<b>As at 30 September 2013:</b>						
Ringgit Malaysia	<u>10,361</u>	<u>86,497</u>	<u>(291)</u>	<u>(70)</u>	<u>40,998</u>	<u>137,495</u>
<b>As at 30 September 2012:</b>						
Ringgit Malaysia	<u>6,015</u>	<u>81,112</u>	<u>415</u>	<u>-</u>	<u>41,864</u>	<u>129,406</u>

As at 30 September 2013, the Group has entered into forward foreign exchange contracts with maturity within 1 year to hedge trade receivables. The notional amounts of the forward exchange contracts at reporting dates are as follows:

	Group	
	2013 RM'000	2012 RM'000
Singapore Dollar	<u>3,439</u>	<u>1,760</u>

#### Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the USD and SGD exchange rates against the functional currency of the Group entities, with all other variables held constant.

		Group	
		2013 Profit net of tax RM'000 Increase/(Decrease)	2012 Profit net of tax RM'000 Increase/(Decrease)
USD/RM	- strengthened 4% (2012: 4%)	(235)	(150)
	- weakened 4% (2012: 4%)	235	150
SGD/RM	- strengthened 2% (2012: 2%)	2,214	1,629
	- weakened 2% (2012: 2%)	<u>(2,214)</u>	<u>(1,629)</u>

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### (d) Liquidity Risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities, if necessary.

The Group and the Company 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 and the Company maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group and the Company strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group and the Company 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.

#### Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profiles of the Group's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	2013			Total
	On demand or within one year	One to five years	More than five years	
<b>RM'000</b>				
<b>Group</b>				
<b>Financial Liabilities:</b>				
Trade and other payables	54,065	-	-	54,065
Loans and borrowings	19,568	21,000	500,000	540,568
<b>Total undiscounted financial liabilities</b>	<b>73,633</b>	<b>21,000</b>	<b>500,000</b>	<b>594,633</b>
<b>2012</b>				
<b>RM'000</b>				
	On demand or within one year	One to five years	More than five years	Total
<b>Group</b>				
<b>Financial Liabilities:</b>				
Trade and other payables	36,699	-	-	36,699
Loans and borrowings	10,800	29,130	-	39,930
<b>Total undiscounted financial liabilities</b>	<b>47,499</b>	<b>29,130</b>	<b>-</b>	<b>76,629</b>



# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### (e) Market Price Risk

Market price risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group and the Company is exposed to equity price risk arising from its investments in quoted equity instruments. The quoted investments in Malaysia are listed on Bursa Malaysia Securities Berhad while the quoted equity instruments outside Malaysia are listed on SGX-ST in Singapore. These instruments are classified as available-for-sale financial assets. The Group does not have exposure to commodity price risk.

#### Sensitivity analysis for equity price risk

At the reporting date, if the equity prices had been between 9% to 15% higher/lower, with all other variables held constant, the Group's fair value reserve would have been RM965,000 higher/lower, arising as a result of an increase/decrease in the fair value of equity instruments classified as available-for-sale.

## 38. FAIR VALUE OF FINANCIAL INSTRUMENTS

### Determination of fair value

#### (a) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	<b>Note</b>
Trade and other receivables	23
Trade and other payables	28
Loans and borrowings (current)	30

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair value, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The carrying amounts of the current portion of loans and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

The fair values of fixed rate bank loans and Islamic medium term notes are estimated by discounting expected future cash flows at market incremental lending rates for similar types of lending, borrowing or leasing arrangement at the reporting date.

#### (b) Derivatives

Forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing, using present value calculation. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

(c) Fair Value of financial instruments that are carried at fair value

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	Quoted prices in active markets for identical instruments Level 1 RM'000	Significant Other observable inputs Level 2 RM'000	Significant unobservable inputs Level 3 RM'000	Total RM'000
<b>Group</b>				
<b>At 30 September 2013</b>				
Financial assets:				
Available-for-sale investment (Note 21)				
- Equity instruments (quoted outside Malaysia)	6,898	-	-	6,898
- Equity instruments (quoted in Malaysia)	477	-	-	477
<hr/>				
At 30 September 2012				
Available-for-sale investment (Note 21)				
- Equity instruments (quoted outside Malaysia)	6,658	-	-	6,658
<hr/>				
<b>Company</b>				
<b>At 30 September 2013</b>				
Financial assets:				
Available-for-sale investment (Note 21)				
- Equity instruments (quoted outside Malaysia)	5,299	-	-	5,299
<hr/>				
At 30 September 2012				
Available-for-sale investment (Note 21)				
- Equity instruments (quoted outside Malaysia)	5,199	-	-	5,199
<hr/>				

Fair value hierarchy

The Group and the Company classified fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices), and
- Level 3 - Inputs for the asset that are not based on observable market data (unobservable inputs).

There have been no transfers between Level 1 and Level 2 fair value measurements during the financial year ended 30 September 2013 and 30 September 2012.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 39. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 September 2013 and 30 September 2012.

### 40. OPERATING LEASE ARRANGEMENT

#### (a) The Group as lessee

The Group has entered into cancellable operating lease agreements for the use of motor vehicles. The Group is required to give a range of 1 to 6 months notice for the termination of these agreements.

#### (b) 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 1 to 3 years. The leases include a clause to enable upward revision of the rental charge based on prevailing market conditions.

The future minimum lease payment receivable under non-cancellable operating leases contracted for as at the reporting dates but not recognised as receivables, are as follows:

	Group	
	2013 RM'000	2012 RM'000
Not later than 1 year	5,613	4,280
Later than 1 year and not later than 3 years	4,292	5,796
	<u>9,905</u>	<u>10,076</u>

Investment properties rental income, recognised in profit or loss during the financial year is disclosed in Note 4.

The upkeep expenses incurred on the investment properties are RM107,000 (2012: RM39,000).

The Group has also entered into cancellable operating lease agreements on certain property, plant and equipment. The lessees are required to give 1 to 3 months notice for the termination of these agreements.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 41. SIGNIFICANT EVENT

On 10 August 2012, Whitmore Holdings Sdn Bhd (“WH”), a wholly-owned subsidiary entered into a conditional agreement to acquire from the Vendor, Damin, a 39% equity interest in PT Tekukur Indah (“PTTI”), a company established in the Republic of Indonesia, for a cash consideration of Rp1.395 billion and subject to adjustment for any difference in actual area of land which is free from “masyarakat” control. The agreement is subject to conditions precedent being fulfilled within eighteen months from the date of the agreement.

Subsequently, WH also entered into a call and put option agreement to acquire from Bobby Noer Rahman (“BNR”), a 51% equity stake in PTTI for a cash consideration of Rp765 million. On 27 March 2013, WH exercised the above call and put option and entered into a conditional agreement with BNR to acquire the 51% equity interest in PTTI for a cash consideration of Rp765 million. The agreement is subject to conditions precedent being fulfilled within twelve months from the date of the agreement.

Both the above agreements are yet to be completed.

### 42. SUBSEQUENT EVENT

Subsequent to 30 September 2013 until the date of this Annual Report, the Company bought back a total of 1,156,200 of its issued shares from the open market for a total cost of RM21,744,000. The average price paid for the shares bought back was RM18.81 per share. The shares bought back were financed by internally generated funds and held as treasury shares.

### 43. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 30 September 2013 were authorised for issue in accordance with a resolution of the Directors on 13 December 2013.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 44. SUPPLEMENTARY INFORMATION - BREAKDOWN OF RETAINED PROFITS INTO REALISED AND UNREALISED

The breakdown of the retained profits of the Group and of the Company as at 30 September 2013 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad's Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Total retained profits of the Company and its subsidiaries				
- Realised	<b>890,546</b>	781,811	<b>561,266</b>	509,888
- Unrealised	<b>(18,800)</b>	(10,017)	<b>3,244</b>	150
	<b>871,746</b>	771,794	<b>564,510</b>	510,038
Total share of retained profits from associates				
- Realised	<b>2,460,506</b>	2,319,358	-	-
- Unrealised	<b>(69,366)</b>	(33,222)	-	-
	<b>2,391,140</b>	2,286,136	-	-
Less: Consolidation adjustments	<b>(31,224)</b>	(40,258)	-	-
Total retained profits as per financial statements	<b>3,231,662</b>	3,017,672	<b>564,510</b>	510,038

# BATU KAWAN BERHAD

## Statement by Directors and Statutory Declaration

### Statement by Directors

#### Pursuant to Section 169 (15) of the Companies Act, 1965

We, Dato' Lee Hau Hian and Dato' Yeoh Eng Khoon, being two of the Directors of Batu Kawan Berhad, do hereby state that in our opinion, the accompanying financial statements together with the notes thereto, are drawn up in accordance with Financial Reporting Standards and the requirements of 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 2013 and of their financial performance and cash flows for the year then ended.

The information set out in Note 44 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the Directors, dated 13 December 2013.

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

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

### Statutory Declaration

#### Pursuant to Section 169 (16) of the Companies Act, 1965

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 13 December 2013.

**CHONG SEE TECK**

Before me,

**M. LOGANAYAGI**  
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 statements of financial position as at 30 September 2013 of the Group and of the Company, and the income statements, the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 45 to 109.

#### Directors' responsibility for the financial statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### 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 about 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 judgement, 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 of the financial statements that give a true and fair view 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 give a true and fair view of the financial position of the Group and of the Company as at 30 September 2013 and of their financial performance and cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

### 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' report of the subsidiary of which we have not acted as auditors, which is indicated in Note 19 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 REPORTING RESPONSIBILITIES

The supplementary information set out in Note 44 on page 110 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

### OTHER MATTERS

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

**ERNST & YOUNG**  
**AF : 0039**  
**Chartered Accountants**

**LEONG CHOOI MAY**  
**1231/03/15 (J)**  
**Chartered Accountant**

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

13 December 2013



# BATU KAWAN BERHAD

## Shareholding Statistics

at 29 November 2013

AUTHORISED SHARE CAPITAL	- RM1,000,000,000
ISSUED & FULLY PAID-UP CAPITAL	- RM435,951,000 (including 22,310,200 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 <sup>^</sup>
1 - 99	84	1.64	3,054	0.00
100 - 1,000	1,590	31.03	1,165,946	0.28
1,001 - 10,000	2,508	48.95	9,471,129	2.29
10,001 - 100,000	751	14.66	23,410,842	5.66
100,001 - less than 5% of issued shares	189	3.69	162,465,412	39.28
5% and above of issued shares	2	0.04	217,124,417	52.49
<b>TOTAL</b>	<b>5,124</b>	<b>100.00</b>	<b>413,640,800</b>	<b>100.00</b>

### Thirty Largest Securities Accounts Holders

Name	No. of Shares	% of Issued Share Capital <sup>^</sup>
1. Arusha Enterprise Sdn Bhd	189,754,667	45.87
2. Lembaga Kemajuan Tanah Persekutuan (FELDA)	27,369,750	6.62
3. Yeoh Chin Hin Investments Sdn Berhad	15,300,000	3.70
4. Cimsec Nominees (Tempatan) Sdn Bhd - A/C Heah Seok Yeong Realty Sdn Bhd	10,000,000	2.42
5. Lee Chan Investments Sdn Berhad	9,159,275	2.21
6. High Quest Holdings Sdn Bhd	8,262,955	2.00
7. Yeoh Meng Ghee	8,017,000	1.94
8. Leong Wan Chin	6,973,705	1.69
9. Yeoh Chin Hin	6,311,250	1.53
10. Teoh Guat Eng	6,132,188	1.48
11. Di-Yi Sdn Bhd	6,116,805	1.48
12. Cimsec Nominees (Tempatan) Sdn Bhd - A/C Heah Seok Yeong Realty Sdn Bhd	4,850,000	1.17
13. Valuecap Sdn Bhd	4,840,800	1.17
14. Malay-Sino Formic Acid Sdn Bhd	3,083,450	0.75
15. Malay Rubber Plantations (Malaysia) Sdn Berhad	2,792,250	0.68
16. HSBC Nominees (Tempatan) Sdn Bhd - A/C Di Yi Sdn Bhd	2,663,375	0.64
17. Steppe Structure Sdn Bhd	2,224,250	0.54
18. Citigroup Nominees (Asing) Sdn Bhd - A/C CBNY for DEM Value Fund	2,078,750	0.50
19. Key Development Sdn Berhad	2,003,000	0.48
20. Meng Hin Holdings Sdn Bhd	1,815,750	0.44
21. Malaysia Nominees (Tempatan) Sdn Bhd - A/C Lee Rubber (Selangor) Sdn Bhd	1,620,000	0.39
22. HSBC Nominees (Asing) Sdn Bhd - A/C BNP Paribas Secs Svs Lux for Aberdeen Global	1,556,500	0.38
23. HSBC Nominees (Asing) Sdn Bhd - A/C Exempt An For Credit Suisse (SG Br-TST-Asing)	1,511,380	0.37
24. Arusha Enterprise Sdn Bhd	1,500,000	0.36
25. Leong Wan Chin	1,500,000	0.36
26. Cimsec Nominees (Tempatan) Sdn Bhd - A/C CIMB for Lyne Ching Sdn Berhad	1,485,000	0.36
27. Citigroup Nominees (Tempatan) Sdn Bhd - A/C Employees Provident Fund Board (Aberdeen)	1,250,000	0.30
28. Key Development Sdn Berhad	1,134,250	0.27
29. Gan Teng Siew Realty Sdn Berhad	1,118,200	0.27
30. Citigroup Nominees (Tempatan) Sdn Bhd - Kumpulan Wang Persaraan (Diperbadankan) (Aberdeen)	1,109,000	0.27
<b>TOTAL</b>	<b>333,533,550</b>	<b>80.63</b>

<sup>^</sup> Calculated based on 413,640,800 shares which do not include 22,310,200 treasury shares.

# BATU KAWAN BERHAD

## Shareholding Statistics

at 29 November 2013 (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	8,387	197,430,367	47.73 #
2. Arusha Enterprise Sdn Bhd *	191,554,667	5,875,700	47.73
3. Lembaga Kemajuan Tanah Persekutuan (FELDA)	27,369,750	-	6.62

# Includes the 46.31% held directly by Arusha Enterprise Sdn Bhd and 1.42% 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.

Tan Sri Dato' Seri Lee Oi Hian and Dato' Lee Hau Hian are substantial shareholders of Di-Yi Sdn Bhd (via Grateful Blessings Inc) and High Quest Holdings Sdn Bhd (via Cubic Crystal Corp) 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 413,640,800 shares which do not include 22,310,200 treasury shares.

### Directors' Interest in Shares

The details of Directors' interest in the shares of the Company as at 29 November 2013 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	%
Tan Sri Dato' Seri Lee Oi Hian	854,355	0.21	207,038,934**	50.05
Dato' Lee Hau Hian	625,230	0.15	205,842,209**	49.76
R.M. Alias	-	-	1,500*	-
Tan Sri Datuk Seri Utama Thong Yaw Hong	22,500	-	-	-
Dato' Mustafa bin Mohd Ali	-	-	-	-
Dato' Yeoh Eng Khoon	315,000	0.08	15,379,000**	3.72
Quah Chek Tin	-	-	-	-

\* Indirect interest held through child pursuant to Section 134(12)(c) of the Companies Act, 1965.

\*\* Includes indirect interest held through spouse and/or children pursuant to Section 134(12)(c) of the Companies Act, 1965.

### 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 2013

Location	Tenure	Year Lease Expiring	Titled Hectareage	Description/ Existing use	Date of Acquisition/ Revaluation *	Age of Buildings (Years)	Net Carrying Amount RM'000
<b>MALAYSIA</b>							
Menara KLK No. 1, Jalan PJU 7/6, Mutiara Damansara, Petaling Jaya, Selangor Darul Ehsan	Freehold	-	0.57	Office building #	24.11.2003	4	52,977
PT No 6326, Bandar Sri Sendayan, Seremban Darul Khusus	Freehold	-	1.91	Vacant industrial land	30.08.2013	-	6,793
PTD 21873, Pasir Gudang Industrial Estate, Pasir Gudang, Johor Darul Takzim.	Leasehold	2039	2.3	Chemical factory	06.10.1979	28	1,730
Lot No 3558, Kawasan Perindustrian Teluk Kalung, Mukim Teluk Kalung, Kemaman, Terengganu Darul Iman.	Leasehold	2055	4.0	Chemical factory	27.12.1995	17	3,197
Lot No 2989, Kawasan Perindustrian Teluk Kalung, Mukim Teluk Kalung, Kemaman, Terengganu Darul Iman.	Leasehold	2055	7.74	Chemical factory	12.11.1995	17	1,421
Lot No 5441, Kawasan Perindustrian Teluk Kalung, Mukim Teluk Kalung, Kemaman, Terengganu Darul Iman.	Leasehold	2056	0.9	Acid pipeline	03.09.2003	-	111
Lot No 4735, Kawasan Perindustrian Teluk Kalung, Mukim Teluk Kalung, Kemaman, Terengganu Darul Iman.	Leasehold	2025	5.0	Vacant industrial land	14.12.2010*	-	750
Lot No 70810, 70811, 4.5 Miles, Jalan Lahat, Ipoh, Perak Darul Ridzuan.	Leasehold	2074	5.46	Chemical factory	11.03.1996 *	37	3,946
				Methyl Chloride factory	08.03.2011	3	893
Lot 541, Plot 7, Kg Acheh Industrial Estate, Sitiawan, Perak Darul Ridzuan.	Leasehold	2087	1.21	Industrial land with warehouse	21.03.1996 *	24	626
Lot No 3557, Kawasan Perindustrian Teluk Kalung, Mukim Teluk Kalung, Kemaman, Terengganu Darul Iman.	Leasehold	2056	6.18	Chemical factory	25.08.1996	15	5,783
Lot No 4524, Kawasan Perindustrian Teluk Kalung, Mukim Teluk Kalung, Kemaman, Terengganu Darul Iman.	Leasehold	2059	7.84	Chemical factory	23.06.1999	10	1,954
				Chemical factory	03.08.2011	2	24,217
Lot No 9878 Plot 6, Kg Acheh Industrial Estate, Sitiawan, Perak Darul Ridzuan.	Leasehold	2093	0.43	Industrial land with warehouse	21.03.1996 *	18	320
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 *	19	1,189
# Investment property						Total	<u>105,907</u>

# BATU KAWAN BERHAD

## Properties of the Group at 30 September 2013 (Continued)

Location	Tenure	Year Lease Expiring	Titled Hectareage	Description/ Existing use	Date of Acquisition/ Revaluation *	Age of Buildings (Years)	Net Carrying Amount RM'000
<b>INDONESIA</b>							
<b>PLANTATION:</b>							
Kebun Satu Sembilan Delapan, Berau, Kalimantan Timur	Leasehold	Between 2029 - 2044	5,728	Oil palm estate and oil palm mill under construction	Between 2008 - 2009	-	13,845
Grand Total							<u>119,752</u>

# 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/PassportNo: .....

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, 19 February 2014 at 2.15 p.m. or at any adjournment thereof, and to vote as indicated below:

Resolution	Relating to:	For	Against
1.	Approve the payment of a Final Single Tier Dividend of 40 sen per share		
2.	Re-election of Tan Sri Dato' Seri Lee Oi Hian		
3.	Re-appointment of Directors pursuant to Section 129(6), Companies Act, 1965: R.M. Alias		
4.	Tan Sri Datuk Seri Utama Thong Yaw Hong		
5.	Dato' Mustafa bin Mohd Ali		
6.	Approve the payment of Directors' fees		
7.	Appointment of Messrs. KPMG as Auditors in place of Messrs. Ernst & Young and to authorise the Directors to determine 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) Other than exempt authorised nominee who may appoint multiple proxies in respect of each Omnibus Account held, 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.

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STAMP

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

-----*fold*-----