

BATU KAWAN BERHAD (6292-U)

SUMMARY OF PROCEEDINGS OF THE FIFTY-FIRST (51ST) ANNUAL GENERAL MEETING OF THE COMPANY HELD AT ITS REGISTERED OFFICE, WISMA TAIKO, NO. 1, JALAN S.P. SEENIVASAGAM, 30000 IPOH, PERAK DARUL RIDZUAN ON WEDNESDAY, 17 FEBRUARY 2016 AT 2.15 P.M..

PRESENT : Tan Sri Dato' Seri Lee Oi Hian - Chairman
and as per attendance list.

IN ATTENDANCE : Ms. Yap Miow Kien
Mr. Chong See Teck
Ms. Chiew Cindy } Company Secretaries

1. COMMENCEMENT OF MEETING

The Chairman called the Meeting to order and extended a warm welcome to those present. The Company Secretary, Ms. Yap Miow Kien, confirmed that a quorum was present.

2. NOTICE OF MEETING

On a proposal of the Chairman, the Notice of Meeting dated 30 December 2015 was taken as read.

3. AUDITORS' REPORT

On a proposal of the Chairman, the Auditors' Report was taken as read.

4. AUDITED FINANCIAL STATEMENTS AND REPORTS

The Chairman informed that the Audited Financial Statements for the year ended 30 September 2015 ("FY 2015"), together with the Directors' and Auditors' Reports thereon, were tabled in the Meeting for discussion only and were not required to be put forward for voting.

The Chairman went on to inform that the replies to the questions raised by the Minority Shareholder Watchdog Group ("MSWG") in its letter dated 4 February 2016 to the Company, as attached as **Appendix I**, had been distributed to all the shareholders attending the Meeting. Puan Lya Rahman (a MSWG's representative) informed that they were satisfied with Management's replies, but commented that they had only received the written reply one (1) day before the AGM and hoped that Management could consider replying earlier in the future.

She further recommended the following for the Board's consideration:

- (a) for the Company to publish the minutes of the AGM proceedings and the Company's Articles of Association on the Company's website; and
- (b) to appoint a woman to its Board of Directors.

The Chairman replied that the Board will consider MSWG's recommendations.

In reply to a further query from Puan Lya Rahman on the major capital expenditure amounting to RM1.1 billion for FY 2015 as referred to under Note 39 on Page 97 of the Company's Annual Report 2015, the Managing Director stated that the Group's capital commitment was mainly for new plantation development, oleo-chemical operations and replacement of fixed assets. He further explained that the capital expenditure for new plantation development did not yet include capital expenditure for the development of land owned by its subsidiary, PT Tekukur Indah, as such development would only commence in the second quarter of 2016. This was in line with the Group's commitment to its "No Deforestation" and "Sustainable Development" policies, to develop the land only after the completion of the High Carbon Stock areas study.

There being no further questions, the Audited Financial Statements for the year ended 30 September 2015, together with the Directors' and Auditors' Reports thereon laid before the Meeting in compliance with Section 169 of the Companies Act, 1965 were duly received.

5. FINAL DIVIDEND

The Chairman informed the Meeting that the Directors had recommended a final single tier dividend of 35 sen per share for the financial year ended 30 September 2015.

The following ordinary resolution was put to the Meeting for a vote and was duly passed:

"THAT the payment of a final single tier dividend of 35 sen per share for the financial year ended 30 September 2015 to be paid on 17 March 2016 to all shareholders whose names appear on the Company's Record of Depositors at the close of business on 24 February 2016 be and is hereby approved".

6. RE-ELECTION OF DIRECTOR

Mr. Quah Chek Tin retired by rotation in accordance with the Company's Articles of Association and, being eligible, offered himself for re-election.

The following ordinary resolution was put to the Meeting for a vote and was duly passed:

"THAT Mr. Quah Chek Tin, who retired in accordance with the Company's Articles of Association, be and is hereby re-elected a Director of the Company."

7. RE-APPOINTMENT OF DIRECTORS PURSUANT TO SECTION 129(6) OF THE COMPANIES ACT, 1965

The Chairman informed the Meeting that in accordance with Section 129(6) of the Companies Act, 1965, the re-appointments of R. M. Alias and Dato' Mustafa bin Mohd Ali as Directors, require approval by a three-fourth majority of those members present and voting at the Meeting.

The following ordinary resolutions were put to the Meeting for a vote and were duly passed:

“THAT R. M. Alias be re-appointed as a Director of the Company to hold office until the next Annual General Meeting of the Company.”

“THAT Dato’ Mustafa bin Mohd Ali be re-appointed as a Director of the Company to hold office until the next Annual General Meeting of the Company.”

8. DIRECTORS’ FEES

The following ordinary resolution was put to the Meeting for a vote and was duly passed:

“THAT the Directors’ fees of RM715,890/- in respect of the year ended 30 September 2015 be approved and that this amount be divided amongst the Non-Executive Directors as the Directors deem fit.”

9. RE-APPOINTMENT OF AUDITORS

The Chairman informed that the Auditors, KPMG retired and were available for re-appointment.

The following ordinary resolution was put to the Meeting for a vote and was duly passed:

“THAT KPMG be and are hereby re-appointed as Auditors of the Company at a remuneration to be fixed by the Directors and to hold office until the conclusion of the next Annual General Meeting.”

10. SPECIAL BUSINESS

(a) ORDINARY RESOLUTION 7 - PROPOSED RENEWAL OF AUTHORITY TO BUY BACK ITS OWN SHARES BY THE COMPANY

On the proposal of the Chairman, the following Ordinary Resolution 7 was taken as read:

“THAT authority be given to the Company to buy back an aggregate number of 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 Malaysia 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.”

The following ordinary resolution was put to the Meeting for a vote and was duly passed:

“THAT Ordinary Resolution 7 on the Proposed Renewal of Authority to Buy Back its Own Shares by the Company be passed.”

(b) ORDINARY RESOLUTION 8 – PROPOSED SHAREHOLDERS’ MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

The Chairman declared his interest in the transactions contained in Ordinary Resolution 8. The Chair was then handed over to the Senior Independent Non-Executive Director, Dato’ Yeoh Eng Khoon.

Dato’ Yeoh Eng Khoon informed the Meeting that Tan Sri Dato’ Seri Lee Oi Hian and Dato’ Lee Hau Hian are interested parties in the transactions contained in Ordinary Resolution 8 and accordingly, these Directors, together with persons connected with them will not vote on this resolution.

On the proposal of Dato’ Yeoh Eng Khoon, the following Ordinary Resolution 8 was taken as read:

“THAT subject to the Companies Act, 1965 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 30 December 2015 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 ordinary resolution and shall continue to be in force until:

- (i) the conclusion of the next Annual General Meeting of the Company following the Annual General Meeting at which such mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or
- (ii) the expiration of the period within which the next Annual General Meeting after the date it is required to be held pursuant to Section 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.”

The following ordinary resolution was put to the Meeting for a vote and was duly passed:

“THAT Ordinary Resolution 8 on the Proposed Shareholders’ Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature be passed.”

The Chair was then returned to Tan Sri Dato’ Seri Lee Oi Hian.

11. TERMINATION

There being no other business, the Meeting ended at 2.30 p.m. with a vote of thanks to the Chair.

Replies to Queries from the Minority Shareholder Watchdog Group (“MSWG”) for Batu Kawan Berhad 51st Annual General Meeting on Wednesday, 17 February 2016:

Strategic & Financial Matters

1. **Q: “As stated in the Chairman’s Statement, See See Chemical faced difficult competition from cheaper smelter acid imports which eroded its sales and the Company reported a loss for FY 2015. A reduction in its business scope and a plant closure may be eventually necessary.**

What would be the estimated financial impact on the group, which may include write-down of plant & machineries, compensation to employees, etc, in the event that the plant has to be closed?”

In the event that See Sen Chemical Berhad needs to close its Kemaman acid plant and reduce its scope of business, it is estimated that some RM6.6 million of the associated plant & machineries will be written-off and some RM1.9 million in termination benefits payment to employees will be required.

2. **Q: “During the year, the Group had acquired 90% shareholding in PT Tekukur Indah, which owns 2,911 ha of unplanted land in Kalimantan, Indonesia.**

When would the Company commence planting the abovementioned land in view that the existing plantation lands which are adjacent to the said land had been fully planted?”

The land in PT Tekukur Indah will be developed into plantations once the on-going potential High Carbon Stock (“HCS”) areas study has been completed and reviewed. This is part of the Group’s standard procedure under its commitment to its “No Deforestation” and “Sustainable Development” policies. Thus, development of the land is expected to occur only in the second quarter of 2016.

3. **Q: “We noted that the amounts owing by subsidiaries as at 30 September 2015 increased substantially from RM6.288 million as at 30 September 2014 to RM44.949 million as at 30 September 2015.**

(a) Which are the subsidiaries were these amounts due from and what is the nature of the advance/loan provided to these subsidiaries?”

Details of the amounts and purpose of advances/loans provided to the subsidiaries as at 30 September 2015 are as follows:

<u>Subsidiaries</u>	<u>Amount</u> RM'mil	<u>Purpose</u>
1) Caruso Australia Ventures Pty Ltd	37.1	Investment in property development projects in Australia
2) See Sen Chemical Berhad	7.8	Working capital and purchase of a 4.7 acres of freehold industrial land in Sendayan, Negeri Sembilan for development of a 120 mt/day Liquid Aluminium Sulphate plant
TOTAL	44.9	

(b) “Could the Board elaborate on the financial performance of the subsidiaries involved?”

Caruso Australia Ventures Pty Ltd (“CAV”), incorporated in April 2015, is a wholly-owned BKB subsidiary and an investment holding company fully funded by BKB, investing in property projects in Australia. In Financial Year 2015 (“FY 2015”), CAV invested in 2 land development projects in the state of Victoria, Australia i.e.

- *an AUD12.0 million, 50% joint-venture with a local developer to develop a 34 ha mixed-use development in Epping, Victoria, with a projected Gross Development Value (“GDV”) of AUD125 million; and*
- *an AUD10.0 million, 25% joint-venture with a local developer to develop 127 ha residential development in Greenvale, Victoria, with a projected GDV of AUD366 million.*

Both projects are in preliminary and planning stage. Earnings contributions are only expected in later years.

See Sen Chemical Berhad (“See Sen”) reported an audited RM0.9 million Group after-tax loss in FY 2015 due to competition from cheaper smelter acid imports. As part of its geographical location strategy to increase efficiency, See Sen has built a 120 mt/day liquid alum plant in Sendayan, Negeri Sembilan to reduce overall logistics cost for See Sen to remain competitive and to support its market activities in the Central region. This plant commenced operation in October 2014.

4. Q: “As disclosed in Note 26 to the Financial Statements, individual impairment for trade receivables as at 30 September 2015 increased substantially to RM23.455 million from RM9.595 million as at 30 September 2014.

Was the amount attributable to any major customers and what was the total amount recovered to-date?”

The increase in impairment allowance for trade receivables during FY 2015 was due to an impairment of debts owing to the Group’s overseas oleo-chemical subsidiary, from a major trade customer amounting to RM13.7 million (including currency translation effects). This overseas trade debtor has since been placed under liquidation and the likelihood of any debt recovery of the impaired debt is unlikely.

5. **Q: “As stated in the Chairman’s Statement, for FY 2015, the Chlor-alkali operations achieved satisfactory results with growing products off-take volume from a major customer. During the year, the Company had restructured the long term product supply agreement with this customer to better reflect the actual product requirement.**

What is the percentage of the revenue contribution from this customer?”

This customer contributed 24% of the chemical subsidiary’s FY 2015 revenue. On the Group basis, this customer’s revenue contribution was 0.4% of Group revenue.

Corporate Governance

1. **Q: “To publish the Minutes of the AGM proceedings and the Company’s Memorandum & Articles of Association on the Company’s website to be in line with the spirit of transparency and good corporate governance practices”**

We will consider MSWG’s suggestion on the above.

2. **Q: “Under Recommendation 3.3 of the Malaysian Code on Corporate Governance (MCCG) 2012, the board must justify and seek shareholders’ approval in the event that it retains as an independent director, a person who has services in that capacity for more than nine (9) years.**

We noted that the Company provided justifications as to why it would like to retain R.M. Alias and Dato’ Yeoh Eng Khoon, who have served on the Board as Independent Directors for a cumulating term of more than nine (9) years. However, there were no resolutions tabled for shareholders’ approval to retain them as Independent Directors.

We would encourage the Board to put up a separate resolution to seek shareholder’s approval for these Independent Directors in compliance with Recommendation 3.3 of the MCCG 2012.”

We will consider MSWG’s suggestion on the above.