

BATU KAWAN BERHAD (6292-U)

ANNUAL REPORT FOR THE YEAR ENDED 30 SEPTEMBER

2010

BATU KAWAN BERHAD

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BATU KAWAN BERHAD

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Forty-sixth ANNUAL GENERAL MEETING of the members of the Company will be held at its Registered Office, Wisma Taiko, 1, Jalan S. P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan, Malaysia on Wednesday, 23 February 2011 at 2.15 p.m. for the following purposes:-

1. To receive the Financial Statements for the year ended 30 September 2010 and the Directors' and Auditors' Reports thereon. (Ordinary Resolution 1)
2. To approve the payment of a Final Single Tier Dividend of 50 sen per share for the year ended 30 September 2010. (Ordinary Resolution 2)
3. To re-elect the following Directors:-
 - (a) Tan Sri Dato' Seri Lee Oi Hian (Ordinary Resolution 3)
 - (b) Quah Chek Tin (Ordinary Resolution 4)
4. To consider and, if thought fit, pass resolutions pursuant to Section 129(6) of the Companies Act, 1965 to re-appoint the following as Directors of the Company to hold office until the next Annual General Meeting of the Company:-
 - (a) R.M. Alias (Ordinary Resolution 5)
 - (b) Tan Sri Dato' Thong Yaw Hong (Ordinary Resolution 6)
 - (c) Dato' Mustafa bin Mohd Ali (Ordinary Resolution 7)
5. To approve Directors' fees for the year ended 30 September 2010 amounting to RM734,000 (2009 : RM742,000). (Ordinary Resolution 8)
6. To appoint Auditors and to authorise the Directors to fix their remuneration. (Ordinary Resolution 9)
7. As SPECIAL BUSINESS, to consider and, if thought fit, pass the following Resolutions:-
 - (a) PROPOSED AUTHORITY TO BUY BACK ITS OWN SHARES BY THE COMPANY (Ordinary Resolution 10)

"THAT authority be given to the 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 Securities") 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 Securities or any other relevant authority."

BATU KAWAN BERHAD

Notice of Annual General Meeting (Continued)

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

(Ordinary Resolution 11)

"THAT subject to the Companies Act, 1965, the Memorandum and Articles of Association of the Company and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into all arrangements and/or transactions as set out in PART B Section 2.2(b) of the Circular to Shareholders dated 23 December 2010 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
(Company Secretaries)

Ipoh,
Perak Darul Ridzuan,
Malaysia.

23 December 2010

BATU KAWAN BERHAD

Notice of Annual General Meeting (Continued)

NOTES:-

- (1) A member of the Company entitled to attend and vote at the meeting is entitled to appoint only one proxy to vote in his stead. The proxy need not be a member of the Company.
- (2) The instrument appointing the proxy, to be valid, must be deposited at the Registered Office of the Company at Wisma Taiko, 1, Jalan S. P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan, not less than 48 hours before the time for holding the meeting.
- (3) The Final Dividend, if approved, will be paid on 21 March 2011 to all shareholders on the Register of Members as at 24 February 2011.

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

- (i) securities deposited into the Depositor's Securities Account before 12.30 p.m. on 22 February 2011 in respect of securities which are exempted from mandatory deposit;
 - (ii) securities transferred into the Depositor's Securities Account before 4.00 p.m. on 24 February 2011 in respect of transfers; and
 - (iii) securities bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.
- (4) Profile of the Directors (together with their attendance in Board Meetings) standing for re-election or re-appointment as Directors of the Company under Resolutions 3 to 7 are shown on pages 8 to 10 of this 2010 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 37 to 38.
 - (5) Ordinary Resolution 10 under item 7(a), if passed, is to give authority to Directors to buy back the Company's own shares. This authority will expire at the next Annual General Meeting of the Company unless earlier revoked or varied by ordinary resolution of the Company at a general meeting.
 - (6) Ordinary Resolution 11 under item 7(b), if passed, will allow the Group to enter into Recurrent Related Party Transactions of a Revenue or Trading Nature in the ordinary course of business made on normal commercial terms not more favourable to the related parties than those generally available to the public, and are not to the detriment of the minority shareholders.

By obtaining the Proposed Shareholders' Mandate under Ordinary Resolution 11 and the renewal of the same on an annual basis, the necessity to convene separate general meetings from time to time to seek shareholders' approval as and when such recurrent related party transactions occur is avoided which would reduce substantial administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising the corporate objectives of the Group or adversely affecting the business opportunities available to the Group.

For Ordinary Resolutions 10 and 11 mentioned above, further information is set out in the Circular to Shareholders of the Company which is despatched together with the Company's 2010 Annual Report.

(A proxy form is attached with this Annual Report)

BATU KAWAN BERHAD

Notis Mesyuarat Agung Tahunan

DENGAN INI DIBERITAHU bahawa MESYUARAT AGUNG TAHUNAN pemegang-pemegang saham Syarikat yang Ke Empat Puluh Enam akan diadakan di Pejabat Berdaftar di Wisma Taiko, 1, Jalan S. P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan, Malaysia pada hari Rabu, 23 Februari 2011 pada jam 2.15 petang untuk tujuan-tujuan berikut:-

1. Menerima Penyata Kewangan bagi tahun berakhir 30 September 2010 dan Laporan Lembaga Pengarah dan Juruaudit. (Resolusi Biasa 1)
2. Meluluskan bayaran Dividen Akhir Tahap Pertama 50 sen sesaham bagi tahun berakhir 30 September 2010. (Resolusi Biasa 2)
3. Melantik semula Pengarah-Pengarah berikut :
 - (a) Tan Sri Dato' Seri Lee Oi Hian (Resolusi Biasa 3)
 - (b) Quah Chek Tin (Resolusi Biasa 4)
4. Mempertimbangkan dan sekiranya wajar, meluluskan resolusi menurut Seksyen 129(6) Akta Syarikat, 1965 bagi melantik semula penama berikut sebagai Pengarah Syarikat untuk berkhidmat hingga Mesyuarat Agung Tahunan Syarikat tahun berikutnya:-
 - (a) R.M. Alias (Resolusi Biasa 5)
 - (b) Tan Sri Dato' Thong Yaw Hong (Resolusi Biasa 6)
 - (c) Dato' Mustafa bin Mohd Ali (Resolusi Biasa 7)
5. Meluluskan bayaran yuran Pengarah-Pengarah sebanyak RM734,000 bagi tahun berakhir 30 September 2010 (2009 : RM742,000). (Resolusi Biasa 8)
6. Melantik Juruaudit dan memberi kuasa kepada para Pengarah menetapkan ganjaran Juruaudit. (Resolusi Biasa 9)
7. Sebagai URUSAN KHAS, untuk menimbang dan sekiranya bersesuaian meluluskan yang berikut sebagai Resolusi-Resolusi:-
 - (a) CADANGAN MEMBERI KUASA MEMBELI BALIK SAHAM SENDIRI OLEH SYARIKAT (Resolusi Biasa 10)

"BAHAWA kuasa diberi kepada 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 Securities") mengikut syarat-syarat yang dianggap oleh Pengarah-Pengarah sesuai dan wajar demi kepentingan Syarikat tertakluk kepada jumlah saham yang dibeli melalui resolusi ini tidak melebihi 10% dari jumlah modal saham terbitan dan berbayar Syarikat 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 Securities atau mana-mana pihak berkuasa berkenaan."

BATU KAWAN BERHAD

Notis Mesyuarat Agung Tahunan (Sambungan)

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

(Resolusi Biasa 11)

“BAHAWA, tertakluk kepada Akta Syarikat, 1965, Tatacara dan Tataurus Syarikat dan Peraturan Bursa Malaysia Securities Berhad, kelulusan diberikan kepada Syarikat dan/atau subsidiari-subsiarinya untuk mementerai perjanjian atau menangani transaksi dengan pihak-pihak yang berkaitan seperti yang tertera di BAHAGIAN B Seksyen 2.2(b) dalam Surat Pekeliling kepada pemegang-pemegang saham bertarikh 23 Disember 2010 yang melibatkan kepentingan Pengarah-pengarah atau pemegang saham utama atau pihak-pihak yang berkaitan dengan Pengarah-pengarah atau pemegang-pemegang saham utama (“Pihak-pihak berkaitan”) syarikat dan/atau subsidiari-subsiarinya sekiranya transaksi-transaksi tersebut adalah:-

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

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

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

yang mana lebih terdahulu.

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

8. Menguruskan lain-lain perkara biasa.

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

Ipoh,
Perak Darul Ridzuan,
Malaysia.

23 Disember 2010

BATU KAWAN BERHAD

Notis Mesyuarat Agung Tahunan (Sambungan)

NOTA-NOTA:-

- (1) Seorang pemegang saham Syarikat yang berhak menghadiri dan mengundi di mesyuarat ini adalah berhak melantik seorang proksi sahaja untuk menghadiri dan mengundi bagi pihaknya. Proksi tersebut tidak semestinya seorang pemegang saham Syarikat.
- (2) Suratcara perlantikan proksi, supaya ianya sah, hendaklah sampai ke Pejabat Berdaftar Syarikat di Wisma Taiko, 1, Jalan S. P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan, tidak kurang daripada 48 jam sebelum mesyuarat ini diadakan.
- (3) Dividen Akhir, jika diluluskan, akan dibayar pada 21 Mac 2011 kepada semua pemegang-pemegang saham yang didaftarkan dalam Buku Pendaftaran Ahli pada 24 Februari 2011.

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

- (i) saham yang didepositkan ke dalam akaun sekuriti pendeposit sebelum pukul 12.30 petang pada 22 Februari 2011 berhubung dengan saham yang dikecualikan daripada deposit mandatori;
 - (ii) saham yang dipindahkan ke dalam akaun sekuriti pendeposit sebelum pukul 4.00 petang pada 24 Februari 2011 berhubung dengan pindahan; dan
 - (iii) saham yang dibeli di Bursa Malaysia Securities Berhad pada dasar bersama kelayakan menurut Peraturan Bursa Malaysia Securities Berhad.
- (4) Profil para pengarah (bersama dengan kehadiran mereka dalam Mesyuarat Lembaga Pengarah) yang akan dipilih atau dilantik semula sebagai pengarah-pengarah syarikat untuk resolusi-resolusi 3 hingga 7 tertera pada mukasurat 8 hingga 10 dalam Laporan Tahunan 2010. Kedudukan saham mereka di dalam syarikat induk dan syarikat-syarikat berkaitan dengannya serta kedudukan saham di dalam Syarikat dan subsidiari-subsidiari tertera pada mukasurat 37 hingga 38.
 - (5) Cadangan Resolusi Biasa 10 di bawah perenggan 7(a) jika diluluskan bertujuan memberi kuasa kepada para pengarah untuk membeli balik saham Syarikat pada satu masa bila mana terma dan syarat-syarat pengarah-pengarah mendapati sesuai dengan kepentingan Syarikat. Bidang kuasa ini akan luput pada Mesyuarat Agung Tahunan yang akan datang melainkan sekiranya diimansuhkan atau diubah melalui resolusi biasa Syarikat dalam suatu mesyuarat umum.
 - (6) Cadangan Resolusi Biasa 11 di bawah perenggan 7(b) jika diluluskan akan membenarkan Kumpulan menjalankan transaksi-transaksi sering berulang bersifat dagangan dengan pihak-pihak berkaitan dalam transaksi perniagaan biasa atas syarat-syarat komersil yang tidak memberikan apa-apa kelebihan kepada pihak berkaitan dan tidak merugikan atau menjejaskan kepentingan pemegang-pemegang saham minoriti.

Dengan mendapatkan mandat pemegang saham yang dicadangkan dalam Resolusi Biasa 11 dan memperbaharunya 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 diijamatkan tanpa menjejaskan objektif Korporat Kumpulan dan peluang perniagaan yang sedia ada kepada Kumpulan.

Untuk Resolusi Biasa 10 dan 11, penerangan lanjut berkenaan dengan perkara-perkara tersebut di atas adalah terkandung di dalam Surat Pekeliling kepada Pemegang Saham yang telah disertakan bersama dengan Laporan Tahunan 2010.

(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
YM Tengku Robert Hamzah	- Independent Non-Executive Director (Retired on 24 February 2010)
R.M. Alias	- Independent Non-Executive Director
Tan Sri Dato' Thong Yaw Hong	- Senior Independent Non-Executive Director
Dato' Mustafa bin Mohd Ali	- Independent Non-Executive Director
Dato' Lee Soon Hian	- Non-Independent Non-Executive Director (Retired on 24 February 2010)
Dato' Yeoh Eng Khoon	- Independent Non-Executive Director
Quah Chek Tin	- Independent Non-Executive Director (Appointed on 4 March 2010)

COMPANY SECRETARIES

Chong See Teck
Md Shaizatul Azam bin Che Soda

REGISTERED OFFICE / PRINCIPAL PLACE OF BUSINESS

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

SHARE REGISTRAR

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

PLACE OF INCORPORATION AND DOMICILE

In Malaysia as a public limited liability company

STOCK EXCHANGE LISTING

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

AUDITORS

Ernst & Young
Chartered Accountants

BANKERS

OCBC Bank (Malaysia) Berhad
Malayan Banking Berhad
Standard Chartered Bank Malaysia Berhad
Hong Leong Bank Berhad
OCBC Al-Amin Bank (Malaysia) Berhad
Public Bank Berhad

BATU KAWAN BERHAD

Profile of the Directors

The Board of Directors comprises a Non-Independent Non-Executive Chairman, a Managing Director and 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 2010.

Particulars of the Directors are as follows:-

TAN SRI DATO' SERI LEE OI HIAN

Malaysian, aged 59, 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 2010.

DATO' LEE HAU HIAN

Malaysian, aged 57, Managing Director of BKB, joined the Board on 20 December 1993.

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

He graduated with a Bachelor of Science (Economics) degree from the London School of Economics and has 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 2010.

R.M. ALIAS

Malaysian, aged 78, Independent Non-Executive Director, has served on the Board since 1 December 1979. He is the Chairman of the Remuneration Committee of the Board.

He holds a Bachelor of Arts (Honours) degree from the University of Malaya, Singapore, a Certificate in Public Administration from the Royal Institute of Public Administration, London and has attended the Advanced Management Program at Harvard Business School, U.S.A.

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

He has no family relationship with any director/major shareholder of BKB. He is deemed interested in various transactions between the BKB Group and certain companies carried out in the ordinary course of business by virtue of his common directorships in these companies. He attended all the four (4) Board of Directors' meetings held during the financial year ended 30 September 2010.

BATU KAWAN BERHAD

Profile of the Directors (Continued)

TAN SRI DATO' THONG YAW HONG

Malaysian, aged 80, Independent Non-Executive Director, joined the Board on 23 January 1987. He is the Chairman of the Nomination Committee of the Board and a member of the Audit Committee and Remuneration Committee.

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

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

He has no family relationship with any director/major shareholder of BKB. He is deemed interested in transactions between the BKB Group and certain companies carried out in the ordinary course of business by virtue of his common directorships in these companies. He attended all the four (4) Board of Directors' meetings held during the financial year ended 30 September 2010.

DATO' MUSTAFA BIN MOHD ALI

Malaysian, aged 73, Independent Non-Executive Director, joined the Board on 31 October 1994. 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 2¹/₂ years' assignment as Corporate Planning Officer at British-American Tobacco Co. London, and was its Managing Director prior to joining Sime Darby Berhad on 1 July 1988. He worked for some six years with Sime Darby in various senior management positions before his retirement in February 1994. He was a Business Adviser to Kumpulan Guthrie Bhd from April 1994 to June 2002. He is also a director of another listed company, Affin Holdings Berhad. He is a trustee of British Graduate Association and Harvard Business School Alumni Association of Malaysia.

He has no family relationship with any director/major shareholder of BKB and does not have any conflict of interest with BKB. He attended all the four (4) Board of Directors' meetings held during the financial year ended 30 September 2010.

BATU KAWAN BERHAD

Profile of the Directors (Continued)

DATO' YEOH ENG KHOON

Malaysian, aged 63, 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 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 is deemed interested in various transactions between the BKB Group and certain companies carried out in the ordinary course of business by virtue of his common directorships in these companies. He has attended all the four (4) Board of Directors' Meeting held during the financial year ended 30 September 2010.

QUAH CHEK TIN

Malaysian, aged 59, 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 on 8 October 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 two (2) out of four (4) Board of Directors' Meetings held during the financial year ended 30 September 2010 in view that he was appointed as a director only on 4 March 2010.

Note: None of the Directors of BKB has been convicted of any offence.

BATU KAWAN BERHAD

Group Financial Summary

FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS

	2010 RM'000	2009 RM'000 (Restated)	2008 RM'000 (Restated)	2007 RM'000 (Restated)	2006 RM'000 (Restated)
Revenue	224,426	238,148	284,087	219,242	213,858
Profit before taxation	572,504	350,716	522,780	359,904	276,766
Profit attributable to equity holders of the Company	567,452	337,348	505,539	348,413	266,522
Total assets	3,261,310	3,036,080	2,902,467	2,614,128	2,385,821
Share capital	435,951	435,951	435,951	435,951	291,375
Reserves	2,694,623	2,466,268	2,356,269	2,072,119	1,988,641
Equity attributable to equity holders of the Company	3,130,574	2,902,219	2,792,220	2,508,070	2,280,016
Minority interests	58,407	59,394	58,459	63,814	67,628
Total equity	3,188,981	2,961,613	2,850,679	2,571,884	2,347,644
Total liabilities	72,329	74,467	51,788	42,244	38,177
Total equity and liabilities	3,261,310	3,036,080	2,902,467	2,614,128	2,385,821

FINANCIAL STATISTICS

	2010	2009 (Restated)	2008 (Restated)	2007 (Restated)	2006 (Restated)
Basic earnings per share (sen) *	134.2	79.2	117.3	80.4	61.5
Dividends per share (sen) *					
- Gross	65.0	40.0	64.0	50.0	55.0
- Net	65.0	40.0	57.9	36.9	40.0
Share price as at 30 September (RM)	12.28	9.26	7.50	8.70	5.77
Historical price earnings ratio (times)	9.2	11.7	6.4	10.8	14.1
Dividend yield - net (%)	5.3	4.3	7.7	4.2	4.6
Dividend cover (times)	2.1	2.0	2.0	2.2	1.5
Net assets per share attributable to equity holders of the Company (RM) *	7.47	6.82	6.53	5.79	5.26
Return on shareholders' equity (%)	18.1	11.6	18.1	13.9	11.7

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

QUARTERLY FINANCIAL HIGHLIGHTS

	Year 2010 RM'000	Fourth Quarter RM'000	Third Quarter RM'000	Second Quarter RM'000	First Quarter RM'000
Revenue	224,426	57,263	55,324	55,470	56,369
Profit before taxation	572,504	147,549	203,223	104,550	117,182
Profit attributable to equity holders of the Company	567,452	148,212	201,116	102,260	115,864
Basic earnings per share (sen)	134.2	35.1	47.4	24.0	27.2
Net dividends per share (sen)	65.0	50.0	-	15.0	-

BATU KAWAN BERHAD

Group Plantation Statistics

FIVE-YEAR GROUP PLANTATION STATISTICS

		2010	2009	2008	2007	2006
OIL PALM						
PRODUCTION						
Fresh Fruit Bunches ("FFB") Production	(mt)	21,154	2,543	-	-	-
FFB Yield per average mature hectare	(mt/ha)	14.53	3.52	-	-	-
Profit/(Loss) per average mature hectare		2,012	(393)	-	-	-
COST						
Ex-estate cost	(RM/mt)	305	157	-	-	-
Total estate cost	(RM/mt)	323	160	-	-	-
AVERAGE SELLING PRICES						
FFB	(RM/mt)	459	305	-	-	-
AREA STATEMENT as at 30 September						
Mature (all below 4 years)	(ha)	1,868	844	-	-	-
Immature - planted	(ha)	1,575	2,537	3,039	-	-
Immature - felled but not planted	(ha)	-	272	433	-	-
Total area cleared for planting	(ha)	3,443	3,653	3,472	-	-
Plantable reserves	(ha)	2,046	1,735	1,905	-	-
Nurseries	(ha)	43	30	30	-	-
Building sites, etc	(ha)	145	259	270	-	-
Total titled Hak Guna Usaha	(ha)	5,677	5,677	5,677	-	-

BATU KAWAN BERHAD

Chairman's Statement

I am pleased to report that the Group pre-tax profit for the financial year ended 30 September 2010 ("FY 2010") was RM572.5 million, or 63% higher than the previous year's pre-tax profit of RM350.7 million. This higher profit was due to higher profits from our main associate, Kuala Lumpur Kepong Berhad ("KLK"), and a capital gain on disposal of an unquoted investment.

Profit after tax and minority interests attributable to equity holders thus increased by 68% to RM567.5 million with earnings per share for FY 2010 of 134.2 sen, compared to RM337.3 million and earnings per share of 79.2 sen last year.

Your Board is recommending an increased final single tier dividend of 50 sen. Together with the interim single tier dividend of 15 sen paid earlier, the total dividends paid or payable for the FY 2010 have been increased to 65 sen compared to 40 sen last year.

During the financial year, the Company bought back a further 6,304,200 of its own shares at a cost of some RM67.4 million as share buy backs, which shares are being held as Treasury shares.

MAIN ASSOCIATE – KLK

KLK, our main associated company, reported a group profit after tax and minority interests of RM1,012.3 million, compared to RM612.5 million last year, an improvement of 65%. Your Company's attributable share of this profit is RM471.4 million, compared to RM285.3 million last year.

Profits from the plantation sector continued to be good, sustained by favourable oil palm and rubber prices, and KLK's plantation profit, after replanting expenditure, reached RM1.1 billion against RM957.0 million the previous year. Rubber made a strong contribution, due to higher rubber prices, and contributed RM128.3 million, double that of last year. During the year, net rubber prices increased from 683 sen/kg to 980 sen/kg. The company still has 26,300 hectares of rubber, with 21,000 hectares in production. Profit from palm oil reached over a billion Ringgit, at RM1.049 billion, benefiting from high palm oil prices as well as from an 11% increase in FFB production, reflecting partly young areas coming into maturity, particularly in Indonesia. Crude palm oil prices was 4% higher at RM2,402/mt compared to last year.

The company continues to invest in its Indonesian plantations, constructing several new palm oil mills and other infrastructure, as well as taking steps to progressively plant up its land bank.

Manufacturing profits improved with better contributions from the oleochemical operations, despite a challenging year due to high raw material prices. Several oleochemical projects for the production of methyl ester sulfonates and esters have been completed and they will provide a basis for future revenue growth for the oleochemicals division. During the year, KLK also acquired a fatty acid and glycerin plant in Emmerich, Germany to expand its European operations.

Retailing operations improved after the restructuring of the US operations of Crabtree & Evelyn, and this sector reported a profit this year. Asia continues to be strong for the brand and work to enhance its brand positioning, including a new store design, has been on-going.

BATU KAWAN BERHAD

Chairman's Statement (Continued)

INDUSTRIAL OPERATIONS

Our chemical subsidiaries continue to face difficult and challenging times, with lower product prices, reduced sales volumes in some cases and the impact of high raw material prices. Thus the profit from this sector further declined to RM15.1 million from RM28.1 million last year. Our chemical subsidiaries, Malay-Sino Chemical Industries Sdn Bhd ("Malay-Sino") reported lower profit while See Sen Chemical Berhad ("See Sen") reported a loss.

The Malay-Sino group was impacted by lower product selling prices which affected both margins and revenues. International selling prices has an important influence on its domestic product prices, and they fell in tandem with the international price trend. The price for caustic soda, one of its main products, fell in excess of 20% during the year. Management focus continues on improving the upkeep and maintenance of our older plants and new initiatives to reinforce a Quality Management Culture has been initiated. With the fall in margins, the older Lahat plant, which is not equipped to produce chlorine, was loss-making and efforts will be made to reverse this position. The Kemaman plant continued to be the main profit contributor, due to stronger contribution from its chlorine sales.

At the Kemaman plant, the major capacity expansion project is on-going with commissioning expected in early 2011 and with a major part of the expanded capacity going to meet the product supply requirements of Lynas Corporation Ltd of Australia in their rare earth oxide processing plant being built in Gebeng, Pahang. Shareholders may recall that last year, this project had to undergo a period of unexpected forced suspension due to the customer's funding issues. Since then the demand outlook for rare earth oxides has turned favourable and their prices have increased significantly, thus giving a very positive development for the business.

Malay-Sino's methyl chloride manufacturing subsidiary is completing a capacity expansion in order to meet the growing needs of its customers.

Our chemical logistic subsidiaries, which transports and delivers our chemical products to customers were able to sustain its profits despite rising costs.

See Sen also had a difficult year, being impacted by rising sulphur prices affecting its operating margins. The competition from cheaper smelter acid, produced as a by-product of basic metal refining, remains unabated and a constant threat. The Kemaman plant suffered from reduced sales volume this year.

Management attention is being directed towards addressing the many challenges facing our chemical subsidiaries arising from competition and rising raw material prices on the one hand, and ageing plant equipment on the other. A Managing Director for the chemical operations has been appointed and various actions have been taken to improve training, plant maintenance, and operational productivity.

DISPOSAL OF INVESTMENT

Since its commencement in 1986, Batu Kawan has held a 15% minority shareholding in Bard Sdn Bhd ("Bard"), a joint venture with CR Bard Inc, the US medical products company. Bard has a factory in Kedah, manufacturing medical catheters for the healthcare industry, largely for export.

This joint venture has always been profitable and your Company has, over the years, received good dividends from the venture. During the year, the Company disposed all its minority shareholding in Bard to an affiliate of CR Bard resulting in a capital gain of RM84.0 million being recorded.

PLANTATION SUBSIDIARY

Our 92% Indonesian plantation subsidiary, PT Satu Sembilan Delapan ("PTSSD") has to-date received final titles to 5,677 ha of land, of which 3,443 ha has now been planted with oil palms. This year, PTSSD has become profitable as an initial profit of RM2.9 million was achieved from sales of the FFB harvested from the matured oil palm areas, which FFB were sent to the neighbouring KLK-owned palm oil mill.

As our Corporate Social Responsibility activity, PTSSD has helped finance and plant up 1,632 ha of nearby land to oil palms for the local community under a "Kredit Koperasi Primer untuk Anggotanya" ("Plasma Plantation") program.

BATU KAWAN BERHAD

Chairman's Statement (Continued)

COMMERCIAL OFFICE BUILDING

"Menara Batu Kawan", the 11-storey commercial building in Mutiara Damansara, Selangor owned by our wholly-owned subsidiary, has since been renamed "Menara KLK" to reflect KLK as our main anchor tenant for the building. Together with other corporate tenants, occupancy is about two-thirds full.

Given the building's desirable location in the fast growing Mutiara Damansara area and the attraction of the building's design and facilities to the type of corporate tenants we target, I am confident that it will prove to be a good long term investment.

GENERAL

On your behalf, I extend thanks to my fellow Directors and all employees of the Group for their contributions and efforts during the year.

I would like to welcome Mr Quah Chek Tin, a chartered accountant who joined the Board on 4 March 2010 as an Independent Non-Executive Director. With his accounting background, he has served in listed companies in the financial, accounting, operations and corporate areas as well as being a company director in several listed companies. I am sure he will be an asset to the Company.

In view of the continuing strength in palm oil and rubber prices, the Company's prospects for the current year remain bright.

Tan Sri Dato' Seri Lee Oi Hian
Chairman

8 December 2010

BATU KAWAN BERHAD

Kenyataan Pengerusi

Saya dengan sukacitanya melaporkan bahawa Kumpulan anda telah mencatatkan rekod keuntungan sebelum cukai sebanyak RM572.5 juta untuk tahun kewangan berakhir 30 September 2010 ("TK 2010") berbanding dengan keuntungan sebelum cukai sebanyak RM350.7 juta tahun kewangan lalu. Kenaikan pencapaian keuntungan ini berpunca daripada keuntungan tinggi dicapai oleh syarikat sekutu utama kita, Kuala Lumpur Kepong Berhad ("KLK") dan keuntungan berikutan pelupusan salah satu pelaburan saham dalam sebuah syarikat yang tidak tersenarai.

Keuntungan selepas cukai dan kepentingan minoriti yang boleh dibahagi kepada pemegang-pemegang saham meningkat 68% kepada RM567.5 juta bersamaan dengan keuntungan bersih sesaham sebanyak 134.2 sen untuk TK 2010 berbanding RM337.3 juta dan keuntungan sesaham sebanyak 79.2 sen tahun lalu.

Lembaga Pengarah anda mengesyorkan dividen akhir sebanyak 50 sen "single tier" sesaham. Bersama dengan dividen sebanyak 15 sen "single tier" yang dibayar terdahulu, menjadikan jumlah dividen-dividen untuk TK 2010 meningkat kepada 65 sen "single tier" sesaham berbanding 40 sen "single tier" yang dibayar tahun lepas.

Dalam tahun tinjauan, Syarikat anda telah membeli semula 6,304,200 saham Syarikat dengan kos sebanyak RM67.4 juta dan dipegang sebagai saham-saham perbendaharaan.

SYARIKAT SEKUTU UTAMA – KLK

KLK, syarikat sekutu utama kami mencapai keuntungan selepas cukai dan kepentingan minoriti sebanyak RM1,012.3 juta, berbanding RM612.5 juta tahun lalu, suatu peningkatan sebanyak 65%. Bahagian keuntungan untuk Syarikat kita dalam keuntungan ini adalah RM471.4 juta berbanding RM285.3 juta tahun lalu.

Sektor perladangan yang disokong oleh harga produk kelapa sawit dan getah yang memuaskan, terus menjadi penyumbang utama dan keuntungan perladangan KLK setelah mengambilkira perbelanjaan penanaman semula mencecah RM1.1 billion berbanding RM957.0 juta tahun sebelumnya. Getah memberi sumbangan yang bermakna disebabkan harga produk getah yang tinggi dengan sumbangan sebanyak RM128.3 juta, iaitu dua kali ganda tahun sebelumnya. Dalam tahun tinjauan, harga getah bersih meningkat daripada 683 sen/kg kepada 980 sen/kg. KLK masih mempunyai 26,300 hektar ladang getah dengan 21,000 hektar yang mengeluarkan hasil. Keuntungan daripada produk kelapa sawit melebihi RM1 billion iaitu RM1.049 billion ekoran harga produk kelapa sawit yang tinggi dan peningkatan 11% dalam pengeluaran buah tandan basah. Kawasan pokok kelapa sawit muda yang baru matang di Indonesia menyumbang kepada peningkatan pengeluaran. Berbanding tahun lepas, harga purata minyak kelapa sawit adalah 4% lebih tinggi pada RM2,402 se tan metrik.

KLK terus melabur dalam sektor perladangannya di Indonesia, membina beberapa kilang minyak kelapa sawit dan infrastruktur lain sambil mengambil langkah memperluaskan kawasan tanamannya di sana.

Keuntungan daripada sektor perindustrian menunjukkan peningkatan dengan sumbangan positif operasi oleo-kimia walaupun menghadapi tahun yang mencabar disebabkan kos bahan mentah yang tinggi. Beberapa projek oleo-kimia seperti sulfonat methyl ester dan ester telah disiapkan dan projek-projek ini akan membekalkan tapak asas untuk pertumbuhan jualan yang akan datang untuk sektor oleo-kimia. Dalam tahun tinjauan ini, KLK turut membeli satu loji "fatty acid" and satu loji gliserin di Emmerich, Jerman untuk mengembangkan operasi Eropahnya.

Operasi peruncitan Crabtree & Evelyn bertambah baik setelah penstrukturan semula operasinya di Amerika Syarikat selesai dan sektor ini melaporkan keuntungan dalam tahun tinjauan. Zon Asia terus menerajui jenama dan kedudukannya dalam pasaran melalui reka bentuk baru premis kedai-kedainya yang kini dilaksanakan.

BATU KAWAN BERHAD

Kenyataan Pengerusi (Sambungan)

OPERASI INDUSTRI

Keadaan pasaran dan suasana operasi bagi syarikat subsidiari kimia kita masih sukar dengan penurunan harga produk dan jumlah jualan mereka serta kesan dari kos bahan mentah yang meningkat. Oleh yang demikian, keuntungan sektor ini terus lemah dan menurun kepada RM15.1 juta daripada RM28.1 juta tahun lalu. Keuntungan syarikat subsidiari kimia kita, Malay-Sino Chemical Industries Sdn Bhd ("Malay-Sino") susut manakala See Sen Chemical Berhad ("See Sen") pula mengalami kerugian.

Prestasi kumpulan Malay-Sino terjejas dengan harga produk yang rendah yang membawa kesan negatif kepada margin kasar dan jualan. Harga pasaran antarabangsa merupakan suatu faktor penting dalam penentuan harga produk di pasaran tempatan yang turut jatuh mengikut "trend" antarabangsa. Harga kaustik soda, produk utamanya jatuh 20% dalam tahun tinjauan. Tumpuan pihak pengurusan terus tertumpu kepada proses meningkatkan keberkesanan dan penyelenggaraan loji kami yang sudah uzur serta melaksanakan inisiatif baru untuk menguatkan budaya Pengurusan Kualiti syarikat. Loji lama di Lahat yang sudah uzur yang tidak berkemampuan mengeluarkan klorin mengalami kerugian dan langkah pembaikan telah pun diambil untuk mengembalikan loji Lahat ke tahap keuntungan. Loji Kemaman terus menjadi penyumbang utama keuntungan Syarikat melalui jualan produk klorin.

Di loji Kemaman, projek pengembangan kapasiti berjalan lancar dan dijangka siap awal tahun 2011 dan sebahagian besar kapasiti tambahan akan digunakan untuk membekalkan produk kepada Lynas Corporation Ltd (Australia) untuk loji pemprosesan "rare earth" mereka yang sedang dibina di Gebeng, Pahang. Para pemegang saham mungkin ingat bahawa projek ini tergendala seketika tahun lepas disebabkan masalah pembiayaan modal. Ketika ini, jangkaan permintaan untuk "rare earth" amat memberangsangkan dan harga pasaran turut meningkat naik secara ketara. Ini adalah suatu perkembangan positif untuk perniagaan tersebut.

Syarikat subsidiari Malay-Sino yang mengeluarkan methil klorid kini dalam proses perkembangan kapasiti untuk memenuhi permintaan pelanggan yang semakin meningkat.

Syarikat-syarikat logistik yang mengangkut dan menghantar produk kimia kami berjaya mengekalkan tahap keuntungan walaupun mengalami peningkatan kos operasi.

See Sen mengalami tahun yang sulit akibat dilanda kos sulfur yang meningkat yang menjejaskan margin operasinya. Persaingan sengit daripada asid murah yakni produk sampingan yang terhasil dari industri peleburan logam terus mengancam pasaran asid sulfuric See Sen. Jualan produk untuk lojinya di Kemaman telah mengalami kemerosotan dalam tahun tinjauan.

Perhatian Pihak Pengurusan tertumpu kepada pelbagai cabaran dan ancaman yang dihadapi syarikat-syarikat subsidiari kimia kami. Dua cabaran utama adalah kos bahan mentah yang kian naik dan loji serta pelengkapan kilang yang semakin uzur. Seorang Pengarah Urusan untuk sektor perindustrian kimia telah dilantik untuk menerajui pelbagai aktiviti yang sedang berlangsung termasuk menambah baik latihan, meningkatkan penyelenggaraan loji dan produktiviti operasi.

PELUPUSAN PELABURAN

Semenjak 1986, Batu Kawan memegang 15% saham pegangan minoriti dalam syarikat Bard Sdn Bhd ("Bard"), satu usahasama dengan CR Bard Inc, syarikat produk kesihatan Amerika Syarikat. Bard memiliki sebuah loji di Kedah yang mengeluarkan produk kateter untuk pasaran eksport.

Usahasama ini sememangnya menguntungkan dan setiap tahun, Syarikat menerima dividen yang lumayan daripada pelaburan ini. Dalam tahun tinjauan, Syarikat anda telah melupuskan segala pegangan sahamnya dalam Bard kepada salah satu syarikat sekutu CR Bard dan mencatatkan keuntungan sebanyak RM84.0 juta.

BATU KAWAN BERHAD

Kenyataan Pengerusi (Sambungan)

SUBSIDIARI PERLADANGAN

Syarikat perladangan Indonesia kami (dimiliki 92%) PT Satu Sembilan Delapan (“PTSSD”) sehingga kini telah menerima geran tanah untuk tanah perladangan seluas 5,677 hektar. Sebanyak 3,443 hektar telah ditanami dengan kelapa sawit. Dalam tahun tinjauan, PTSSD mula mencatatkan keuntungan sebanyak RM2.9 juta daripada jualan buah tandan basah kepada kilang pemprosesan minyak sawit berhampiran milik KLK.

Sebagai tanggungjawab sosial korporat, PTSSD telah membantu dalam pembiayaan dan penanaman 1,632 hektar ladang kelapa sawit untuk masyarakat tempatan dibawah program “Kredit Koperasi Primer untuk Anggotanya – Program Plasma”.

BANGUNAN PEJABAT KOMERSIL

“Menara Batu Kawan”, bangunan pejabat komersil 11 tingkat di Mutiara Damansara yang dimiliki oleh sebuah syarikat subsidiari milik penuh kita, telah ditukar namanya kepada “Menara KLK” memandangkan KLK sebagai penyewa utama bangunan kita. Bersama-sama penyewa korporat yang lain, tahap penghunian telah mencapai tahap dua pertiga.

Memandangkan lokasi bangunan yang menarik di kawasan Mutiara Damansara yang semakin bertumbuh pesat dan reka bentuk bangunan yang menarik beserta dengan kelengkapan sedia ada yang dijangka sesuai untuk penyewa korporat yang disasarkan, saya yakin ianya merupakan suatu pelaburan jangkamasa panjang yang baik.

UMUM

Bagi pihak anda sekalian, saya mengucapkan ribuan terima kasih kepada para Pengarah-Pengarah syarikat serta kakitangan Kumpulan atas sumbangan serta usaha keras mereka dalam tahun tinjauan.

Saya amat mengalu-alukan perlantikan En Quah Chek Tin, seorang akauntan bertauliah sebagai ahli Lembaga Pengarah kita pada 4 Mac 2010. Beliau mempunyai latar belakang perakaunan dan pernah berkhidmat dalam bidang kewangan, perakaunan, operasi, korporat dengan beberapa syarikat tersenarai serta sebagai pengarah beberapa syarikat tersenarai. Saya yakin beliau akan menjadi aset buat Syarikat .

Memandangkan kekuatan harga produk kelapa sawit dan getah yang dijangka berterusan, prospek Syarikat dalam tahun semasa adalah cerah.

Tan Sri Dato’ Seri Lee Oi Hian
Pengerusi

8 Disember 2010

BATU KAWAN BERHAD

Statement of Corporate Governance

The Board is pleased to report on the application of the Principles of Corporate Governance contained in the Malaysian Code of Corporate Governance (“the Code”) and the extent of compliance with the Best Practices of the Code as required under the Bursa Malaysia Securities Berhad’s Main Market Listing Requirements (“Listing Requirements”). These Principles and Best Practices have been applied by the Group throughout the financial year ended 30 September 2010.

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 2010, 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 the meeting on 24 November 2009. Details on the attendance of the Directors at Board meetings can be found in their respective profiles set out on pages 8 to 10.

BOARD BALANCE

The Board currently has 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 8 to 10.

The respective roles of the Chairman and the Managing Director are clearly defined, so as to ensure that there is a balance of power and authority. The Chairman is responsible for ensuring Board effectiveness and conduct, whilst the Managing Director has overall responsibility for the operating units, organisational effectiveness and implementation of Board policies and decisions. The presence of five (5) Independent Non-Executive Directors fulfils a pivotal role in corporate accountability. Although all the Directors have an equal responsibility for the Group’s operations, the role of these Independent Non-Executive Directors is particularly important as they provide unbiased and independent views, advice and judgement.

SUPPLY OF INFORMATION

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

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

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 31 to 33.

BATU KAWAN BERHAD

Statement of Corporate Governance (Continued)

NOMINATION COMMITTEE

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

Independent Non-Executive

Tan Sri Dato' Thong Yaw Hong (Chairman)

Dato' Yeoh Eng Khoon (Appointed on 24 February 2010)

Dato' Mustafa bin Mohd Ali (Appointed on 24 February 2010)

During the year, two members of the Committee, YM Tengku Robert Hamzah and Dato' Lee Soon Hian retired as directors and accordingly ceased to be committee members on 24 February 2010. They were replaced by Dato' Yeoh Eng Khoon and Dato' Mustafa bin Mohd Ali, on the same date.

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

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

REMUNERATION COMMITTEE

The Remuneration Committee consists of three Independent Non-Executive Directors with R.M. Alias as Chairman. The Committee is responsible for setting the policy framework and for making recommendations to the Board on remuneration and other terms of employment for the Board and senior employees.

The members of the Remuneration Committee are as follows:-

Independent Non-Executive

R.M. Alias (Chairman)

Tan Sri Dato' Thong Yaw Hong

Dato' Mustafa bin Mohd Ali

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

Category	Fees (RM'000)	Salaries (RM'000)	Incentive (RM'000)	Other Emoluments (RM'000)
1 Executive Director	-	705	900	428
8 Non-Executive Directors	734	-	-	27

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

Range of Remuneration	Executive Director	Non-Executive Directors
RM1 to RM50,000	-	2
RM50,001 to RM100,000	-	1
RM100,001 to RM150,000	-	5
RM2,000,001 to RM2,050,000	1	-

BATU KAWAN BERHAD

Statement of Corporate Governance (Continued)

RE-ELECTION OF THE DIRECTORS

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

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

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

DIRECTORS' TRAINING

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

For the year under review, all Directors attended a talk on 'Development on Corporate Governance' conducted by KPMG on 18 August 2010. In addition, they had also 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:-

- World Capital Market Simposium;
- Audit Committee : Going Forward :- Risk of Reform - Implication For Audit Committee Oversight;
- The Challenges Implementing FRS139;
- ACCIM Economic Conference; and
- Focus Group For Board Of Directors - Bursa Malaysia's Upcoming CR Guide & Web Portal.

INVESTOR RELATIONS AND SHAREHOLDER COMMUNICATION

The Board acknowledges the need for shareholders to be informed of all material business matters affecting the Company. Announcements and release of financial results on a quarterly basis provide the shareholders and the investing public with an overview of the Group's performance and operations. Summaries of the Group's 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. Any concern can be conveyed to any one of the Directors as they exercise their responsibilities collectively.

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

FINANCIAL REPORTING

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

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

INTERNAL CONTROLS

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

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.

BATU KAWAN BERHAD

Statement of Corporate Governance (Continued)

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

RELATIONSHIP WITH THE AUDITORS

The role of the Audit Committee in relation to the external auditors is stated on pages 31 to 33.

CORPORATE SOCIAL RESPONSIBILITIES

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

During the year, Batu Kawan Berhad Group has initiated and continued to support important causes, among others, contribution to the needy, providing training to undergraduates, organising Health Talk and participating in sports events organised by members of the public and organising various safety related activities.

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 1,632 ha of oil palm plantation for the benefit of communities in the vicinity of its operation.

OTHER INFORMATION

Material Contracts

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

Recurrent Related Party Transactions of a Revenue or Trading Nature

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

Company	Type of transactions	Related Party and nature of relationship	Transactions aggregate value RM'000
Malay-Sino Chemical Industries Sendirian Berhad (“MSCI”) Group	Purchase of raw materials and other products and services	See Sen Chemical Berhad (“SSCB”) <u>Interested Directors</u> Tan Sri Dato’ Seri Lee Oi Hian (“LOH”) Dato’ Lee Hau Hian (“LHH”), and Dato’ Yeoh Eng Khoon (“YEK”) <u>Interested major shareholders #</u>	1,048
MSCI Group	Sale of finished goods and other products and services	SSCB <u>Interested Directors</u> LOH, LHH, YEK <u>Interested major shareholders #</u>	584
MSCI Group	Provision of transportation services	SSCB <u>Interested Directors</u> LOH, LHH, YEK <u>Interested major shareholders #</u>	4,074

BATU KAWAN BERHAD

Statement of Corporate Governance (Continued)

Company	Type of transactions	Related Party and nature of relationship	Transactions aggregate value RM'000
MSCI Group	Rental of transport vehicles received	SSCB <u>Interested Directors</u> LOH, LHH, YEK <u>Interested major shareholders #</u>	360
MSCI Group	Purchase of electricity	SSCB <u>Interested Directors</u> LOH, LHH, YEK <u>Interested major shareholders #</u>	18,375
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>	14,200
MSCI Group	Provision of transportation services	TMK Group <u>Interested Directors</u> LOH, LHH <u>Interested major shareholders #</u>	1,680
MSCI Group	Sale of finished products	TMK Group <u>Interested Directors</u> LOH, LHH <u>Interested major shareholders #</u>	96,040
MSCI Group	Purchase and sale of products and services which relate to core chemical business	Taiko Marketing (Singapore) Pte Ltd <u>Interested Directors</u> LOH, LHH <u>Interested major shareholders #</u>	3,634
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>	24
MSCI Group	Provision of transportation services	Taiko Clay Chemicals Sdn Bhd ("TCC") Group <u>Interested Directors</u> LOH, LHH <u>Persons connected @</u> <u>Interested major shareholders #</u>	477

BATU KAWAN BERHAD

Statement of Corporate Governance (Continued)

Company	Type of transactions	Related Party and nature of relationship	Transactions aggregate value RM'000
SSCB Group	Purchase of raw materials and other products and services	MSCI <u>Interested Directors</u> LOH, LHH, YEK <u>Interested major shareholders #</u>	584
SSCB Group	Rental of transport vehicles received	MSCI <u>Interested Directors</u> LOH, LHH, YEK <u>Interested major shareholders #</u>	162
SSCB Group	Rental of transport vehicles paid	MSCI <u>Interested Directors</u> LOH, LHH, YEK <u>Interested major shareholders #</u>	360
SSCB Group	Procurement of transportation services	MSCI <u>Interested Directors</u> LOH, LHH, YEK <u>Interested major shareholders #</u>	4,074
SSCB Group	Commission given for sale of products	TMK Group <u>Interested Directors</u> LOH, LHH <u>Interested major shareholders #</u>	917
SSCB Group	Commission given for sale of products	TMK(S) <u>Interested Directors</u> LOH, LHH <u>Interested major shareholders #</u>	NIL
SSCB Group	Sale of finished goods	TMK Group <u>Interested Directors</u> LOH, LHH <u>Interested major shareholders #</u>	28,288
SSCB Group	Sale of finished goods and other products and services	MSCI <u>Interested Directors</u> LOH, LHH, YEK	1,048

BATU KAWAN BERHAD

Statement of Corporate Governance (Continued)

Company	Type of transactions	Related Party and nature of relationship	Transactions aggregate value RM'000
SSCB Group	Purchase of products and services which relate to core chemical business	TMK Group <u>Interested Directors</u> LOH, LHH <u>Interested major shareholders #</u>	2,359
SSCB Group	Sale of electricity	MSCI <u>Interested Directors</u> LOH, LHH, YEK <u>Interested major shareholders #</u>	18,375
SSCB Group	Purchase and sale of products and services which relate to core chemical business	TMK(S) <u>Interested Directors</u> LOH, LHH <u>Interested major shareholders #</u>	15
SSCB Group	Purchase and sale of products and services which relate to core chemical business	TCC Group <u>Interested Directors</u> LOH, LHH <u>Persons connected @</u> <u>Interested major shareholders #</u>	2,140
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>	396
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>	3,283

BATU KAWAN BERHAD

Statement of Corporate Governance (Continued)

Company	Type of transactions	Related Party and nature of relationship	Transactions aggregate value RM'000
PT Satu Sembilan Delapan ("PTSSD")	Sale of fresh fruit bunches	PT Hutan Hijau Mas ("PTHHM") <u>Interested Directors</u> LOH, LHH <u>Interested major shareholders #</u>	9,705
PTSSD	Management fees	PT KLK Agriservindo <u>Interested Directors</u> LOH, LHH <u>Interested major shareholders #</u>	123

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

Note:-

Wan Hin Investments Sdn Berhad ("WHI"), Arusha Enterprise Sdn Bhd, Malay Rubber Plantations (Malaysia) Sdn Bhd and Malay-Sino Formic Acid Sdn Bhd, High Quest Holdings Sdn Bhd, Congleton Holdings Sdn Bhd, Cengal Emas Sdn Bhd and Di Yi Sdn Bhd are persons connected with LOH and LHH, who are Directors of BKB. LOH and LHH are also deemed major shareholders of BKB 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.*

BATU KAWAN BERHAD

Statement of Corporate Governance (Continued)

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

1. SSCB Group

- a) SSCB is a 61% subsidiary of BKB.
- b) 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 major 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 them, Lee Oi Loon, are deemed major shareholders through Taiko Chemical Industries Sdn Bhd ("TCI"). TCC is a 62% subsidiary of TCI.

3. BASF See Sen Sdn Bhd

- a) BASF See Sen Sdn Bhd is a 30% associate of SSCB.
- b) 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 major shareholder of SSCB. WHI is also a deemed major shareholder of BKB.

4. TMK Group

TMK is a company in which LSH and his siblings namely, Lee Oi Loon and Lee Oi Kum (all are persons connected with LOH and LHH), are major shareholders.

5. TMK(S)

TMK(S) is a company 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. PTHHM, PT KLK Agriservindo

- a) Subsidiaries of Kuala Lumpur Kepong Berhad ("KLK"). KLK is an associate company of BKB.
- b) Certain BKB Directors, LOH and LHH are deemed major shareholders and directors of KLK.
- c) WHI, a company in which LOH and LHH have interests, is a deemed major shareholder of BKB.

BATU KAWAN BERHAD

Statement of 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 36.

Options, Warrants or Convertible Securities

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

Imposition of Sanctions/Penalties

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

Non-audit Fees

Non-audit fee of RM6,000 (2009 : RM5,000) was paid to the external auditors by the Group during the financial year.

Profit Guarantees

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

Revaluation of Landed Properties

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

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

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

BATU KAWAN BERHAD

Statement on Internal Control

INTRODUCTION

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

BOARD RESPONSIBILITY

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

As there are limitations inherent to any system of internal control, it should be noted that the systems designed for the Group are to manage risks that the Group's businesses are exposed to, rather than to eliminate 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 2010.

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 Internal Control (Continued)

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

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

INTERNAL AUDIT FUNCTIONS

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

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

The activities that are carried out are as follows:-

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

This statement is made in accordance with a resolution of the Board of Directors dated 29 November 2010.

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 2010.

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 24 November 2009, 3 December 2010, 23 February 2010, 24 May 2010 and 17 August 2010 respectively, a total of five (5) meetings.

Name	Status of directorship	Attendance of meetings
Dato’ Yeoh Eng Khoon (Chairman)	Independent Non-Executive Director	Attended all five (5) meetings
YM Tengku Robert Hamzah (Retired on 24 February 2010)	Independent Non-Executive Director	Attended three (3) meetings
Tan Sri Dato’ Thong Yaw Hong	Senior Independent Non-Executive Director	Attended all five (5) meetings
Quah Chek Tin (Appointed on 4 March 2010)	Independent Non-Executive Director	Attended two (2) 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 corporate governance and risk management.

MEETINGS AND MINUTES

The Committee meets regularly and the Group Financial Controller, the Internal Auditor 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:-

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

BATU KAWAN BERHAD

Report of the Audit Committee (Continued)

- (c) To review and discuss with the external auditors the following:-
- his evaluation of the system of internal controls;
 - his audit report;
 - the assistance given by the employees to him;
 - problems and reservations arising from the interim and final audits, and any matter he may wish to discuss (in the absence of management where necessary); and
 - his management letter and management's response.
- (d) To review and discuss with the internal auditor the following:-
- the adequacy of the scope, functions and resources of the internal audit function;
 - the internal audit programme and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;
 - approve any appointment or termination of senior staff members of the internal audit function; and
 - 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 2010 in the discharge of its functions and duties:-

- (a) review of the audit plans for the Company and the Group for the year which were prepared by both the external and internal auditors;
- (b) review of the audit reports for the Company and the Group prepared by the external and internal auditors and consideration of the major findings by the auditors and management's response thereto;
- (c) review of the quarterly and annual reports of the Company and the Group prior to submission to the Board for their consideration and approval;
- (d) review of related party transactions entered into by the Company and/or its subsidiaries;
- (e) consideration and recommendation to the Board for approval of the audit fees payable to the external auditors;

BATU KAWAN BERHAD

Report of the Audit Committee (Continued)

- (f) recommendations to management on improvement in internal control procedures and risk management;
- (g) review of the adequacy of resources for the internal audit function including the appointment of the internal auditor;
- (h) review the risk management activities of the Company and its subsidiaries; and
- (i) review of the retrospective restatement of the original investment cost in an associate which was carried at revaluation.

BATU KAWAN BERHAD

Internal Audit Function

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

- Assist in reviewing the adequacy, integrity and effectiveness of the Company's internal control system for the Board as well as to assist in drafting the Statement on Internal Control in the annual report;
- Support the Audit Committee in evaluating the effectiveness of the existing internal control system, identify future requirements and co-develop a prioritised action plan to further enhance the internal control system;
- Identify the key business processes within the 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 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 2010 were RM207,000 (2009: RM186,000).

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 2010, 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 2010.

PRINCIPAL ACTIVITIES

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

SUMMARY OF RESULTS

	Group RM'000	Company RM'000
Profit for the year	<u>569,195</u>	<u>314,134</u>
Attributable to:		
Equity holders of the Company	567,452	314,134
Minority interests	<u>1,743</u>	<u>-</u>
	<u>569,195</u>	<u>314,134</u>

DIVIDENDS

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

- (a) a final dividend of 30 sen single tier per share amounting to RM127,674,060 in respect of the financial year ended 30 September 2009 was paid on 19 March 2010; and
- (b) an interim single tier dividend of 15 sen per share amounting to RM62,995,590 in respect of the financial year ended 30 September 2010 was paid on 11 August 2010.

The Directors recommend the payment of a final single tier dividend of 50 sen per share amounting to RM209,200,800 (based on the number of shares less treasury shares as at 8 December 2010) which, subject to shareholders' approval at the forthcoming Annual General Meeting of the Company, will be paid on 21 March 2011 to shareholders on the Company's register at the close of business on 24 February 2011.

RESERVES AND PROVISIONS

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

ISSUED AND PAID-UP CAPITAL

During the financial year, the Company implemented the share buy back scheme which was approved by the shareholders of the Company. Details of the shares bought back and retained as treasury shares were as follows:-

Month	No. of shares bought back	Highest price paid per share RM	Lowest price paid per share RM	Average price paid per share RM	Total consideration RM
February 2010	188,600	10.12	9.94	10.03	1,898,780
March 2010	1,807,500	10.74	10.12	10.34	18,745,582
April 2010	1,484,300	10.80	10.52	10.63	15,834,454
May 2010	2,118,200	10.82	10.34	10.58	22,490,292
June 2010	11,000	10.58	10.58	10.58	116,881
August 2010	530,500	12.00	11.80	11.88	6,326,511
September 2010	<u>164,100</u>	<u>12.20</u>	<u>12.00</u>	<u>12.15</u>	<u>2,001,070</u>
	<u>6,304,200</u>				<u>67,413,570</u>

As at 30 September 2010, the Company held as treasury shares a total of 16,675,000 of its 435,951,000 issued shares. The Company has not made any shares cancellation or resold its treasury shares during the financial year ended 30 September 2010.

BATU KAWAN BERHAD

Report of the Directors (Continued)

The mandate given by the shareholders at the Annual General Meeting ("AGM") held on 24 February 2010 will expire at the forthcoming AGM and an ordinary resolution will be tabled at the forthcoming AGM for shareholders to renew the mandate for another year.

DIRECTORS OF THE COMPANY

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

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.

Quah Chek Tin who was appointed since the last AGM, 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 Dato' Thong Yaw Hong and Dato' Mustafa bin Mohd Ali retire at the forthcoming AGM pursuant to Section 129(2) of the Companies Act, 1965, and resolutions will be proposed for their re-appointments as Directors under the provision of Section 129(6) of the said Act to hold office until the following AGM of the Company.

DIRECTORS' SHAREHOLDINGS

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

Company:	Balance as	Additions	(Disposal)	Balance as
	at 1.10.2009			at 30.9.2010
Batu Kawan Berhad	Number of ordinary shares of RM1 each			
Direct interest				
Tan Sri Dato' Seri Lee Oi Hian	853,815	-	-	853,815
Dato' Lee Hau Hian	624,690	-	-	624,690
Tan Sri Dato' Thong Yaw Hong	22,500	-	-	22,500
Dato' Yeoh Eng Khoon	315,000	-	-	315,000
Deemed interest				
Tan Sri Dato' Seri Lee Oi Hian	212,257,494	3,727,750	(1,923,750)	214,061,494
Dato' Lee Hau Hian	211,099,869	3,718,750	(1,923,750)	212,894,869
R.M. Alias	1,500	-	-	1,500
Dato' Yeoh Eng Khoon	15,346,500	11,500	-	15,358,000

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 the notes to the financial statements. In addition, they also have an interest in the shares of the subsidiaries held by other related corporations of the Company as detailed below:-

Subsidiaries:	Balance as	Additions	(Disposal)	Balance as
	at 1.10.2009			at 30.9.2010
See Sen Chemical Berhad	Number of ordinary shares of RM1 each			
Deemed interest				
Tan Sri Dato' Seri Lee Oi Hian	2,126,236	-	-	2,126,236
Dato' Lee Hau Hian	2,126,236	-	-	2,126,236
Malay-Sino Chemical Industries Sendirian Berhad				
Deemed interest				
Tan Sri Dato' Seri Lee Oi Hian	1,971,000	-	-	1,971,000
Dato' Lee Hau Hian	1,971,000	-	-	1,971,000

BATU KAWAN BERHAD

Report of the Directors (Continued)

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefits (other than those disclosed as Directors' remuneration in the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which a Director is a member or with a company in which a Director has a substantial financial interest except for any benefit, which may be deemed to have arisen to certain Directors by virtue of the normal trading transactions entered into by the Group and the Company with the related parties as disclosed in Note 32 to the financial statements.

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

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

BATU KAWAN BERHAD

Report of the Directors (Continued)

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 30 September 2010 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

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

Signed in accordance with a resolution of the Directors, dated 8 December 2010.

DATO' LEE HAU HIAN
(Managing Director)

DATO' YEOH ENG KHOON
(Director)

BATU KAWAN BERHAD

Income Statements for the year ended 30 September 2010

	Note	Group		Company	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Revenue	6	224,426	238,148	233,867	369,322
Cost of sales		(180,130)	(185,710)	-	-
Gross profit		44,296	52,438	233,867	369,322
Other income		89,173	51,099	85,915	5,953
Distribution costs		(11,263)	(12,680)	-	-
Administration expenses		(19,260)	(24,585)	(5,344)	(12,276)
Other expenses		(304)	(64)	-	-
Operating profit	7	102,642	66,208	314,438	362,999
Finance costs	8	(1,568)	(836)	-	(123)
Share of results of associates		471,430	285,344	-	-
Profit before taxation		572,504	350,716	314,438	362,876
Income tax expense	9	(3,309)	(9,029)	(304)	(55,902)
Profit for the year		569,195	341,687	314,134	306,974
Attributable to :-					
Equity holders of the Company		567,452	337,348	314,134	306,974
Minority interests		1,743	4,339	-	-
		569,195	341,687	314,134	306,974
Earnings per share					
attributable to equity holders of the Company:-					
		Sen	Sen	Sen	Sen
Basic earnings per share	10	134.2	79.2	74.3	72.0

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

BATU KAWAN BERHAD

Balance Sheets at 30 September 2010

	Note	Group		Company	
		2010 RM'000	2009 RM'000 (Restated)	2010 RM'000	2009 RM'000 (Restated)
ASSETS					
Non-Current Assets					
Property, plant and equipment	12	137,885	103,561	465	619
Investment properties	13	56,378	55,356	-	-
Prepaid land lease payments	14	13,949	15,800	-	-
Biological assets	15	53,502	50,995	-	-
Goodwill on consolidation	16	12,194	12,954	-	-
Investment in subsidiaries	17	-	-	149,131	149,131
Investment in associates	18	2,656,315	2,483,434	439,916	439,916
Other investments	19	19,362	20,562	19,362	20,562
Other receivables	23	18,012	14,158	-	-
Deferred tax assets	20	2,359	907	-	-
		<u>2,969,956</u>	<u>2,757,727</u>	<u>608,874</u>	<u>610,228</u>
Current Assets					
Inventories	21	25,313	32,693	-	-
Trade receivables	22	50,839	52,019	-	-
Other receivables, deposits and prepayments	23	7,728	6,268	13	13
Amounts owing by subsidiaries	24	-	-	65,246	48,706
Tax recoverable		1,706	1,809	448	1,352
Short term trust funds	25	169,919	149,488	100,260	61,252
Term deposits	25	11,740	29,388	-	5,050
Cash and bank balances	25	24,109	6,688	8,405	50
		<u>291,354</u>	<u>278,353</u>	<u>174,372</u>	<u>116,423</u>
TOTAL ASSETS		<u>3,261,310</u>	<u>3,036,080</u>	<u>783,246</u>	<u>726,651</u>
EQUITY AND LIABILITIES					
Share capital	26	435,951	435,951	435,951	435,951
Reserves	27	2,694,623	2,466,268	344,682	288,631
Equity attributable to equity holders of the Company		<u>3,130,574</u>	<u>2,902,219</u>	<u>780,633</u>	<u>724,582</u>
Minority interests		<u>58,407</u>	<u>59,394</u>	<u>-</u>	<u>-</u>
Total Equity		<u>3,188,981</u>	<u>2,961,613</u>	<u>780,633</u>	<u>724,582</u>
Non-Current Liabilities					
Deferred tax liabilities	20	9,843	10,216	-	-
Provision for retirement benefits	28	2,669	3,334	12	18
Bank borrowing	29	23,568	31,583	-	-
		<u>36,080</u>	<u>45,133</u>	<u>12</u>	<u>18</u>
Current Liabilities					
Trade payables	30	7,517	7,891	-	-
Other payables and accruals	31	20,410	16,805	2,601	2,051
Provision for retirement benefits	28	224	343	-	-
Bank borrowing	29	8,000	4,000	-	-
Taxation		98	295	-	-
		<u>36,249</u>	<u>29,334</u>	<u>2,601</u>	<u>2,051</u>
Total Liabilities		<u>72,329</u>	<u>74,467</u>	<u>2,613</u>	<u>2,069</u>
TOTAL EQUITY AND LIABILITIES		<u>3,261,310</u>	<u>3,036,080</u>	<u>783,246</u>	<u>726,651</u>

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

BATU KAWAN BERHAD

Statement of Changes in Equity of the Group for the year ended 30 September 2010

	Attributable to Equity Holders of the Company									
	Share capital Note 26 RM'000	Revaluation reserve RM'000	Capital reserve RM'000	Exchange		Retained profits RM'000	Treasury shares RM'000	Total RM'000	Minority interests RM'000	Total equity RM'000
				General	fluctuation					
				reserve	reserve					
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 October 2008	435,951	715	507,117	140,108	(1,379)	1,827,757	(64,957)	2,845,312	58,459	2,903,771
Restatement of investment in an associate at cost (Note 18)	-	-	(53,092)	-	-	-	-	(53,092)	-	(53,092)
At 1 October 2008 (restated)	435,951	715	454,025	140,108	(1,379)	1,827,757	(64,957)	2,792,220	58,459	2,850,679
Share of reserves of associates	-	-	1,946	24,519	-	-	-	26,465	-	26,465
Currency translation differences	-	-	-	-	2,375	-	-	2,375	(62)	2,313
Net gains/(losses) directly recognised in equity	-	-	1,946	24,519	2,375	-	-	28,840	(62)	28,778
Profit for the year	-	-	-	-	-	337,348	-	337,348	4,339	341,687
Total recognised income and expense for the year	-	-	1,946	24,519	2,375	337,348	-	366,188	4,277	370,465
Purchase of shares from minority shareholders (Note 17)	-	-	-	-	-	-	-	-	(2,521)	(2,521)
Dividend paid (Note 11)	-	-	-	-	-	(241,940)	-	(241,940)	-	(241,940)
Dividends paid to minority shareholders	-	-	-	-	-	-	-	-	(821)	(821)
Share buy back	-	-	-	-	-	-	(14,249)	(14,249)	-	(14,249)
At 30 September 2009	435,951	715	455,971	164,627	996	1,923,165	(79,206)	2,902,219	59,394	2,961,613
Share of reserves of associates	-	-	64,134	(139,527)	-	-	-	(75,393)	-	(75,393)
Currency translation differences	-	-	-	-	(5,621)	-	-	(5,621)	(23)	(5,644)
Net gains/(losses) directly recognised in equity	-	-	64,134	(139,527)	(5,621)	-	-	(81,014)	(23)	(81,037)
Profit for the year	-	-	-	-	-	567,452	-	567,452	1,743	569,195
Transfer of reserves	-	(7)	-	-	-	7	-	-	-	-
Total recognised income and expense for the year	-	(7)	64,134	(139,527)	(5,621)	567,459	-	486,438	1,720	488,158
Dividends paid (Note 11)	-	-	-	-	-	(190,670)	-	(190,670)	-	(190,670)
Dividends paid to minority shareholders	-	-	-	-	-	-	-	-	(2,707)	(2,707)
Share buy back	-	-	-	-	-	-	(67,413)	(67,413)	-	(67,413)
At 30 September 2010	435,951	708	520,105	25,100	(4,625)	2,299,954	(146,619)	3,130,574	58,407	3,188,981

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

BATU KAWAN BERHAD
Statement of Changes in Equity of the Company
for the year ended 30 September 2010

	Attributable to Equity Holders of the Company						Total equity
	Share capital Note 26	Revaluation reserve	Capital reserve	General reserve Note 27	Retained profits	Treasury shares	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 October 2008	435,951	25	85,647	6,739	263,484	(64,957)	726,889
Restatement of investment in an associate at cost (Note 18)	-	-	(53,092)	-	-	-	(53,092)
At 1 October 2008 (restated)	435,951	25	32,555	6,739	263,484	(64,957)	673,797
Profit for the year, representing total recognised income and expense for the year	-	-	-	-	306,974	-	306,974
Dividends paid (Note 11)	-	-	-	-	(241,940)	-	(241,940)
Share buy back	-	-	-	-	-	(14,249)	(14,249)
At 30 September 2009	435,951	25	32,555	6,739	328,518	(79,206)	724,582
Profit for the year	-	-	-	-	314,134	-	314,134
Transfer of reserves	-	(7)	-	-	7	-	-
Total recognised income and expense for the year	-	(7)	-	-	314,141	-	314,134
Dividends paid (Note 11)	-	-	-	-	(190,670)	-	(190,670)
Share buy back	-	-	-	-	-	(67,413)	(67,413)
At 30 September 2010	435,951	18	32,555	6,739	451,989	(146,619)	780,633

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

BATU KAWAN BERHAD
Consolidated Cash Flow Statement
for the year ended 30 September 2010

	Note	2010 RM'000	2009 RM'000
Cash flows from operating activities			
Profit before taxation		572,504	350,716
Adjustments for:-			
Depreciation of property, plant and equipment		17,933	17,180
Depreciation of investment properties		968	928
Amortisation of prepaid land lease payments		420	399
Amortisation of biological assets		934	96
Gain on disposal of property, plant and equipment		(302)	(110)
Gain on government acquisition of land		(680)	(3,892)
Gain on disposal of unquoted investment		(84,029)	(41,808)
Surplus on voluntary liquidation of an investment		-	(1,980)
Share of results of associates		(471,430)	(285,344)
Dividend income		(3,768)	(3,545)
Interest income		(2,472)	(597)
Plant and equipment written off		662	109
Inventories written off		48	8
Inventories written down to net realisable value		-	5,653
Retirement benefits recognised		(439)	710
Impairment loss on prepaid land lease payments		1,308	-
Allowance for diminution in value of			
- other quoted investment outside Malaysia		599	2,199
Net unrealised loss/(gain) on foreign exchange		74	(13)
Interest expense		1,568	836
Goodwill on consolidation written off		590	5,789
Negative goodwill derecognised		-	(1,001)
Operating profit before working capital changes		<u>34,488</u>	<u>46,333</u>
Changes in working capital			
Inventories		7,269	4,468
Receivables		(538)	29,386
Payables		3,262	(10,660)
Associate's account		(81)	1,006
Cash generated from operations		<u>44,400</u>	<u>70,533</u>
Interest received		668	597
Interest paid		(1,446)	(700)
Retirement benefits paid		(339)	(236)
Tax paid		(6,237)	(9,743)
Tax refund		931	685
Net cash generated from operating activities		<u>37,977</u>	<u>61,136</u>
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		420	118
Proceeds from disposal of unquoted investment		84,630	43,505
Compensation from government acquisition of land		682	3,892
Capital distribution from an investment in voluntary liquidation		-	1,980
Purchase of shares from minority shareholders		-	(1,519)
Share buy back		(67,413)	(14,249)
Purchase of property, plant and equipment	12(c)	(54,434)	(31,890)
Subsequent expenditure on investment property		(1,990)	-
Prepayment of land lease		-	(1,128)
Additions to biological assets		(5,576)	(11,862)
Dividends received		226,918	269,981
Net cash generated from investing activities		<u>183,237</u>	<u>258,828</u>

BATU KAWAN BERHAD

Consolidated Cash Flow Statement

for the year ended 30 September 2010 (Continued)

	Note	2010 RM'000	2009 RM'000
Cash flows from financing activities			
Dividends paid to shareholders		(190,670)	(241,940)
Dividends paid to minority shareholders		(2,707)	(821)
Proceeds from term loans		-	35,583
Repayment of term loans		(4,015)	-
Increase in other receivables		(2,982)	(9,886)
Net cash used in financing activities		<u>(200,374)</u>	<u>(217,064)</u>
Net increase in cash and cash equivalents		20,840	102,900
Effects of exchange rate changes		(636)	1,125
Cash and cash equivalents at beginning of year		185,564	81,539
Cash and cash equivalents at end of year	25	<u>205,768</u>	<u>185,564</u>

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

BATU KAWAN BERHAD
Cash Flow Statement of the Company
for the year ended 30 September 2010

	Note	2010 RM'000	2009 RM'000
Cash flows from operating activities			
Profit before taxation		314,438	362,876
Adjustments for:-			
Depreciation of property, plant and equipment		147	176
Retirement benefits recognised		(6)	19
Dividend income		(233,587)	(369,122)
Interest income		(280)	(200)
Interest expense		-	123
Gain on disposal of an unquoted investment		(84,030)	-
Surplus on voluntary liquidation of an investment		-	(1,980)
Gain on disposal of plant and equipment		-	(53)
Allowance for diminution in value of			
- other quoted investment outside Malaysia		599	2,199
- unquoted subsidiary		-	6,183
Gain on disposal of land		(299)	-
Gain on government acquisition of land		(680)	(3,892)
Operating loss before working capital changes		<u>(3,698)</u>	<u>(3,671)</u>
Changes in working capital			
Receivables		-	14
Payables		550	(240)
Cash used in operations		<u>(3,148)</u>	<u>(3,897)</u>
Interest received		280	200
Interest paid		-	(123)
Retirement benefits paid		-	(6)
Tax paid		(39)	(1)
Tax refund		862	644
Net cash used in operating activities		<u>(2,045)</u>	<u>(3,244)</u>
Cash flows from investing activities			
Purchase of additional investments in subsidiaries		-	(76,519)
Purchase of plant and equipment	12(c)	-	(27)
Dividends received		233,364	312,752
Proceeds from disposal of an unquoted investment		84,631	-
Compensation from government acquisition of land		682	3,892
Proceeds from disposal of land		304	-
Capital distribution from an investment in voluntary liquidation		-	1,980
Share buy back		(67,413)	(14,249)
Proceeds from disposal of plant and equipment		-	53
Loan to subsidiaries		(20,248)	(34,801)
Repayment from subsidiaries		3,708	115,149
Net cash generated from investing activities		<u>235,028</u>	<u>308,230</u>
Cash flows from financing activities			
Dividends paid, representing net cash used in financing activities		(190,670)	(241,940)
Net increase in cash and cash equivalents		<u>42,313</u>	<u>63,046</u>
Cash and cash equivalents at beginning of year		<u>66,352</u>	<u>3,306</u>
Cash and cash equivalents at end of year	25	<u>108,665</u>	<u>66,352</u>

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

BATU KAWAN BERHAD

Notes to the Financial Statements

1. CORPORATE INFORMATION

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

The consolidated financial statements as at and for the year ended 30 September 2010 comprise the Company, its subsidiaries (together referred to as the Group), and the Group's interest in associates. The financial statements of the Company as at and for the year ended 30 September 2010 do not include other entities.

The principal activity of the Company is investment holding while the principal activities of its subsidiaries are shown in Note 17.

2. BASIS OF PREPARATION

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

The accounting policies adopted by the Group and the Company for the financial year ended 30 September 2010 are consistent with those adopted in previous years, unless otherwise stated.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

(i) Subsidiaries

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

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

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

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

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

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

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

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

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

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

When the Group purchases a subsidiary's equity shares from minority interests for cash consideration and the purchase price has been established at fair value, the accretion of the Group's interest in the subsidiary is accounted for as a purchase of equity interest for which the purchase method of accounting is applied.

The Group treats all other changes in group composition as equity transactions between the Group and its minority shareholders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(ii) Associates

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

The consolidated financial statements include the total recognised gains and losses after taxation of associates on an equity method of accounting from the date that significant influence effectively commences until the date that significant influence effectively ceases.

The Group's share of post-acquisition results and reserves of associates is included in the consolidated financial statements and is based on the latest audited and published interim reports in respect of listed companies and latest audited financial statements and unaudited management financial statements in respect of unlisted companies. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

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

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

(b) Property, Plant and Equipment

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

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

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

Certain freehold land, prepaid land lease payments 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. As permitted under the transitional provisions of International Accounting Standard 16 (Revised) - Property, Plant and Equipment, these assets continue to be stated at their original valuation less accumulated depreciation and any accumulated impairment losses. The year of valuation for certain freehold land and prepaid land lease payments is stated in Note 12(a).

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

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

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

Buildings	5	-	10%
Plant and machinery	6 ¹ / ₄	-	33 ¹ / ₃ %
Vehicles	16	-	20%
Furniture and equipment	10	-	20%

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

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

(c) Impairment of Non-Financial Assets

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

An asset's recoverable amount is the higher of the asset's or CGU's value in use and its fair value less cost to sell. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets.

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

Impairment loss on goodwill is not reversed in a subsequent period. In respect of other assets, impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised for the asset in prior year. A reversal of impairment loss for an asset other than goodwill is recognised in the income statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

(d) Investment Property

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

Buildings are depreciated on a straight-line basis to write down the cost of each building to its residual value over its estimated useful life. The principal annual depreciation rate is 2 - 5%.

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

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year in which they arise.

(e) Leases

(i) Classification

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

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

(ii) Operating Leases - the Group as Lessee

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

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

The principal annual rates of amortisation used are:-

Short-term prepaid land lease payments	23 years
Long-term prepaid land lease payments	53 - 97 years

(iii) Operating Leases - the Group as Lessor

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

(f) Biological Assets and Replanting Expenditure

(i) Plantation Development Expenditure

New planting expenditure incurred on land clearing and upkeep of trees to maturity is capitalised as plantation development expenditure under biological assets and is not amortised.

(ii) Replanting Expenditure

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

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

(g) Goodwill

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

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

(h) Financial Instruments

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

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

(i) Other Non-Current Investments

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

(ii) Receivables

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

(iii) Cash and Cash Equivalent

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

(iv) Payables

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

(v) Interest-Bearing Borrowings

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

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

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

(vi) Equity Instruments

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

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

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

(vii) Derivative Financial Instruments

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

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

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

(i) Inventories

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

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

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

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

(j) Non-Current Asset Held For Sale

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

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

(k) Provision for Liabilities

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

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

(l) Employee Benefits

(i) Short-Term Benefits

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

(ii) Defined Contribution Plans

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

(iii) 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 salary.

The liabilities in respect of the defined benefit plans are the present values of the defined benefit obligations at the balance sheet 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 are determined by discounting the estimated future cash outflows using interest rates of high quality corporate 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 the income statement.

(m) Income Tax

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

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

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

(n) Treasury Shares

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

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

(o) Foreign Currencies

(i) Functional and Presentation Currency

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

(ii) Foreign Currency Transactions

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

(iii) Operations Denominated in Functional Currencies Other Than RM

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

(iv) Net Investment in a Foreign Operation

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

(p) Revenue Recognition

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

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

Revenue from transportation services rendered is recognised upon acceptance of delivery.

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

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

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

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

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Critical Judgements Made In Applying Accounting Policies

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

Classification between Investment Properties and Property, Plant and Equipment

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

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

(b) Key Sources of Estimation Uncertainty

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

(i) Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the CGU to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at balance sheet date is disclosed in Note 16.

(ii) Deferred Tax Assets

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

(iii) Depreciation of Motor Vehicles and Buildings

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

(iv) Employee Benefits

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 and future salary increases. All assumptions are reviewed at each reporting date. The net employee liability of the Group and the Company as at 30 September 2010 is RM2,893,000 (2009: RM3,677,000) and RM12,000 (2009: RM18,000). Further details are given in Note 28.

In determining the appropriate discount rate, management derived the applicable interest rates from high quality 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 MO 9903.

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

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

(a) New FRS Applied

On 1 October 2009, the Group applied FRS 8: Operating Segments issued by the Malaysian Accounting Standards Board (“MASB”) which is relevant to the Group and became effective for annual periods beginning on or after 1 July 2009.

FRS 8 replaces FRS 114²⁰⁰⁴, Segment Reporting, and requires the identification and reporting of operating segments based on internal reports that are regularly reviewed by the chief operating decision maker of the Group in order to allocate resources and to assess its performance.

Prior to application of FRS 8, the segment reporting of the Group was based on a primary reporting format of business segments and a secondary reporting format of geographical segments. With the adoption of FRS 8, the Group’s segment reporting has been changed to operating segments based on the segment information provided to the Managing Director and the Board of Directors.

The application of FRS 8 does not have any significant impact on the Group’s financial statements.

(b) Standards Issued but Not Yet Effective

The Group and the Company have not adopted the following new FRSs and interpretations and amendments to certain standards and interpretations that have been issued but not yet effective.

Effective for financial periods beginning on or after 1 January 2010:

FRS 4: Insurance Contracts

FRS 7: Financial Instruments : Disclosures

FRS 101: Presentation of Financial Statements (revised)

FRS 123: Borrowing Costs

FRS 139: Financial Instruments: Recognition and Measurement

Amendments to FRS 1: First-time adoption of Financial Reporting Standards and FRS 127: Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

Amendments to FRS 2: Share-based Payment: Vesting Conditions and Cancellations

Amendments to FRS 132: Financial Instruments: Presentation

Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosure and IC Interpretation 9: Reassessment of Embedded Derivatives

Amendments to FRSs ‘Improvements to FRSs (2009)’

IC Interpretation 9: Reassessment of Embedded Derivatives

IC Interpretation 10: Interim Financial Reporting and Impairment

IC Interpretation 11: FRS 2 - Group and Treasury Share Transactions

IC Interpretation 13: Customer Loyalty Programmes

IC Interpretation 14: FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

TR i - 3: Presentation of Financial Statements of Islamic Financial Institutions

Effective for financial periods beginning on or after 1 March 2010:

Amendment to FRS 132: Financial Instruments: Presentation, relating to Classification of Right Issues

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

Effective for financial periods beginning on or after 1 July 2010:

FRS 1: First-time Adoption of Financial Reporting Standards
FRS 3: Business Combinations (revised)
FRS 127: Consolidated and Separate Financial Statements (amended)
Amendments to FRS 2: Share-based Payment
Amendments to FRS 5: Non-current Assets Held for Sale and Discounted Operations
Amendments to FRS 138: Intangible Assets
Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives
IC Interpretation 12: Service Concession Arrangements
IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17: Distributions of Non-cash Assets to Owners

Effective for financial periods beginning on or after 1 January 2011:

Amendments to FRS 1: Limited Exemption from Comparative FRS 7: Disclosure for First-time Adopters
Amendments to FRS 7: Improving Disclosures about Financial Instruments
Amendments to FRS 1: Additional Exemption for First-time Adopters
Amendments to FRS 2: Group Cash-settled Share-based Payment Transactions
IC Interpretation 4: Determining whether an Arrangement contains a Lease
IC Interpretation 18: Transfers of Assets from Customers
TR 3: Guidance on Disclosure of Transition to IFRSs
TR i - 4: Shariah Compliant Sale Contracts

Effective for annual periods beginning on or after 1 January 2012:

Amendment to IC Interpretation 15: Agreements for the Construction of Real Estate

The Group and the Company plan to adopt the above pronouncements when they become effective in the respective financial period.

The new FRSs, Amendments to FRSs and Interpretations above are expected to have no significant impact on the financial statements of the Group and of the Company upon their initial application except for the following:-

FRS 3: Business Combination (revised) and FRS 127: Consolidated and Separate Financial Statements (amended)

FRS 3 (revised) introduces a number of changes to the accounting for business combinations occurring on or after 1 July 2010. These include changes that affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

FRS 127 (amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners and to be recorded in equity. Therefore, such transaction will no longer give rise to goodwill nor will it give rise to a gain or loss. Furthermore, the amended Standard changes the accounting for losses incurred by the subsidiary as well as loss of control of a subsidiary.

The changes by FRS 3 (revised) and FRS 127 (amended) will be applied prospectively and only affect future acquisition or loss of control of subsidiaries and transactions with non-controlling interests.

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Notes to the Financial Statements (Continued)

FRS 101: Presentation of Financial Statement (revised)

The revised FRS 101 separates owner and non-owner changes in equity. Therefore, the statements of changes in equity will now include only details of transactions with owners. All non-owner changes in equity are presented as a single line labelled as total comprehensive income. The Standard also introduces the statement of comprehensive income: presenting all items of income and expense recognised in the income statement, together with all other items of recognised income and expense either in one single statement, or in two linked statements. The Group is currently evaluating the format to adopt. In addition, a statement of financial positions is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. This revised FRS does not have any impact on the financial position and results of the Group and of the Company.

FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures and Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures

The new Standard on FRS 139: Financial Instruments: Recognition and Measurement establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Requirements for presenting information about financial instruments are in FRS 132: Financial Instruments: Presentation and the requirements for disclosing information about financial statements are in FRS 7: Financial Instruments: Disclosures.

FRS 7: Financial Instruments: Disclosures is a new Standard that requires new disclosures in relation to financial instruments. The Standard is considered to result in increased disclosures, both quantitative and qualitative of the Group's and of the Company's exposure to risk, enhanced disclosure regarding components of the Group's and of the Company's financial position and performance, and possible changes to the way of presenting certain items in the financial statements.

In accordance with the respective transitional provisions, the Group and the Company are exempted from disclosing the possible impact to the financial statements upon the initial application.

Amendments to FRS 1: First-time Adoption of Financial Reporting Standards and FRS 127: Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associates

The amendment to FRS 1 allows first-time adopters to use costs, determined in accordance with FRS 127, or deemed cost of either fair value (in accordance with FRS 139) or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate opening FRS balance sheet. In the amendment to FRS 127, there is no longer a distinction between pre-acquisition and post-acquisition dividends. The amendment also requires the cost of the investment of a new parent in a group (in a reorganisation meeting certain criteria) to be measured at the carrying amount of its share of equity as shown in the separate financial statements of the previous parent. The amendments also remove the definition of the cost method from FRS 127 and will be applied prospectively that affect only the financial statements of the Company and do not have an impact on the financial statements of the Group.

Amendments to FRSs 'Improvements to FRSs (2009)'

- FRS 7 Financial Instruments: Disclosure: Clarifies on the presentation of finance costs whereby interest income is not a component of financial costs.
- FRS 8 Operating Segments: Clarifies that segment information with respect to total asset is required only if they are included in measures of segment profit or loss that are used by the 'chief operating decision maker'.
- FRS 101 Presentation of Financial Statements: Assets and Liabilities classified as held for trading in accordance with FRS 139 Financial Instruments: Recognition and Measurement are not automatically classified as current in the balance sheet. The amendment further clarifies that the classification of the liability component of a convertible instrument as current or non-current is not affected by the terms that could, at the option of the holder, result in settlement of the liability by the issue of equity instruments.

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Notes to the Financial Statements (Continued)

- FRS 107 Statement of Cash Flows (formerly known as Cash Flow Statements): Clarifies that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows.
- FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors: Clarifies that only implementation guidance that is an integral part of an FRS is mandatory when selecting accounting policies.
- FRS 117 Leases: Clarifies on the classification of leases of land and buildings. For those land element held under operating leases that are required to be reclassified as finance leases, the Group shall recognise a corresponding asset and liability in the financial statements which will be applied retrospectively upon initial application. However, in accordance with the transitional provision, the Group is permitted to reassess lease classification on the basis of the facts and circumstances existing on the date it adopts the amendments; and recognise the asset and liability related to a land lease newly classified as a finance lease at their fair values on that date; any difference between those fair values is recognised in retained profits. This change in accounting policy will result in reclassification of lease of land amounting to RM13,949,000 of the Group as at 30 September 2010 from prepaid land lease payments to property, plant and equipment.
- FRS 119 Employee Benefits: The amendment revises the definition of 'past service costs', 'return on plan assets' and 'short term' and 'other long-term' employee benefits. It clarifies that the costs of administering the plan may be either recognised in the rate of return on plan assets or included in the actuarial assumptions used to measure the defined benefit obligation. The amendment further clarifies that amendment to plans that result in a reduction in benefits related to future services are curtailments. It also deleted the reference to the recognition of contingent liabilities to ensure consistency with FRS 137 Provisions, Contingent Liabilities and Contingent Assets.
- FRS 123 Borrowing Costs: The definition of borrowing costs is aligned with FRS 139 by referring to the use of effective interest rate as a component of borrowing cost.
- FRS 127 Consolidated and Separate Financial Statements: The amendment clarifies that when a parent entity accounts for a subsidiary at fair value in accordance with FRS 139 in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.
- FRS 128 Investment in Associates: The amendment clarifies that if an associate is accounted for at fair value in accordance with FRS 139, only the requirement of FRS 128 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the investor in the form of cash or repayment of loans applies. It further clarifies that an investment in an associate is treated as a single asset for the purpose of impairment testing. Therefore, any impairment loss is not separately allocated to the goodwill included in the investment balance.
- FRS 134 Interim Financial Reporting: Earnings per share is disclosed in interim financial reports if an entity is within the scope of FRS 133: Earnings per Share.
- FRS 136 Impairment of Assets: Clarifies that when discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'. The amendment further clarifies that the largest CGU for group of units to which goodwill should be allocated for purposes of impairment testing is an operating segment as defined in FRS 8.

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Notes to the Financial Statements (Continued)

- **FRS 139 Financial Instruments: Recognition and Measurement:** Clarifies that changes in circumstances relating to derivatives are not reclassifications and therefore may be either removed from, or included in, the 'fair value through profit or loss' classification after initial recognition. It also clarifies on the scope exemption for business combination contracts. The amendments remove the reference in FRS 139 to a 'segment' when determining whether an instrument qualifies as a hedge and requires the use of the revised effective interest rate when remeasuring a debt instrument on the cessation of fair value hedge accounting. It also provides additional guidance on determining whether loan prepayment penalties result in an embedded derivatives that needs to be separated. In addition, the amendments state that the gains or losses on a hedged instrument should be reclassified from equity to profit or loss during the period that the hedged forecast cash flows impact profit or loss.
- **FRS 140 Investment Property:** Property under construction or development for future use as an investment property is classified as investment property. Where the fair value model is applied, such property is measured at fair value. If fair value cannot be reliably determined, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete. The Group has previously stated investment properties at cost less accumulated depreciation and impairment losses. The amendment also includes changes in terminology in the Standard to be consistent with FRS 108. The change will be applied prospectively.
- **Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives:** The amendment clarifies that the scope of IC 9 which does not apply to embedded derivatives in contracts acquired in a business combination, a combination of entities or businesses under common control as defined in FRS 3 Business Combinations (revised), or the formation of a joint venture as defined in FRS 131: Interests in Joint Ventures.
- **IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation:** This IC provides guidance on identifying foreign currency risks and hedging instruments that qualify for hedge accounting in the hedge of a net investment in a foreign operation. It also explains how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item.

IC Interpretation 9: Reassessment of Embedded Derivatives and Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives

This IC requires that there should be no subsequent reassessment of whether an embedded derivative should be separated from the host contract after initial recognition, unless there have been changes to the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract. The amendments to the IC clarify that on reclassification of a financial asset out of the 'at fair value through profit or loss' category, all embedded derivatives within the scope of this IC and FRS 139 have to be assessed and, if necessary, separately accounted for in financial statements. The IC is to be applied retrospectively.

IC Interpretation 10: Interim Financial Reporting and Impairment

This IC prohibits impairment losses recognised in an interim period on goodwill or investments in equity instruments or financial assets carried at cost to be reversed at a subsequent balance sheet date. This Standard will have no impact on the Group's and the Company's financial statements.

IC Interpretation 14: FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

This IC provides guidance on how to assess the limit, under FRS 119 Employee Benefits, on the amount of surplus in a defined benefit scheme that can be recognised as an asset and explains how the minimum funding requirements will affect the defined benefit asset and addresses when minimum funding requirements may give rise to a liability.

FRS 1: First-time Adoption of Financial Reporting Standards

This FRS supersedes FRS 1 (issued in 2005 and amended in May 2009). The Standard sets out the procedures that an entity must follow when it adopts FRSs for the first time as the basis for preparing its financial statements.

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

Amendments to FRS 138: Intangible Assets

The amendments clarify that an intangible asset must be recognised separately from goodwill even if it is separable only together with a related contract, identifiable asset, or liability. Also, if an intangible asset is separable only together with another intangible asset, those assets can be recognised together as a single asset, and if the individual assets in a group of complementary intangible assets have similar useful lives, those assets can be recognised together as a single asset.

Amendments to FRS 7: Improvement Disclosures about Financial Instruments

The Improvement Disclosures about Financial Instruments amendments reinforce existing principles for disclosures about liquidity risk. Also, the amendments require enhanced disclosures about fair value measurements in a three-level fair value hierarchy which aims to reflect the inputs used in making the measurement. These amendments do not have any impact on the financial position and results of the Group and of the Company.

IC Interpretation 4: Determining whether an Arrangement contains a Lease

The Interpretation aims to provide guidance for determining whether certain arrangements are, or contain, leases that should be accounted for in accordance with FRS 117 Leases; it does not provide guidance whether such a lease should be classified as a finance lease or an operating lease. It clarifies that an arrangement, although does not take the legal form of a lease, is a lease when the fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset.

This is the case if the purchaser has the right to operate or direct others to operate or control physical access to the asset. Another condition is that it is remote parties other than the purchaser who will take more than an insignificant amount of the asset's output and the price is neither fixed nor at current market price.

Technical Release 3: Guidance on Disclosures of Transition to IFRSs ("TR 3")

TR 3 is issued to provide guidance to entities in narrative disclosures in their annual reports on the changeover to International Financial Reporting Standards (IFRSs) in 2012 during the transition period towards the application of IFRSs. The objective is to help investors and other users of financial statements to better understand the transition process.

TR 3 contains several recommendations whereby entities that are required to apply IFRSs in 2012 are encouraged to provide users with appropriate and useful information during the transition phase from MASB Financial Reporting Standards (FRSs) to IFRSs for annual reports with financial periods ending on or after 31 December 2010. It prescribes the different milestones in the transition process and encourages entities to disclose the plans management would undertake in achieving successful transition and the impact of adoption of IFRSs in 2012.

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Notes to the Financial Statements (Continued)

(c) Change in Estimates

The revised FRS 116 - Property, Plant and Equipment requires the review of the residual value and the useful life of an asset at least at each financial year end. The Group revised the estimated residual values of certain motor vehicles with effect from 1 October 2009.

The revisions were accounted for prospectively as a change in accounting estimates and as a result, the depreciation charges of the Group and of the Company have decreased by RM66,000 and RM27,000 respectively.

6. 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	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Chemicals	183,045	212,567	-	-
Transportation services	22,527	20,273	-	-
Palm products	9,728	739	-	-
Dividends (gross)	3,768	3,545	233,587	369,122
Rental	2,870	399	-	-
Interest	2,472	597	280	200
Management fees	16	28	-	-
	<u>224,426</u>	<u>238,148</u>	<u>233,867</u>	<u>369,322</u>

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Notes to the Financial Statements (Continued)

7. OPERATING PROFIT

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
(a) This is arrived at after charging:-				
Auditors' remuneration				
- current year	147	137	30	23
- under-provision in previous year	1	2	-	-
- non-audit fee	6	5	6	5
Directors' remuneration				
- fees - Directors of the Company	759	766	734	742
- fees - other directors	5	5	-	-
- other emoluments - Director of the Company	1,902	1,579	1,902	1,579
- other emoluments - other directors	712	405	-	-
- benefits-in-kind - Director of the Company	158	127	158	127
Depreciation of property, plant and equipment (Note 12)	17,933	17,180	147	176
Depreciation of investment property	968	928	-	-
Amortisation of prepaid land lease payments	420	399	-	-
Amortisation of biological assets	934	96	-	-
Inventories written off	48	8	-	-
Plant and equipment written off	662	109	-	-
Loss on foreign exchange				
- realised	697	95	-	74
- unrealised	74	-	-	-
Rental of premises	98	114	96	96
Rental of equipment	1,952	1,402	-	-
Retirement benefits recognised	-	710	-	19
Allowance for diminution in value of				
- other quoted investment outside Malaysia	599	2,199	599	2,199
- unquoted subsidiary	-	-	-	6,183
Inventories written down to net realisable value	-	5,653	-	-
Goodwill on consolidation written off	590	5,789	-	-
Impairment loss on prepaid land lease payments	1,308	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
and crediting:-				
Gross dividend from:-				
- unquoted subsidiaries	-	-	7,085	43,894
- associate quoted in Malaysia	-	-	223,156	322,336
- other unquoted investments in Malaysia	1,792	2,154	1,792	2,154
- other quoted investments outside Malaysia	58	182	58	182
- short term trust funds quoted in Malaysia	1,918	1,209	1,496	556
Interest income	2,472	597	280	200
Gain on disposal of property, plant and equipment	302	110	299	53
Rental income	129	126	-	-
Rental income from investment properties	2,754	550	-	-
Gain on foreign exchange				
- realised	905	497	905	22
- unrealised	-	13	-	-
Gain on government acquisition of land	680	3,892	680	3,892
Gain on disposal of unquoted investment	84,030	41,808	84,030	-
Surplus on voluntary liquidation of an investment	-	1,980	-	1,980
Retirement benefits recognised	439	-	6	-
	<hr/>	<hr/>	<hr/>	<hr/>

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Notes to the Financial Statements (Continued)

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
(b) Employee information				
Staff costs				
Wages, salaries and other staff costs	27,282	27,413	2,520	2,040
Socso contributions	294	275	6	5
EPF contributions	2,679	2,649	343	305
Retirement benefits	(439)	710	(6)	19
Annual leave pay	170	163	42	23
	<u>29,986</u>	<u>31,210</u>	<u>2,905</u>	<u>2,392</u>

Included in staff costs of the Group and of the Company are Executive Directors' remuneration amounting to RM2,745,000 (2009 : RM2,086,000) and RM2,033,000 (2009 : RM1,681,000) respectively.

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

	Number of Directors	
	2010	2009
Executive Director		
RM1,650,001 to RM1,700,000	-	1
RM2,000,001 to RM2,050,000	1	-
Non-Executive Directors		
RM1 to RM50,000	2	-
RM50,001 to RM100,000	1	2
RM100,001 to RM150,000	5	5

8. FINANCE COSTS

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Term loans interest	1,568	836	-	123

9. INCOME TAX EXPENSE

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Current tax				
- Malaysian income tax	4,880	7,924	288	55,885
- Foreign income tax	-	2,289	-	-
- Under/(Over)provision in previous years	336	(4)	16	17
	<u>5,216</u>	<u>10,209</u>	<u>304</u>	<u>55,902</u>
Deferred tax (Note 20)				
- Relating to origination and reversal of temporary differences	(2,089)	(1,179)	-	-
- Relating to changes in tax rates	-	-	-	-
- Under/(Over)provision in prior years	182	(1)	-	-
	<u>(1,907)</u>	<u>(1,180)</u>	<u>-</u>	<u>-</u>
	<u>3,309</u>	<u>9,029</u>	<u>304</u>	<u>55,902</u>

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

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

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

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

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Profit before taxation	572,504	350,716	314,438	362,876
Taxation at Malaysian statutory tax rate of 25%	143,126	87,679	78,610	90,719
Effects of different tax rates in foreign jurisdictions	-	2,319	-	-
Income not subject to tax	(22,755)	(12,978)	(79,675)	(37,402)
Expenses not deductible for tax purposes	2,822	1,108	1,353	2,576
Deferred tax assets not recognised	-	2,228	-	-
Deferred tax assets recognised in respect of unabsorbed capital allowances	(2,553)	(72)	-	-
Under/(Over)provision in prior years				
- current tax	336	(4)	16	17
- deferred tax	182	(1)	-	-
Effect of share of tax of associates results	(117,849)	(71,303)	-	-
Others	-	53	-	(8)
	3,309	9,029	304	55,902

10. EARNINGS PER SHARE

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

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Net profit attributable to equity holders of the Company (RM'000)	567,452	337,348	314,134	306,974
Weighted average number of shares of RM1 each in issue ('000)	422,918	426,210	422,918	426,210
Basic earnings per share (sen)	134.2	79.2	74.3	72.0

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

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Notes to the Financial Statements (Continued)

11. DIVIDENDS

	Group and Company	
	2010	2009
	RM'000	RM'000
Dividends Paid		
Final 30 sen single tier (2009 : 49 sen comprising 9 sen less Malaysian income tax @ 25% and 40 sen single tier)	127,674	199,382
Interim 15 sen single tier (2009 : 10 sen single tier)	62,996	42,558
	<u>190,670</u>	<u>241,940</u>
Dividend Proposed		
Final 50 sen single tier (2009 : 30 sen single tier)	<u>209,201</u>	<u>127,674</u>

The proposed dividends (based on the number of shares less treasury shares as at 8 December 2010) have not been accounted for in the financial statements but will be recognised in the financial year ending 30 September 2011 upon shareholders' approval.

12. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold Land	Buildings	Plant And Machinery	Vehicles	Furniture And Equipment	Capital Work-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2010							
Cost/Valuation							
At 1 October 2009	9	33,111	267,460	22,061	5,723	15,370	343,734
Additions	-	392	9,795	3,633	597	40,017	54,434
Transfers	-	2,439	563	462	-	(3,464)	-
Disposals/written off	(7)	-	(702)	(1,021)	(470)	(231)	(2,431)
Currency translation differences	-	(177)	(330)	(213)	(10)	(96)	(826)
At 30 September 2010	2	35,765	276,786	24,922	5,840	51,596	394,911
Accumulated depreciation							
At 1 October 2009	-	20,758	203,142	12,415	3,858	-	240,173
Current depreciation	-	1,658	14,404	2,286	414	-	18,762
Transfers / Reclassification	-	15	(17)	2	-	-	-
Written back	-	-	(293)	(918)	(438)	-	(1,649)
Currency translation differences	-	(18)	(98)	(143)	(1)	-	(260)
At 30 September 2010	-	22,413	217,138	13,642	3,833	-	257,026
Net carrying amount							
At 30 September 2010	<u>2</u>	<u>13,352</u>	<u>59,648</u>	<u>11,280</u>	<u>2,007</u>	<u>51,596</u>	<u>137,885</u>
2009							
Cost/Valuation							
At 1 October 2008	11,158	32,757	259,751	21,045	5,386	40,143	370,240
Additions	-	67	8,452	2,041	400	20,930	31,890
Transfers	-	316	1,060	-	-	(1,376)	-
Transfer to investment properties (Note 13)	(11,149)	-	-	-	-	(44,379)	(55,528)
Disposals/written off	-	(5)	(1,866)	(982)	(63)	-	(2,916)
Currency translation differences	-	(24)	63	(43)	-	52	48
At 30 September 2009	9	33,111	267,460	22,061	5,723	15,370	343,734
Accumulated depreciation							
At 1 October 2008	-	19,159	190,744	11,116	3,526	-	224,545
Current depreciation	-	1,598	14,185	2,204	383	-	18,370
Written back	-	(4)	(1,814)	(930)	(51)	-	(2,799)
Currency translation differences	-	5	27	25	-	-	57
At 30 September 2009	-	20,758	203,142	12,415	3,858	-	240,173
Net carrying amount							
At 30 September 2009	<u>9</u>	<u>12,353</u>	<u>64,318</u>	<u>9,646</u>	<u>1,865</u>	<u>15,370</u>	<u>103,561</u>

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Notes to the Financial Statements (Continued)

	Group	
	2010 RM'000	2009 RM'000
Depreciation charge for the year is allocated as follows:-		
Income statement (Note 7)	17,933	17,180
Biological assets (Note 15)	829	1,190
	<u>18,762</u>	<u>18,370</u>

Company

	Freehold Land RM'000	Vehicles RM'000	Furniture And Equipment RM'000	Total RM'000
2010				
Cost/Valuation				
At 1 October 2009	9	798	88	895
Disposals	(7)	-	-	(7)
At 30 September 2010	<u>2</u>	<u>798</u>	<u>88</u>	<u>888</u>
Accumulated depreciation				
At 1 October 2009	-	217	59	276
Current depreciation	-	138	9	147
At 30 September 2010	<u>-</u>	<u>355</u>	<u>68</u>	<u>423</u>
Net carrying amount				
At 30 September 2010	<u>2</u>	<u>443</u>	<u>20</u>	<u>465</u>

2009

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

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

Analysis of cost & valuation	Cost RM'000	Valuation RM'000	Total RM'000
Group			
2010			
Freehold land	-	2	2
Buildings	31,735	4,030	35,765
Plant and machinery	276,786	-	276,786
Vehicles	24,922	-	24,922
Furniture and equipment	5,840	-	5,840
Capital work-in-progress	51,596	-	51,596
	<u>390,879</u>	<u>4,032</u>	<u>394,911</u>
2009			
Freehold land	-	9	9
Buildings	29,081	4,030	33,111
Plant and machinery	267,460	-	267,460
Vehicles	22,061	-	22,061
Furniture and equipment	5,723	-	5,723
Capital work-in-progress	15,370	-	15,370
	<u>339,695</u>	<u>4,039</u>	<u>343,734</u>
Company			
2010			
Freehold land	-	2	2
Vehicles	798	-	798
Furniture and equipment	88	-	88
	<u>886</u>	<u>2</u>	<u>888</u>
2009			
Freehold land	-	9	9
Vehicles	798	-	798
Furniture and equipment	88	-	88
	<u>886</u>	<u>9</u>	<u>895</u>

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

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Freehold land	1	1	1	1
Factory and office buildings	708	994	-	-
	<u>709</u>	<u>995</u>	<u>1</u>	<u>1</u>

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

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

As allowed by the transitional provisions of International Accounting Standard 16 (Revised) - "Property, Plant and Equipment", these assets are continued to be stated on the basis of their 1980, 1982 and 1996 valuations respectively.

The ownership of certain property, plant and equipment of subsidiaries with a carrying amount of RM1,612,000 (2009 : RM2,181,000) are held in trust by third parties.

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

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

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

(d) The descriptions and locations of the Group's properties are shown on page 98.

13. INVESTMENT PROPERTIES

Group	Freehold Land RM'000	Buildings RM'000	Total RM'000
2010			
Cost			
At 1 October 2009	11,149	45,179	56,328
Additions	-	1,990	1,990
At 30 September 2010	11,149	47,169	58,318
Accumulated depreciation			
At 1 October 2009	-	972	972
Current depreciation	-	968	968
At 30 September 2010	-	1,940	1,940
Net carrying amount			
At 30 September 2010	11,149	45,229	56,378
Fair value of investment properties			80,870
2009			
Cost			
At 1 October 2008	-	800	800
Transfer from property, plant and equipment (Note 12)	11,149	44,379	55,528
At 30 September 2009	11,149	45,179	56,328
Accumulated depreciation			
At 1 October 2008	-	44	44
Current depreciation	-	928	928
At 30 September 2009	-	972	972
Net carrying amount			
At 30 September 2009	11,149	44,207	55,356
Fair value of investment properties			56,397

One of the investment property with a carrying value of RM55,702,000 (2009 : RM54,640,000) is pledged as security to a licensed bank for term loans as disclosed in Note 29.

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

14. PREPAID LAND LEASE PAYMENTS

	Group	
	2010	2009
	RM'000	RM'000
At 1 October	15,800	15,008
Additions	-	1,128
Current amortisation	(420)	(399)
Impairment loss	(1,308)	-
Currency translation differences	(123)	63
At 30 September	<u>13,949</u>	<u>15,800</u>
Analysed as:-		
Long term leasehold land	12,979	13,421
Short term leasehold land	970	2,379
	<u>13,949</u>	<u>15,800</u>

15. BIOLOGICAL ASSETS

	Group	
	2010	2009
	RM'000	RM'000
Plantation development expenditure		
Cost		
At 1 October	51,098	37,598
Additions	6,405	13,052
Currency translation differences	(3,016)	448
At 30 September	<u>54,487</u>	<u>51,098</u>
Accumulated amortisation		
At 1 October	103	-
Current amortisation	934	96
Currency translation differences	(52)	7
At 30 September	<u>985</u>	<u>103</u>
Net carrying amount		
At 30 September	<u>53,502</u>	<u>50,995</u>
Biological assets additions during the year included the following:-		
Depreciation of property, plant and equipment (Note 12)	829	1,190
Salaries and allowances	1,581	566

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

16. GOODWILL ON CONSOLIDATION

	2010	Group 2009
	RM'000	RM'000
At 1 October	12,954	18,788
Written off	(590)	(5,789)
Exchange translation differences	(170)	(45)
At 30 September	<u>12,194</u>	<u>12,954</u>

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

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

	2010	Group 2009
	RM'000	RM'000
Chemicals	9,136	9,726
Plantations	3,058	3,228
At 30 September	<u>12,194</u>	<u>12,954</u>

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

- (i) the pre-tax discount rate used is 5% - 9%;
- (ii) the growth rate used for the plantation company is determined based on the management's estimate of commodity prices, palm yields, oil extraction rates as well as cost of productions whilst growth rates of companies in other segments are determined based on the industry trends and past performances of the respective companies; and
- (iii) profit margins are projected based on historical profit margin achieved.

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

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

17. SUBSIDIARIES

	Company	
	2010	2009
	RM'000	RM'000
Unquoted shares at cost	149,131	149,131

Details of the subsidiaries are as follows:-

Name of Subsidiaries	Country of Incorporation	Percentage of Group Equity Held		Principal Activities
		2010	2009	
Held by the Company:-				
See Sen Chemical Berhad	Malaysia	61	61	Chemicals manufacturing
Malay-Sino Chemical Industries Sendirian Berhad	Malaysia	86	86	Chemicals manufacturing
Batu Kawan Holdings Sdn Bhd	Malaysia	100	100	Investment holding
Caruso Enterprises Sdn Bhd	Malaysia	100	100	Money lending
Whitmore Holdings Sdn Bhd	Malaysia	100	100	Investment holding
Enternal Edge Sdn Bhd	Malaysia	100	100	Investment holding
Forever Green Venture Limited #	Mauritius	100	100	Ceased operations (under members' voluntary winding-up)
Held through Subsidiaries:-				
Malay-Sino Chemical Industries Sendirian Berhad:-				
Malay-Sino Agro-Chemical Products Sdn Bhd	Malaysia	86	86	Manufacture and sale of methyl chloride
Circular Agency Sdn Bhd	Malaysia	86	86	General transportation services
North-South Transport Sdn Bhd	Malaysia	86	86	General transportation services
Malay-Sino Properties Sdn Bhd	Malaysia	86	86	Letting of storage warehouse facilities
Malay-Sino Chemical Holdings Berhad	Malaysia	86	86	Dormant
Omega Network Sdn Bhd #	Malaysia	86	86	Ceased operations (under members' voluntary winding-up)
See Sen Chemical Berhad:-				
See Sen Bulking Installation Sdn Bhd	Malaysia	61	61	Dormant
Whitmore Holdings Sdn Bhd:-				
P.T. Satu Sembilan Delapan *	Indonesia	92	92	Plantations

These companies are not required to be audited. The results of these companies are consolidated based on the unaudited financial statements.

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

2010

(a) There was no acquisition of subsidiary during the financial year ended 30 September 2010 and subsequent to 30 September 2010 until the date of this Annual Report.

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

2009

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

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

18. ASSOCIATES

	Group		Company	
	2010 RM'000	2009 RM'000 (Restated)	2010 RM'000	2009 RM'000 (Restated)
Quoted shares in Malaysia at cost	439,916	439,916	439,916	439,916
Unquoted shares at cost	2,130	2,130	-	-
	<u>442,046</u>	<u>442,046</u>	<u>439,916</u>	<u>439,916</u>
Group's share of retained reserves	2,214,269	2,041,388	-	-
	<u>2,656,315</u>	<u>2,483,434</u>	<u>439,916</u>	<u>439,916</u>
Market value of quoted shares	<u>8,430,326</u>	<u>6,843,441</u>	<u>8,430,326</u>	<u>6,843,441</u>

As at 30 September 2010, the carrying values of the investment in associates are represented by:-

	Group	
	2010 RM'000	2009 RM'000 (Restated)
Group's share of aggregate net tangible assets	2,499,046	2,323,097
Group's share of aggregate intangible assets	149,911	152,979
Goodwill on acquisition	7,358	7,358
	<u>2,656,315</u>	<u>2,483,434</u>

Details of the associates are as follows:-

Name of Associates	Country of Incorporation	Percentage of Group Equity Held		Principal Activities
		2010	2009	
Held by the Company:-				
Quoted:-				
Kuala Lumpur Kepong Berhad	Malaysia	47	47	Plantations
Held through a Subsidiary				
See Sen Chemical Berhad:-				
Unquoted:-				
BASF See Sen Sdn Bhd	Malaysia	30	30	Manufacturer and dealer in high purity sulphuric acid and chemicals

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

The financial year ends of the above associates are coterminous with those of the Group, except for BASF See Sen Sdn Bhd which has a financial year end of 31 December to conform with its holding company's financial year end. For the purpose of applying the equity method of accounting, the audited financial statements of BASF See Sen Sdn Bhd for the year ended 31 December 2009 and the management accounts for the period ended 30 September 2010 have been used.

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

	2010	Group
	RM'000	2009
		RM'000
Total assets	9,169,910	8,610,467
Total liabilities	2,838,771	2,662,021
Revenue	7,496,692	6,663,648
Profit for the year	<u>1,012,452</u>	<u>612,944</u>

In prior financial years, RM21,077,000 of the total investment cost in an associate was carried at revaluation in the Company's and the Group's financial statements. As it was impracticable to determine the original cost of the investment at that point in time, the investment was not restated to cost as required by FRS 127: Consolidated and Separate Financial Statements. During the current financial year, the Company, after locating archived records, was able to ascertain the original cost of investment relating to the above investment. Accordingly, the carrying value of the above investment has been adjusted retrospectively.

There was no effect on the Company's and the Group's income statement for the financial year ended 30 September 2010.

The effect on comparatives are as follows:-

	Group			Company		
	As previously reported RM'000	Adjustment RM'000	As restated RM'000	As previously reported RM'000	Adjustment RM'000	As restated RM'000
Balance Sheet						
Investment in associates	2,536,526	(53,092)	2,483,434	493,008	(53,092)	439,916
Reserves	<u>2,519,360</u>	<u>(53,092)</u>	<u>2,466,268</u>	<u>341,723</u>	<u>(53,092)</u>	<u>288,631</u>

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

19. OTHER INVESTMENTS

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Quoted shares at cost - In overseas corporation	11,401	11,401	11,401	11,401
Unquoted shares at cost	13,990	14,991	13,990	14,591
	<u>25,391</u>	<u>26,392</u>	<u>25,391</u>	<u>25,992</u>
Less : Allowance for diminution in value of investment				
- Quoted shares in overseas corporation	(6,029)	(5,430)	(6,029)	(5,430)
- Unquoted shares	-	(400)	-	-
	<u>19,362</u>	<u>20,562</u>	<u>19,362</u>	<u>20,562</u>
Market value of quoted shares				
- In overseas corporation	<u>5,372</u>	<u>5,971</u>	<u>5,372</u>	<u>5,971</u>

20. DEFERRED TAX

	Group	
	2010 RM'000	2009 RM'000
Balance brought forward	9,309	10,464
Recognised in the income statement (Note 9)	(1,907)	(1,180)
Exchange translation differences	82	25
Balance carried forward	<u>7,484</u>	<u>9,309</u>
Presented after appropriate offsetting as follows:-		
Deferred tax assets	(2,359)	(907)
Deferred tax liabilities	<u>9,843</u>	<u>10,216</u>
	<u>7,484</u>	<u>9,309</u>

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

Deferred Tax Assets of the Group

	Property, Plant and Equipment RM'000	Unabsorbed Capital Allowances RM'000	Provision For Liabilities RM'000	Provision For Retirement Benefits RM'000	Unutilised Tax Losses RM'000	Total RM'000
At 1 October 2008	(656)	-	(52)	(784)	(396)	(1,888)
Recognised in the income statement	167	(1,088)	(11)	(131)	(176)	(1,239)
Exchange translation differences	-	-	-	-	11	11
At 30 September 2009	(489)	(1,088)	(63)	(915)	(561)	(3,116)
Recognised in the income statement	70	(412)	(12)	194	(1,828)	(1,988)
Exchange translation differences	-	-	-	1	114	115
At 30 September 2010	(419)	(1,500)	(75)	(720)	(2,275)	(4,989)

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

Deferred Tax Liabilities of the Group

	Property, Plant and Equipment RM'000	Revaluation Surplus RM'000	Investment Property RM'000	Biological Assets RM'000	Prepaid Land Lease Payment RM'000	Total RM'000
At 1 October 2008	11,833	520	-	-	-	12,353
Recognised in the income statement	(948)	(8)	1,015	-	-	59
Exchange translation differences	13	-	-	-	-	13
At 30 September 2009	10,898	512	1,015	-	-	12,425
Recognised in the income statement	(413)	(8)	333	146	23	81
Exchange translation differences	(24)	-	-	(8)	(1)	(33)
At 30 September 2010	10,461	504	1,348	138	22	12,473

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

	Group	
	2010 RM'000	2009 RM'000
Unrecognised tax losses	<u>240</u>	<u>271</u>

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

21. INVENTORIES

	Group	
	2010 RM'000	2009 RM'000
At Cost		
Finished goods	3,781	4,080
Work-in-progress	228	264
Raw materials	10,056	13,938
Stores and consumables	10,370	13,124
	<u>24,435</u>	<u>31,406</u>
At Net Realisable Value		
Finished goods	857	1,256
Work-in-progress	21	31
	<u>878</u>	<u>1,287</u>
	<u>25,313</u>	<u>32,693</u>

The cost of inventories recognised as an expense during the financial year in the Group amounted to approximately RM147,283,000 (2009 : RM164,044,000).

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

22. TRADE RECEIVABLES

	Group	
	2010 RM'000	2009 RM'000
Included herein are:-		
Amounts owing by related parties being companies in which persons connected with certain Directors have significant interests	<u>36,000</u>	<u>34,470</u>

The above are balances in connection with related party transactions disclosed in Note 32. The amounts owing are unsecured and non-interest bearing.

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

23. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Non-Current				
Plasma receivables (Note (a))	<u>18,012</u>	<u>14,158</u>	<u>-</u>	<u>-</u>
Current				
Other receivables (Note (b))	1,040	1,891	-	-
Deposits	1,220	1,462	13	13
Prepayments	5,468	2,915	-	-
	<u>7,728</u>	<u>6,268</u>	<u>13</u>	<u>13</u>

(a) Plasma receivables

The plantation subsidiary in Indonesia participates in a "Kredit Koperasi Primer untuk Anggotanya" ("Plasma Plantation") to provide financing and to assist in the development of oil palm plantation for the benefit of the communities in the vicinity of their operations. 8% (2009: Nil) per annum interest is chargeable on the advances given for the plasma plantation projects.

	Group	
	2010 RM'000	2009 RM'000
At 1 October	14,159	3,585
Additions	4,843	8,772
Currency translation	(990)	1,801
At 30 September	<u>18,012</u>	<u>14,158</u>

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

The following comparatives figures have been reclassified to conform with current year's presentation:-

	Group	
	As previously reported RM'000	As restated RM'000
Non-Current		
Plasma receivables	-	14,158
Current		
Advances for plasma plantation projects	<u>14,158</u>	<u>-</u>

	Group	
	2010 RM'000	2009 RM'000
b) Other receivables		
Included herein are:-		
Amounts owing by related parties being companies in which persons connected with certain Directors have significant interests	28	16
Amount owing by an associates	<u>330</u>	<u>248</u>

The above are balances in connection with related party transactions disclosed in Note 32. The amounts owing are unsecured, non-interest bearing and without fixed terms of repayment.

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

24. AMOUNTS OWING BY SUBSIDIARIES

	Company	
	2010 RM'000	2009 RM'000
Amounts owing by subsidiaries:-		
Current accounts	897	659
Unsecured, interest-free advances	<u>64,349</u>	<u>48,047</u>
	<u>65,246</u>	<u>48,706</u>

Amounts owing by subsidiaries denominated in currency other than the Company's functional currency are as follows:-

	2010 RM'000	2009 RM'000
Indonesian Rupiah	<u>83,278</u>	<u>78,477</u>

All amounts owing by subsidiaries are non-trade in nature, unsecured, non-interest bearing and without fixed terms of repayment.

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

25. CASH AND CASH EQUIVALENTS

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Fixed income trust funds in Malaysia	169,919	149,488	100,260	61,252
Deposits with licensed banks	11,740	29,388	-	5,050
Cash and bank balances	24,109	6,688	8,405	50
	<u>205,768</u>	<u>185,564</u>	<u>108,665</u>	<u>66,352</u>

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

	Group		Company	
	2010 %	2009 %	2010 %	2009 %
Fixed income trust funds	2.15 - 3.00	1.82 - 2.96	2.85 - 3.00	1.82 - 1.87
Licensed banks	0.22 - 2.75	1.00 - 5.40	-	1.40

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

	Group		Company	
	2010 Days	2009 Days	2010 Days	2009 Days
Fixed income trust funds	30 - 32	30 - 34	31 - 32	31 - 34
Licensed banks	4 - 92	1 - 92	-	4

26. SHARE CAPITAL

	Group and Company			
	2010		2009	
	No of shares RM'000	RM'000	No of shares RM'000	RM'000
Shares of RM1 each				
Authorised	1,000,000	1,000,000	1,000,000	1,000,000
Issued and fully-paid	435,951	435,951	435,951	435,951

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

The shareholders of the Company have first granted the authority to the Directors to buy back its own shares at the Annual General Meeting held on 3 February 1999. The mandate was subsequently renewed annually by shareholders at every Annual General Meeting of the Company. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the share buy back can be applied in the best interests of the Company and its shareholders.

During the year, the Company bought back a total of 6,304,200 of its issued shares from the open market for a total cost of RM67,413,570. The average price paid for the shares bought back was RM10.66 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, 16,675,000 are held as treasury shares by the Company. As at 30 September 2010, the number of outstanding shares issued and fully-paid, after deducting treasury shares held, is 419,276,000 (2009 : 425,580,200) shares of RM1 each.

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

27. RESERVES

	Group		Company	
	2010 RM'000	2009 RM'000 (Restated)	2010 RM'000	2009 RM'000 (Restated)
Non-distributable:				
Revaluation reserve	708	715	18	25
Exchange fluctuation reserve	(4,625)	996	-	-
Capital reserve	271,072	271,072	-	-
	<u>267,155</u>	<u>272,783</u>	<u>18</u>	<u>25</u>
Distributable:				
Capital reserve	249,033	184,899	32,555	32,555
Revenue reserve - General reserve	25,100	164,627	6,739	6,739
- Retained profits	2,299,954	1,923,165	451,989	328,518
Share buy back	(146,619)	(79,206)	(146,619)	(79,206)
	<u>2,427,468</u>	<u>2,193,485</u>	<u>344,664</u>	<u>288,606</u>
	<u>2,694,623</u>	<u>2,466,268</u>	<u>344,682</u>	<u>288,631</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.

(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) 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 profits as at 30 September 2010 and 2009 under the single tier system.

(e) Share buy back

Of the Company's retained profits at year end of RM451,989,000, RM146,619,000 was utilised for the purchase of the treasury shares and is considered as non-distributable.

Details of treasury shares are disclosed on page 36 and in Note 26.

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

28. PROVISION FOR RETIREMENT BENEFITS

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Present value of unfunded defined benefit obligation	3,677	3,202	18	66
Recognised in the income statements	(439)	710	(6)	19
Payments	(339)	(236)	-	(67)
Currency translation differences	(6)	1	-	-
Net liability	<u>2,893</u>	<u>3,677</u>	<u>12</u>	<u>18</u>
Represented by:-				
Payable not later than 1 year	224	343	-	-
Payable later than 1 year	2,669	3,334	12	18
	<u>2,893</u>	<u>3,677</u>	<u>12</u>	<u>18</u>

The amounts of retirement benefits recognised in the income statement are as follows:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Current service cost	259	710	1	19
Overprovision	(835)	-	(8)	-
Interest cost	137	-	1	-
Total included in employee benefits expenses (Note 7)	<u>(439)</u>	<u>710</u>	<u>(6)</u>	<u>19</u>

Movements in the net liability are as follows:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
At 1 October	3,677	3,202	18	66
Current service cost	259	710	1	19
Interest cost	137	-	1	-
Payments	(339)	(236)	-	(67)
Overprovision	(835)	-	(8)	-
Currency translation differences	(6)	1	-	-
At 30 September	<u>2,893</u>	<u>3,677</u>	<u>12</u>	<u>18</u>

Principal actuarial assumptions used are as follows:-

	Group		Company	
	2010 %	2009 %	2010 %	2009 %
Discount rate	4.84 - 10.50	-	6.07	-
Expected rate of salary increase	3.00 - 9.33	-	9.33	-
Turnover rate	3.00	-	-	-

Prior to financial year 2010, no actuarial valuation was carried out on the retirement benefits as the Directors are of the opinion that the amount is insignificant to the Group and the Company.

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

29. BANK BORROWING

	Group	
	2010 RM'000	2009 RM'000
Term loans (secured):-		
Current	8,000	4,000
Non-current	23,568	31,583
	<u>31,568</u>	<u>35,583</u>

Analysis of repayments of borrowing:-

	Year of maturity	Less than 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000
Term loans (secured)	2013	<u>8,000</u>	<u>8,000</u>	<u>8,000</u>	<u>7,568</u>

The above term loans are to be fully repaid within 5 years commencing 13 months from the date of the first drawdown, and the fixed interest rate applicable is 4.65% per annum.

The term loans are secured by the following:-

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

30. TRADE PAYABLES

	Group	
	2010 RM'000	2009 RM'000
Included herein are:-		
Amounts owing to related parties being companies in which persons connected with certain Directors have significant interests	<u>1,517</u>	<u>1,660</u>

The above are balances in connection with related party transactions disclosed in Note 32. The amounts owing are unsecured and non-interest bearing.

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

31. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Included herein are:-				
Amounts owing to related parties being companies in which persons connected with certain Directors have significant interest	<u>304</u>	<u>174</u>	<u>161</u>	<u>-</u>

The above are balances in connection with related party transactions disclosed in Note 32. The amounts owing are unsecured, non-interest bearing and without fixed terms of repayment.

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

32. RELATED PARTY TRANSACTIONS

The Company has a controlling related party relationship with its subsidiaries as disclosed in Note 17 to the financial statements.

The Directors who are major shareholders and close members of their families including companies where 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 minority shareholders of Batu Kawan Berhad:-

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
(a) Transactions with associates				
Processing fee earned from	600	567	-	-
Sale of finished goods to	1,956	1,955	-	-
Sale of electricity to	631	441	-	-
Supply of manpower to	96	96	-	-
- BASF See Sen Sdn Bhd				
Procurement of air charter services from				
- Kuala Lumpur Kepong Bhd	26	18	-	-
Manpower charges charged by				
- KL-Kepong Edible Oil Sdn Bhd	1	1	-	-
Rental of premises charged by				
- Taiko Plantations Sdn Bhd	96	96	96	96
Project management fees charged by				
- KL-Kepong Property Development Sdn Bhd	46	1,002	-	-
Rental of premises earned from				
- KL-Kepong Industrial Holdings Sdn Bhd	1,044	55	-	-
- KL-Kepong Property Development Sdn Bhd	328	299	-	-
- Kuala Lumpur Kepong Berhad	692	-	-	-
Plantation agency fees charged by				
- PT KLK Agriservindo	123	132	-	-
Sale of fresh fruit bunches to				
- PT Hutan Hijau Mas	9,705	739	-	-

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 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	16,555	30,163	-	-
- Taiko Acid Works Sdn Bhd	-	498	-	-
- Taiko Drum Industries Sdn Bhd	420	402	-	-
- Hydro-K Management (M) Sdn Bhd	5	6	-	-
- PT Taiko Persada Indoprma	475	-	-	-
Rental of premises earned from				
- Taiko Marketing Sdn Bhd	228	228	-	-
Warehousing services and handling charges earned from				
- Taiko Marketing Sdn Bhd	67	136	-	-
Freight income earned from				
- Taiko Marketing Sdn Bhd	1,604	960	-	-
- Oriken Chemicals Sdn Bhd	10	1	-	-
- Chlor-Al Chemical Pte Ltd	66	69	-	-
- Taiko Acid Works Sdn Bhd	477	-	-	-
Sale of indirect materials and finished goods to				
- Taiko Marketing Sdn Bhd	108,339	115,854	-	-
- Taiko Marketing (S) Pte Ltd	3,649	3,863	-	-
- Chlor-Al Chemical Pte Ltd	15,989	20,942	-	-
- Taiko Acid Works Sdn Bhd	5	86	-	-
- Taiko Bleaching Earth Sdn Bhd	-	1	-	-
- Premier Bleaching Earth Sdn Bhd	2,135	3,957	-	-
Sales commissions charged by				
- Taiko Marketing Sdn Bhd	626	1,421	-	-
- Chlor-Al Chemical Pte Ltd	291	400	-	-

Information regarding outstanding balances arising from related party transactions at balance sheet date are disclosed in Notes 22, 23, 30 and 31.

(c) Compensation of key management personnel

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

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Short-term employee benefits	4,777	4,567	2,756	2,426
Post-employment benefits:-				
Defined contribution plan	579	524	294	239
Other benefits	70	66	-	-
	<u>5,426</u>	<u>5,157</u>	<u>3,050</u>	<u>2,665</u>
Included in the total compensation of key management personnel are:-				
Directors' remuneration	<u>3,536</u>	<u>2,882</u>	<u>2,794</u>	<u>2,447</u>

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

33. CAPITAL COMMITMENTS

	Group	
	2010	2009
	RM'000	RM'000
Authorised and contracted for :-		
Property, plant and equipment	30,169	22,007
Investment properties	-	3,710
	<u>30,169</u>	<u>25,717</u>
Authorised but not contracted for :-		
Property, plant and equipment	127,530	165,048
Investment properties	-	382
	<u>127,530</u>	<u>165,430</u>
	<u>157,699</u>	<u>191,147</u>

34. 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, 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 office space, warehouse and car parks.

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

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 exclude tax assets.

Segment liabilities exclude tax liabilities.

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

(a) Information on Business Segments

2010

	Investment Holding RM'000	Chemicals RM'000	Investment Properties RM'000	Plantations RM'000	Elimination RM'000	Consolidated RM'000
Revenue						
External revenue						
Chemicals	-	183,045	-	-	-	183,045
Transportation services	-	22,543	-	-	-	22,543
Dividends	3,345	422	-	-	-	3,767
Rental income	-	-	2,870	-	-	2,870
Palm products	-	-	-	9,728	-	9,728
Interest income	284	332	5	1,852	-	2,473
	3,629	206,342	2,875	11,580	-	224,426
Inter segment revenue	-	-	-	-	-	-
	3,629	206,342	2,875	11,580	-	224,426
Results						
Operating results	84,194	15,068	450	2,930	-	102,642
Finance cost	-	-	(1,568)	-	-	(1,568)
Share of results of associates	471,396	34	-	-	-	471,430
Profit before taxation	555,590	15,102	(1,118)	2,930	-	572,504
Taxation						(3,309)
Profit for the year						569,195
Assets						
Operating assets	132,098	315,125	61,195	92,512	-	600,930
Associates	2,654,578	1,737	-	-	-	2,656,315
Segment assets	2,786,676	316,862	61,195	92,512	-	3,257,245
Unallocated assets (tax assets)						4,065
Total assets						3,261,310
Liabilities						
Segment liabilities	2,616	23,174	34,370	2,228	-	62,388
Unallocated liabilities (tax liabilities)						9,941
Total liabilities						72,329
Other Information						
Depreciation of property, plant and equipment	147	17,330	33	423	-	17,933
Depreciation of investment properties	-	-	968	-	-	968
Amortisation of prepaid land lease payments	-	350	-	70	-	420
Amortisation of biological assets	-	-	-	934	-	934
Other non-cash expenses:						
Plant and equipment written off	-	660	-	2	-	662
Retirement benefits recognised	(6)	(519)	-	86	-	439
Allowance for diminution in value of investment	599	-	-	-	-	599
Impairment loss on prepaid land lease payments	-	1,308	-	-	-	1,308

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

2009

Revenue	Investment Holding RM'000	Chemicals RM'000	Investment Properties RM'000	Plantations RM'000	Elimination RM'000	Consolidated RM'000
External revenue						
Chemicals	-	212,567	-	-	-	212,567
Transportation services	-	20,301	-	-	-	20,301
Dividends	2,892	653	-	-	-	3,545
Rental income	-	-	399	-	-	399
Palm products	-	-	-	739	-	739
Interest income	203	348	-	46	-	597
	3,095	233,869	399	785	-	238,148
Inter segment revenue	32	123	-	-	(155)	-
	3,127	233,992	399	785	(155)	238,148
Results						
Operating results	39,832	28,119	(1,459)	(284)	-	66,208
Finance cost	-	-	(836)	-	-	(836)
Share of results of associates	285,211	133	-	-	-	285,344
Profit before taxation	325,043	28,252	(2,295)	(284)	-	350,716
Taxation						(9,029)
Profit for the year						341,687
Assets						
Operating assets	91,644	316,666	55,757	85,863	-	549,930
Associates (As restated)	2,481,731	1,703	-	-	-	2,483,434
Segment assets	2,573,375	318,369	55,757	85,863	-	3,033,364
Unallocated assets (tax assets)						2,716
Total assets						3,036,080
Liabilities						
Segment liabilities	2,119	21,444	37,451	2,942	-	63,956
Unallocated liabilities (tax liabilities)						10,511
Total liabilities						74,467
Other Information						
Depreciation of property, plant and equipment	189	16,932	-	59	-	17,180
Depreciation of investment properties	888	40	-	-	-	928
Amortisation of prepaid land lease payment	-	350	-	49	-	399
Amortisation of biological assets	-	-	-	96	-	96
Other non-cash expenses:						
Plant and equipment written off	-	109	-	-	-	109
Retirement benefits recognised	18	676	-	16	-	710
Allowance for diminution in value of investment	2,199	-	-	-	-	2,199

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
2010						
Capital expenditure	-	49,491	96	4,847	-	54,434
Investment properties	-	-	1,990	-	-	1,990
	-	49,491	2,086	4,847	-	56,424
2009						
Capital expenditure	9,205	20,403	-	2,282	-	31,890

(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

	2010 RM'000	2009 RM'000
Malaysia	196,456	175,845
Asia	27,970	62,303
	<u>224,426</u>	<u>238,148</u>

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

	Segment Assets		Additions to Capital Expenditure	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Malaysia	2,880,480	2,678,722	49,587	29,608
Indonesia	87,117	78,098	4,847	2,282
	<u>2,967,597</u>	<u>2,756,820</u>	<u>54,434</u>	<u>31,890</u>

(c) Revenue from one major customer amounted to RM109,914,000 (2009: RM116,802,000) arising from sales by the chemicals segment.

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

35. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

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

(i) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debt. The investments in financial assets are mainly short-term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits and tax-exempt fixed income trust funds which yield better returns than cash at bank.

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes. The Group's interest-bearing borrowing is disclosed in Note 29.

The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes. As at 30 September 2010, the Group has not entered into any hedging instruments arrangement such as interest rate swaps to minimise its exposure to interest rate volatility.

(ii) Credit Risk

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

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

(iii) Foreign Currency Risk

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

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

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

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

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

Functional Currency	Net Financial Assets/(Liabilities) Held in Non-Functional Currencies			
	United States Dollar RM'000	Singapore Dollar RM'000	Indonesian Rupiah RM'000	Total RM'000
Group				
As at 30 September 2010:-				
Ringgit Malaysia	7,696	3,890	20,246	31,832
As at 30 September 2009:-				
Ringgit Malaysia	8,605	3,672	15,866	28,143

As at 30 September 2010, the Group has entered into forward foreign exchange contracts with the following notional amounts and maturities:-

As at 30 September 2010:-	Currency	Matures	Total
		Within 1 Year RM'000	RM'000
Forwards used to hedge trade receivables	Singapore Dollar	2,342	2,342
As at 30 September 2009:-			
Forwards used to hedge trade receivables	Singapore Dollar	4,549	4,549

(iv) Liquidity Risk

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

(b) Fair Values

The fair values of all financial assets and liabilities of the Group as at 30 September 2010 are not materially different from their carrying values, except for the following:-

Group	2010		2009	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Term loans	23,568	21,553	31,583	29,825

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

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

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

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

(ii) Non-Current Unquoted Investments

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

(iii) Amounts Due From Related Parties

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

(iv) Derivative Financial Instruments

The fair value of a forward foreign currency contract is the amount that would be payable or receivable on termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and forward exchange rate as at the balance sheet date applied to a contract of similar quantum and maturity profile. However, the Group believes that the notional amounts approximate their fair values due to the relatively short-term maturity of the financial instruments as disclosed in Note 35(a)(iii) to the financial statements.

36. 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 2 to 3 years. All leases include a clause to enable upward revision of the rental charge based on prevailing market conditions.

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

	Group	
	2010	2009
	RM'000	RM'000
Not later than 1 year	3,997	1,558
Later than 1 year and not later than 5 years	4,635	2,716
	<u>8,632</u>	<u>4,274</u>

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

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

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

The upkeep expenses incurred on the investment properties are RM73,000 (2009: RM21,000).

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.

37. SUBSEQUENT EVENT

Subsequent to 30 September 2010 until the date of this Annual Report, the Company bought back a total of 874,400 of its issued shares from the open market for a total cost of RM13,199,000. The average price paid for the shares bought back was RM15.04 per share. The shares bought back were financed by internally generated funds and held as treasury shares.

As a result of the Company's share buy back, Wan Hin Investments Sdn Berhad ("WHI") group's collective shareholding in the Company has increased to 50.012% as at 1 December 2010, making WHI the deemed holding company of the Company.

38. CONTINGENT LIABILITY (UNSECURED)

GROUP

Chemique Centre Sdn Bhd ("Plaintiff") served a writ of summons and statement of claim on a subsidiary of the Company on 10 July 2009. The Plaintiff's claim is for loss and damages of RM1,155,000 and additional statutory interest at 8% per annum from the date of Judgement to the date of full payment, as a consequences of what is alleged by the Plaintiff to be a breach of the terms and conditions in the Letter of Appointment, whereby the Plaintiff was appointed to handle and deliver chemicals on behalf of the subsidiary. The subsidiary is challenging the claim.

BATU KAWAN BERHAD

Statement by the Directors and Statutory Declaration

Statement by the Directors

We, Dato' Lee Hau Hian and Dato' Yeoh Eng Khoon, being two of the Directors of Batu Kawan Berhad, do hereby state that in the opinion of the Directors, the accompanying financial statements together with the notes thereto, are drawn up in accordance with applicable Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 2010 and of the results and the cash flows of the Group and of the Company for the year ended on that date.

The Board of Directors authorised these financial statements for issue on 8 December 2010.

Signed on behalf of the Board in accordance with a resolution of the Directors, dated 8 December 2010.

DATO' LEE HAU HIAN
(Managing Director)

DATO' YEOH ENG KHOON
(Director)

Statutory Declaration

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

Subscribed and solemnly declared
by the abovenamed in Ipoh,
Perak Darul Ridzuan
on 8 December 2010.

CHONG SEE TECK

Before me,

SRI RENGAM A/L MUTHUSAMY
Commissioner for Oaths,
Ipoh,
Perak Darul Ridzuan,
Malaysia.

BATU KAWAN BERHAD

Independent Auditors' Report to the Members

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Batu Kawan Berhad, which comprise the balance sheets as at 30 September 2010 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 40 to 92.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 2010 and of their financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries for which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 17 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

BATU KAWAN BERHAD

Independent Auditors' Report to the Members (Continued)

OTHER MATTERS

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

ERNST & YOUNG
AF : 0039
Chartered Accountants

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

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

8 December 2010

BATU KAWAN BERHAD

Shareholding Statistics

at 2 December 2010

AUTHORISED SHARE CAPITAL	- RM1,000,000,000
ISSUED & FULLY PAID-UP CAPITAL	- RM435,951,000 (including 17,379,200 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 [^]
1 - 99	79	1.32	3,175	0.00
100 - 1,000	1,774	29.74	1,393,914	0.33
1,001 - 10,000	3,059	51.27	11,340,931	2.71
10,001 - 100,000	863	14.47	26,801,140	6.40
100,001 - less than 5% of issued shares	189	3.17	161,908,223	38.68
5% and above of issued shares	2	0.03	217,124,417	51.87
TOTAL	5,966	100.00	418,571,800	100.00

Thirty Largest Securities Accounts Holders

Name	No. of Shares	% of Issued Share Capital [^]
1. Arusha Enterprise Sdn Bhd	189,754,667	45.33
2. Lembaga Kemajuan Tanah Persekutuan (FELDA)	27,369,750	6.54
3. Yeoh Chin Hin Investments Sdn Berhad	15,285,000	3.65
4. HSBC Nominees (Tempatan) Sdn Bhd - A/C Heah Seok Yeong Realty Sdn Bhd	11,475,000	2.74
5. Wan Hin Investments Sdn Berhad	10,808,387	2.58
6. Lee Chan Investments Sdn Berhad	9,141,875	2.18
7. Yeoh Meng Ghee	8,100,000	1.94
8. Valuecap Sdn Bhd	7,954,100	1.90
9. Leong Wan Chin	6,394,265	1.53
10. Yeoh Chin Hin	6,311,250	1.51
11. Teoh Guat Eng	6,090,188	1.45
12. Malay-Sino Formic Acid Sdn Bhd	4,129,450	0.99
13. High Quest Holdings Sdn Bhd	3,479,615	0.83
14. HSBC Nominees (Tempatan) Sdn Bhd - Heah Seok Yeong Realty Sdn Bhd	3,375,000	0.81
15. Citigroup Nominees (Tempatan) Sdn Bhd - A/C Employees Provident Fund Board (Nomura)	3,000,050	0.72
16. Malay Rubber Plantations (Malaysia) Sdn Berhad	2,792,250	0.67
17. HSBC Nominees (Tempatan) Sdn Bhd - A/C Di-Yi Sdn Bhd	2,663,375	0.64
18. HSBC Nominees (Asing) Sdn Bhd - A/C HSBC SG for Chan U Seek	2,428,875	0.58
19. Citigroup Nominees (Asing) Sdn Bhd - A/C CBNY for DEM Value Fund	2,242,250	0.54
20. Meng Hin Holdings Sdn Bhd	1,815,750	0.43
21. HSBC Nominees (Tempatan) Sdn Bhd - A/C Lee Rubber (Selangor) Sdn Bhd	1,620,000	0.39
22. Arusha Enterprise Sdn Bhd	1,500,000	0.36
23. Leong Wan Chin	1,500,000	0.36
24. HSBC Nominees (Tempatan) Sdn Bhd - A/C Lyne Ching Sdn Bhd	1,485,000	0.35
25. Di Yi Sdn Bhd	1,333,365	0.32
26. HSBC Nominees (Asing) Sdn Bhd - A/C Exempt An for Credit Suisse (SG Br-TST-Asing)	1,078,800	0.26
27. Rengo Malay Estate Sendirian Berhad	1,057,500	0.25
28. Yeap Leong Poh	1,038,750	0.25
29. Key Development Sdn Berhad	1,034,250	0.25
30. DB (Malaysia) Nominee (Tempatan) Sendirian Berhad - A/C Exempt An Deutsche Trustees Malaysia Berhad	957,100	0.23
TOTAL	337,215,862	80.56

[^] Calculated based on 418,571,800 shares which do not include 17,379,200 treasury shares.

BATU KAWAN BERHAD

Shareholding Statistics

at 2 December 2010 (Continued)

Substantial Shareholders

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

Name	Holdings registered in the name of shareholder (A)	Other shareholdings in which shareholder is deemed interested (B)	% of issued share capital ^ (A+B)
1. Wan Hin Investments Sdn Berhad	10,808,387	198,476,367	49.99 #
2. Arusha Enterprise Sdn Bhd *	191,554,667	6,921,700	47.41
3. Lembaga Kemajuan Tanah Persekutuan (FELDA)	27,369,750	-	6.54

Includes the 45.76% held directly by Arusha Enterprise Sdn Bhd and 1.65% 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 and High Quest Holdings Sdn Bhd respectively, which in turn are substantial shareholders of Wan Hin Investments Sdn Berhad. Accordingly all these parties are also deemed substantial shareholders of the Company by virtue of their deemed interests.

^ Calculated based on 418,571,800 shares which do not include 17,379,200 treasury shares.

Directors' Interest in Shares

The details of Directors' interest in the shares of the Company as at 2 December 2010 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	853,815	0.20	214,061,494	51.14
Dato' Lee Hau Hian	624,690	0.15	212,894,869	50.86
R.M. Alias	-	-	1,500	-
Tan Sri Dato' Thong Yaw Hong	22,500	-	-	-
Dato' Mustafa bin Mohd Ali	-	-	-	-
Dato' Yeoh Eng Khoon	315,000	0.08	15,375,000	3.67
Quah Chek Tin	-	-	-	-

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 2010

Location	Tenure	Year Lease Expiring	Titled Hectareage	Description/ Existing use	Date of Acquisition/ Revaluation *	Age of Buildings (Years)	Net Carrying Amount RM'000
Lot 113 & 156 Simpang Ampat, Seberang Perai Selatan, Pulau Pinang.	Freehold	-	0.51	Vacant land	14.07.1980 *	-	2
Menara KLK No. 1, Jalan PJU 7/6, Mutiara Damansara, Petaling Jaya, Selangor Darul Ehsan	Freehold	-	0.57	Office building #	24.11.2003	1	55,702
PTD 21873, Pasir Gudang Industrial Estate, Pasir Gudang, Johor Darul Takzim.	Leasehold	2039	2.3	Chemical factory and industrial warehouse #	06.10.1979	25	507
					01.08.2007	3	676
Lot No 3558, Kawasan Perindustrian Teluk Kalung, Mukim Teluk Kalung, Kemaman, Terengganu Darul Iman.	Leasehold	2055	4.0	Chemical factory	27.12.1995	14	2,045
Lot No 2989, Kawasan Perindustrian Teluk Kalung, Mukim Teluk Kalung, Kemaman, Terengganu Darul Iman.	Leasehold	2055	7.74	Chemical factory	12.11.1995	14	1,518
Lot No 5441, Kawasan Perindustrian Teluk Kalung, Mukim Teluk Kalung, Kemaman, Terengganu Darul Iman.	Leasehold	2056	0.9	Acid pipeline	03.09.2003	-	119
Lot No 4735, Kawasan Perindustrian Teluk Kalung, Mukim Teluk Kalung, Kemaman, Terengganu Darul Iman.	Leasehold	2025	5.0	Vacant industrial land	01.01.1996	-	759
Lot No 70810, 70811, 4.5 Miles, Jalan Lahat, Ipoh, Perak Darul Ridzuan.	Leasehold	2074	5.46	Chemical factory	11.03.1996 *	34	3,520
Lot 541, Plot 7, Kg Acheh Industrial Estate, Sitiawan, Perak Darul Ridzuan.	Leasehold	2087	1.21	Industrial land with warehouse	21.03.1996 *	21	903
Lot PT 4406, Kawasan Perindustrian Teluk Kalung, Mukim Teluk Kalung, Kemaman, Terengganu Darul Iman.	Leasehold	2056	6.13	Chemical factory	25.08.1996	12	8,853
Lot No 4524, Kawasan Perindustrian Teluk Kalung, Mukim Teluk Kalung, Kemaman, Terengganu Darul Iman.	Leasehold	2059	7.84	Chemical factory	23.06.1999	7	2,187
Lot No 9878 Plot 6, Kg Acheh Industrial Estate, Sitiawan, Perak Darul Ridzuan.	Leasehold	2093	0.43	Industrial land with warehouse	21.03.1996 *	15	466
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 *	15	1,257
Hak Guna Usaha No 24 Gunung Tabur, Berau, Kalimantan Timur, Indonesia.	Leasehold	2044	5.68	Oil palm estate	09.10.2007	2	5,167
# Investment properties						Total	<u>83,681</u>

Notes

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BATU KAWAN BERHAD

(6292-U)

(Incorporated in Malaysia)

Proxy Form

I/We
(Block Letters)

of

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

..... NRIC/Passport No:

or failing him, THE CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at Wisma Taiko, 1, Jalan S. P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan, on Wednesday, 23 February 2011 at 2.15 p.m. or at any adjournment thereof, and to vote as indicated below:-

Resolution	Relating to:-	For	Against
1.	Receiving of the Report and Financial Statements		
2.	Approve the payment of a Final Single Tier Dividend of 50 sen per share		
3.	Re-election of Directors:- Tan Sri Dato' Seri Lee Oi Hian		
4.	Quah Chek Tin		
5.	Re-appointment of Directors pursuant to Section 129(6), Companies Act, 1965:- R.M. Alias		
6.	Tan Sri Dato' Thong Yaw Hong		
7.	Dato' Mustafa bin Mohd Ali		
8.	Approve the payment of Directors' fees		
9.	Re-appointment of Messrs. Ernst & Young as Auditors and to authorise		
10.	Proposed Authority to Buy Back its Own Shares by the Company		
11.	Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		

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

Date

No. of Shares Held

CDS A/C No.

Notes:-

Signature of Shareholder

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

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STAMP

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

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