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BATU KAWAN BERHAD (6292-U)
(Incorporated In Malaysia)

PART A

**STATEMENT TO SHAREHOLDERS IN RELATION TO THE
PROPOSED RENEWAL OF AUTHORITY TO BUY BACK
ITS OWN SHARES BY THE COMPANY**

PART B

**CIRCULAR TO SHAREHOLDERS IN RELATION TO THE
PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT
RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

The Notice of Annual General Meeting as set out in the 2018 Annual Report of the Company is sent to you together with this Circular. The Annual General Meeting will be held at WEIL Hotel, Ballroom 1, Level 6, 292 Jalan Sultan Idris Shah, 30000 Ipoh, Perak Darul Ridzuan, Malaysia on Tuesday, 19 February 2019 at 2.30 p.m. Shareholders are advised to refer to the Notice of Annual General Meeting and the Proxy Form which are included in the 2018 Annual Report of the Company. A member, other than an exempt authorised nominee, entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. The Proxy Form should be completed and deposited at the registered office of the Company, Bangunan Mayban Trust Ipoh, Level 9, No. 28, Jalan Tun Sambanthan, 30000 Ipoh, Perak Darul Ridzuan, Malaysia, not less than twenty-four (24) hours before the time appointed for the taking of the poll.

This Circular is dated 31 December 2018

DEFINITIONS

Unless where the context otherwise requires, the following definitions shall apply throughout this Circular where applicable:

| | |
|------------------------------------|--|
| “Act” | : Companies Act 2016, as amended from time to time and any re-enactment thereof. |
| “AGM” | : Annual General Meeting |
| “BKB” or “the Company” | : Batu Kawan Berhad |
| “BKB Group” or “the Group” | : BKB and its subsidiaries |
| “BKB Shares” | : Ordinary shares of BKB |
| “Board” | : Board of Directors of BKB |
| “Bursa Securities” | : Bursa Malaysia Securities Berhad |
| “Circular” | : This Circular to Shareholders dated 31 December 2018 |
| “Constitution” | : The Constitution of BKB |
| “CMSA” | : Capital Markets and Services Act 2007, as amended from time to time and any re-enactment thereof. |
| “Director” | : Has the meaning given in Section 2(1) of the CMSA and includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon, a director of BKB or its subsidiary or holding company or a chief executive officer of BKB, its subsidiary or holding company. |
| “EPS” | : Earnings per share |
| “Issued and Paid-up Share Capital” | : RM435,951,000 comprising 435,951,000 BKB Shares (including 35,524,631 Treasury Shares, which 12,400 Treasury Shares are pending settlement) as at LPD. |
| “Listing Requirements” | : Main Market Listing Requirements of Bursa Securities, including any amendment that may be made from time to time and any Practice Notes issued in relation thereto. |
| “LPD” | : 3 December 2018, being the latest practicable date prior to the date of this Circular. |
| “Major Shareholder” | : A person who has an interest or interests in one (1) or more voting shares in the Company and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is: (a) ten percent (10%) or more of the aggregate of the nominal amounts of all the voting shares in the Company; or (b) five percent (5%) or more of the aggregate of the nominal amounts of all the voting shares in the Company where such person is the largest shareholder of the Company, and includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon, a major shareholder of BKB or any other company which is its subsidiary or holding company. For the purpose of this definition, “interest in shares” shall have the meaning given in Section 8 of the Act. |
| “NA” | : Net assets |

DEFINITIONS (cont'd)

| | |
|--|--|
| “Person Connected” | : In relation to a Director or a Major Shareholder, means such person who falls under one (1) of the following categories: <ul style="list-style-type: none">(a) a family member of the Director or Major Shareholder;(b) a trustee of a trust (other than a trustee for a share scheme for employees or pension scheme) under which the Director, Major Shareholder or a member of the Director’s or Major Shareholder’s family is the sole beneficiary;(c) a partner of the Director, Major Shareholder or a partner of a person connected with that Director or Major Shareholder;(d) a person who is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the Director or Major Shareholder;(e) a person in accordance with whose directions, instructions or wishes the Director or Major Shareholder is accustomed or is under an obligation, whether formal or informal, to act;(f) a body corporate or its Directors which/who is/are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions, or wishes of the Director or Major Shareholder;(g) a body corporate or its Directors whose directions, instructions or wishes the Director or Major Shareholder is accustomed or under an obligation, whether formal or informal to act;(h) a body corporate in which the Director, Major Shareholder and/or persons connected with him are entitled to exercise or control the exercise of, not less than 20% of the votes attached to voting shares in the body corporate; or(i) a body corporate which is a related corporation. |
| “Proposed Renewal of Authority to Buy Back Shares” | : A Proposal by the Company to grant its Directors a general mandate to exercise the authority to carry out a share buyback not exceeding ten percent (10%) of its own BKB Shares or 43,595,100 shares of its issued and paid-up share capital as at LPD. |
| “Proposed Shareholders’ Mandate” | : Proposed renewal of shareholders’ mandate for the BKB Group to enter into recurrent related party transactions of a revenue or trading nature with related parties in the ordinary course of business which are necessary for the BKB Group’s day-to-day operations. |
| “Related Party” | : A Director, Major Shareholder of BKB or its subsidiaries, or person connected with such Director or Major Shareholder. |
| “Recurrent Related Party Transaction” | : A related party transaction which is recurrent, of a revenue or trading nature and which is necessary for the BKB Group’s day-to-day operations. |
| “Related Party Transaction” | : A transaction entered into by the BKB Group which involves the interest, direct or indirect, of a Related Party. |
| “Rules on Take-overs” | : Rules on Take-overs, Mergers and Compulsory Acquisitions, as amended from time to time. |
| “Shareholder” | : Shareholder of BKB |

DEFINITIONS *(cont'd)*

“Substantial Shareholder” : A person who has an interest or interests in one (1) or more voting shares in the Company and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is not less than five percent (5%) of the aggregate of the nominal amounts of all the voting shares of the Company.

For the purpose of this definition, “interest in shares” shall have the meaning given in Section 8 of the Act.

“Treasury Shares” : BKB Shares purchased and retained by the Company under the share buyback mandate of up to a maximum of ten percent (10%) of its total number of issued shares.

Currency

“RM and sen” : Ringgit Malaysia and sen respectively.

Unless otherwise stated, the information set out in this Circular in relation to the Major Shareholder, Director and Person Connected with them is as at the LPD.

All references to “our Company” in this Circular means BKB, references to “our Group” and “BKB Group” mean our Company and our subsidiaries. References to “we”, “us”, “our” and “ourselves” mean our Company, or where the context otherwise requires, our Group. All references to “you” in this Circular mean the Shareholders of our Company, unless the context otherwise requires. All references in this Circular to an “affiliate” of any entity in our Group mean, in relation to such entity, any other person which is deemed to be related (as defined in the Act) to the said entity.

Words denoting the singular shall include the plural and vice versa, and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders, and vice versa. References to persons shall include corporations.

Any reference to any enactment in this Circular is a reference to that enactment as for the time being amended or re-enacted.

Any reference in time of day in this Circular is a reference to Malaysian time, unless otherwise stated.

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PART A

**STATEMENT TO SHAREHOLDERS IN RELATION TO THE
PROPOSED RENEWAL OF AUTHORITY TO BUY BACK SHARES**

BATU KAWAN BERHAD (6292-U)
(Incorporated in Malaysia)

Registered Office:
Bangunan Mayban Trust Ipoh
Level 9, No. 28 Jalan Tun Sambanthan
30000 Ipoh
Perak Darul Ridzuan
Malaysia

31 December 2018

Directors:

Tan Sri Dato' Seri Lee Oi Hian - *Chairman/Non-Independent Non-Executive Director*
Dato' Lee Hau Hian - *Managing Director/Non-Independent Executive Director*
Dato' Yeoh Eng Khoo - *Senior Independent Non-Executive Director*
R. M. Alias - *Independent Non-Executive Director*
Mr. Quah Chek Tin - *Independent Non-Executive Director*
Tan Sri Rastam Bin Mohd Isa - *Independent Non-Executive Director*
Dr. Tunku Alina Binti Raja Muhd Alias - *Independent Non-Executive Director*

To: The Shareholders of BKB

Dear Sir/Madam,

PROPOSED RENEWAL OF AUTHORITY TO BUY BACK SHARES

1. INTRODUCTION

At the last AGM held on 13 February 2018, your Board obtained Shareholders' authorisation for the Company to buy back its own BKB Shares ("Authorisation") up to ten percent (10%) of the Issued and Paid-up Share Capital of BKB.

In accordance with Paragraph 12 of the Listing Requirements, the Authorisation shall lapse at the conclusion of the forthcoming AGM to be held on 19 February 2019, unless a new Authorisation is received.

Consequently, on 14 November 2018, the Company announced that your Board proposes to seek shareholders' approval for a new Authorisation to undertake the Proposed Renewal of Authority to Buy Back Shares at the forthcoming AGM, to be held on 19 February 2019.

The purpose of this Circular is to provide you with details of the Proposed Renewal of Authority to Buy Back Shares and to seek your approval for the ordinary resolution pertaining to the Proposed Renewal of Authority to Buy Back Shares to be tabled as Special Business at the forthcoming AGM.

2. THE PROPOSED RENEWAL OF AUTHORITY TO BUY BACK SHARES

Your Board seeks the authority from Shareholders to purchase the BKB Shares on Bursa Securities through its appointed stockbrokers (pursuant to Paragraph 12.16 of the Listing Requirements). Your Board proposes to allocate a maximum amount not exceeding the total retained earnings of the Company for the Proposed Renewal of Authority to Buy Back Shares. The audited retained earnings of the Company as at 30 September 2018 was RM894,683,000. For the Proposed Renewal of Authority to Buy Back Shares, the Company may buy back its own BKB Shares up to 43,595,100 shares representing an amount not exceeding ten percent (10%) of its Issued and Paid-up Share Capital. The Proposed Renewal of Authority to Buy Back Shares will be valid immediately upon the passing of the ordinary resolution pertaining to the Proposed Renewal of Authority to Buy Back Shares up till the conclusion of the next AGM of BKB or the expiry of the period within which the next AGM is required by law to be held, unless earlier revoked or varied by the said ordinary resolution of Shareholders in a general meeting.

The Company may only purchase the BKB Shares at a price which is not more than 15% above the weighted average market price on Bursa Securities for the past five (5) market days immediately preceding the date of the purchase. The funding for the Proposed Renewal of Authority to Buy Back Shares will be from internal funds and/or borrowings. Any purchase or resale of the BKB Shares will be made through the Company's stockbrokers in accordance with the Listing Requirements.

Under the Rules on Take-overs, a director and any person acting in concert with him or a relevant shareholder will be required to make a mandatory offer if his stake in the company is increased to beyond 33% of its issued and paid-up share capital or if his existing shareholding is between 33% and 50% and it increases by another two percent (2%) in any 6-month period.

In the event that the Proposed Renewal of Authority to Buy Back Shares results in the shareholding of any of the above parties being affected, the affected person will be obliged to make a mandatory offer for the above remaining BKB Shares not held by him. However, an exemption from a mandatory offer obligation may be granted by the Securities Commission under Practice Note 9 Paragraph 24.1 of the Rules on Take-overs, subject to the affected person and the parties acting in concert complying with certain conditions, if the obligation is triggered as a result of action outside their direct participation.

Your Board is mindful of the requirements of the Rules on Take-overs and will continue to be mindful of the requirements when making any purchase pursuant to the Proposed Renewal of Authority to Buy Back Shares.

When the BKB Shares are purchased by the Company, your Directors may resolve to cancel the BKB Shares so purchased or retain the BKB Shares so purchased to be held as Treasury Shares or retain part of the BKB Shares so purchased as Treasury Shares and cancel the remainder of the BKB Shares. Where your Directors resolve to cancel the BKB Shares so purchased or cancel any Treasury Shares, the Company's Issued and Paid-up Share Capital shall be diminished by the cancellation of the BKB Shares so purchased or cancellation of the Treasury Shares and the cost of the cancelled BKB Shares so purchased or cancelled Treasury Shares shall be applied in the reduction of the profits otherwise available for distribution as dividends. It is pertinent to note that the cancellation of BKB Shares so purchased made pursuant to the Act shall not be deemed to be a reduction of share capital within the meaning of the Act. Where your Directors resolve to retain the BKB Shares so purchased as Treasury Shares, your Directors may:

- (a) distribute the Treasury Shares as share dividends to Shareholders; or
- (b) resell the Treasury Shares or any of the Treasury Shares on Bursa Securities; or
- (c) transfer the Treasury Shares or any of the Treasury Shares for the purposes of or under an employees' share scheme; or
- (d) transfer the Treasury Shares or any of the Treasury Shares as purchase consideration; or
- (e) cancel the Treasury Shares or any of the Treasury Shares; or
- (f) sell, transfer or otherwise use the Treasury Shares for such other purposes as allowed by the Act.

While the BKB Shares so purchased are held as Treasury Shares, the rights attached to them as to the attendance and voting at meetings, dividends and participation in any other distribution or otherwise, of the Company's assets are suspended.

An immediate announcement will be made to Bursa Securities in respect of your Directors' decision on the treatment of BKB Shares purchased.

In the case of a resale of Treasury Shares, if any, the Company may only resell Treasury Shares on Bursa Securities at a price which is not less than the weighted average market price of the BKB Shares for the past five (5) market days immediately preceding the date of the resale or not less than five (5%) below the weighted average market price for the BKB Shares for the five (5) market days immediately prior to the resale provided that:

- (a) the resale takes place no earlier than 30 days from the date of purchase; and
- (b) the resale price is not less than the cost of purchase of the BKB Shares being resold.

As at LPD, the public shareholding spread of the Company was 34.80%. Assuming that the Proposed Renewal of Authority to Buy Back Shares was carried out in full and the BKB Shares so purchased were all cancelled on LPD, the pro-forma public shareholding of the Company would be 33.46%.

3. RATIONALE FOR THE PROPOSED RENEWAL OF AUTHORITY TO BUY BACK SHARES

The Proposed Renewal of Authority to Buy Back Shares, if exercised, is expected to potentially benefit the Company and Shareholders as follows:

- The Company would expect to enhance the EPS of the Group (in the case where your Directors resolve to cancel the Treasury Shares and/or retain the Treasury Shares and the Treasury Shares are not subsequently resold), and thereby long-term and genuine investors are expected to enjoy a corresponding increase in the value of their investments in the Company; and
- If the BKB Shares bought back are kept as Treasury Shares, it will give your Directors an option to sell the Treasury Shares at a higher price and therefore make an exceptional gain for the Company. Alternatively, the Treasury Shares can be distributed as share dividends to Shareholders.

The Proposed Renewal of Authority to Buy Back Shares is not expected to have any potential material disadvantage to the Company and Shareholders as it will be exercised only after taking into consideration of the financial resources of the Group and of the resultant impact on Shareholders.

4. FINANCIAL EFFECTS OF THE PROPOSED RENEWAL OF AUTHORITY TO BUY BACK SHARES

The Proposed Renewal of Authority to Buy Back Shares, if exercised, will reduce the cash flow of BKB and may result in BKB having to forego other alternative investment opportunities which may emerge in the future, and it may reduce the financial resources of BKB for payment of dividends. Nevertheless, your Directors will be mindful of the interests of BKB and Shareholders when exercising the Proposed Renewal of Authority to Buy Back Shares.

Share Capital

The effect of the Proposed Renewal of Authority to Buy Back Shares on the Issued and Paid-up Share Capital of BKB assuming BKB buys and subsequently cancels up to 43,595,100 Shares, representing an amount not exceeding ten percent (10%) of the existing Issued and Paid-up Share Capital as at LPD, is as follows:

| | No. of BKB Shares | RM |
|--|--------------------|--------------------|
| Existing as at LPD | 435,951,000 | 435,951,000 |
| Less: | | |
| Treasury Shares as at LPD if to be cancelled | 35,524,631 | 35,524,631 |
| Number of BKB Shares if to be cancelled pursuant to the Proposed Renewal of Authority to Buy Back Shares | 8,070,469 | 8,070,469 |
| Upon completion of the Proposed Renewal of Authority to Buy Back Shares | 392,355,900 | 392,355,900 |

However, there should be no effect on the Issued and Paid-up Share Capital of BKB if the BKB Shares so purchased are retained as treasury shares.

The following are the details of BKB Shares bought back in the previous 12 months (up to LPD). These shares are currently held as Treasury Shares and none of them were cancelled.

| Date | No. of BKB Shares | Highest price paid per BKB share RM | Lowest price paid per BKB share RM | Average price paid per BKB share RM | Total consideration RM |
|-----------------------|-------------------|-------------------------------------|------------------------------------|-------------------------------------|------------------------|
| DECEMBER 2017 | | | | | |
| JANUARY 2018 | | | | | |
| 16 January 2018 | 41,000 | 19.88 | 19.88 | 19.8800 | 818,131.15 |
| 17 January 2018 | 345,500 | 19.80 | 19.80 | 19.8000 | 6,863,914.06 |
| 19 January 2018 | 656,100 | 19.84 | 19.80 | 19.8070 | 13,037,957.99 |
| 22 January 2018 | 57,600 | 19.80 | 19.78 | 19.7840 | 1,143,744.58 |
| 23 January 2018 | 11,500 | 19.78 | 19.76 | 19.7770 | 228,431.08 |
| FEBRUARY 2018 | | | | | |
| MARCH 2018 | | | | | |
| APRIL 2018 | | | | | |
| 10 April 2018 | 153,800 | 18.00 | 18.00 | 18.0000 | 2,778,283.86 |
| MAY 2018 | | | | | |
| JUNE 2018 | | | | | |
| 5 June 2018 | 16,700 | 17.90 | 17.90 | 17.9000 | 300,116.47 |
| 11 June 2018 | 42,700 | 18.30 | 18.30 | 18.3000 | 784,188.66 |
| JULY 2018 | | | | | |
| AUGUST 2018 | | | | | |
| SEPTEMBER 2018 | | | | | |
| 13 September 2018 | 91,400 | 16.90 | 16.80 | 16.8368 | 1,544,161.84 |
| 14 September 2018 | 13,800 | 16.80 | 16.80 | 16.8000 | 232,805.08 |
| OCTOBER 2018 | | | | | |
| 11 October 2018 | 52,400 | 17.00 | 16.88 | 16.9432 | 890,953.50 |
| 12 October 2018 | 8,800 | 17.00 | 16.80 | 16.8909 | 149,279.44 |
| 16 October 2018 | 18,100 | 17.00 | 16.98 | 16.9994 | 308,904.52 |
| 17 October 2018 | 11,000 | 17.00 | 17.00 | 17.0000 | 187,804.10 |
| 18 October 2018 | 10,800 | 17.00 | 16.90 | 16.9861 | 184,239.27 |
| 22 October 2018 | 7,900 | 17.00 | 16.92 | 16.9914 | 134,810.03 |
| NOVEMBER 2018 | | | | | |
| 15 November 2018 | 11,900 | 16.50 | 16.50 | 16.5000 | 197,194.96 |
| 26 November 2018 | 3,600 | 16.80 | 16.80 | 16.8000 | 60,922.03 |
| 27 November 2018 | 8,000 | 16.80 | 16.60 | 16.7713 | 134,748.17 |
| 30 November 2018 | 8,000 | 16.80 | 16.80 | 16.8000 | 134,978.52 |
| DECEMBER 2018 | | | | | |
| 3 December 2018 | 4,400 | 16.80 | 16.78 | 16.7973 | 74,447.75 |

The Treasury Shares bought or to be bought back pursuant to the Proposed Renewal of Authority to Buy Back Shares shall not be entitled to any of the rights attached to the existing BKB Shares as to voting, dividends and participation in other distribution and otherwise are suspended.

The aforesaid Treasury Shares shall not be taken into account in calculating the number or percentage of BKB Shares or of a class of shares in the Company for any purpose including, without limiting the generality of this provision, the provisions of any law or requirement of the articles of association of the Company or the listing rules of Bursa Securities on the substantial shareholding, notices, the requisitioning of meetings, the quorum for a meeting and the results of a vote on a resolution at a meeting.

NA per BKB Share and EPS

The Proposed Renewal of Authority to Buy Back Shares will reduce the NA per BKB Share of the BKB Group if the purchase price exceeds the audited NA per BKB Share of the BKB Group at the time of the purchase and conversely will increase the NA per BKB share of the BKB Group if the purchase price is less than the audited NA per BKB Share of the BKB Group at the time of purchase. The effects of the Proposed Renewal of Authority to Buy Back Shares on EPS of the BKB Group would depend on the purchase price and number of BKB Shares purchased.

The audited NA of the BKB Group as at 30 September 2018 was RM13.14 billion representing a NA per BKB Share of RM16.44.

Working Capital

The Proposed Renewal of Authority to Buy Back Shares, if exercised, will reduce the working capital of the Group to the extent of the amount of funds utilised for the purchase of the BKB Shares.

Similarly, the working capital of the Group will increase to the extent of the amount of funds obtained from the resale of the Treasury Shares.

5. SHAREHOLDINGS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save for the inadvertent increase in the percentage shareholding and/or voting rights of the shareholders of the Company as a consequence of the Proposed Renewal of Authority to Buy Back Shares, none of the Directors, Substantial Shareholders and Persons Connected with the Directors and/or Substantial Shareholders of the BKB Group have direct or indirect interest in the Proposed Renewal of Authority to Buy Back Shares and/or the resale of the Treasury Shares, if any.

The proforma table below shows the equity interests held directly and indirectly in BKB by the Directors and Substantial Shareholders as at LPD before and after the Proposed Renewal of Authority to Buy Back Shares (assuming it was carried out in full).

| | No. of BKB Shares held | | | | | | | |
|---------------------------------------|--|------|--------------------------|-------|--|------|--------------------------|-------|
| | Based on Issued Capital as at LPD of 400,426,369 BKB Shares (after excluding 35,524,631 Treasury Shares) | | | | Based on Pro-forma Issued Capital as at LPD of 392,355,900 (after excluding 43,595,100 Shares being cancelled) upon completion of Proposed Renewal of Authority to Buy Back Shares | | | |
| | Direct | | Deemed | | Direct | | Deemed | |
| | No. of BKB Shares | % | No. of BKB Shares | % | No. of BKB Shares | % | No. of BKB Shares | % |
| Directors | | | | | | | | |
| Tan Sri Dato' Seri Lee Oi Hian | 854,355 | 0.21 | 213,728,705 ¹ | 53.38 | 854,355 | 0.22 | 213,728,705 ¹ | 54.47 |
| Dato' Lee Hau Hian | 1,425,530 | 0.36 | 212,531,980 ² | 53.08 | 1,425,530 | 0.36 | 212,531,980 ² | 54.17 |
| R. M. Alias | - | - | - | - | - | - | - | - |
| Dato' Yeoh Eng Khoon | 315,000 | 0.08 | 21,802,250 ³ | 5.44 | 315,000 | 0.08 | 21,802,250 ³ | 5.56 |
| Mr. Quah Chek Tin | - | - | - | - | - | - | - | - |
| Tan Sri Rastam Bin Mohd Isa | - | - | - | - | - | - | - | - |
| Dr. Tunku Alina Binti Raja Muhd Alias | - | - | - | - | - | - | - | - |

| | No. of BKB Shares held | | | | | | | |
|--------------------------------------|--|-------|--------------------------|-------|--|-------|--------------------------|-------|
| | Based on Issued Capital as at LPD of 400,426,369 BKB Shares (after excluding 35,524,631 Treasury Shares) | | | | Based on Pro-forma Issued Capital as at LPD of 392,355,900 (after excluding 43,595,100 Shares being cancelled) upon completion of Proposed Renewal of Authority to Buy Back Shares | | | |
| | Direct | | Deemed | | Direct | | Deemed | |
| | No. of BKB Shares | % | No. of BKB Shares | % | No. of BKB Shares | % | No. of BKB Shares | % |
| Substantial Shareholders | | | | | | | | |
| Arusha Enterprise Sdn Bhd | 191,554,667 | 47.84 | 5,875,700 ^d | 1.47 | 191,554,667 | 48.82 | 5,875,700 ^d | 1.50 |
| Yeoh Chin Hin Investments Sdn Berhad | 21,711,250 | 5.42 | - | - | 21,711,250 | 5.53 | - | - |
| Di-Yi Sdn Bhd | 16,249,951 | 4.06 | 197,438,754 ^d | 49.31 | 16,249,951 | 4.14 | 197,438,754 ^d | 50.32 |
| High Quest Holdings Sdn Bhd | 14,952,726 | 3.73 | 197,438,754 ^d | 49.31 | 14,952,726 | 3.81 | 197,438,754 ^d | 50.32 |
| Dato' Lee Hau Hian | 1,425,530 | 0.36 | 212,531,980 ² | 53.08 | 1,425,530 | 0.36 | 212,531,980 ² | 54.17 |
| Tan Sri Dato' Seri Lee Oi Hian | 854,355 | 0.21 | 213,728,705 ¹ | 53.38 | 854,355 | 0.22 | 213,728,705 ¹ | 54.47 |
| Dato' Yeoh Eng Khoon | 315,000 | 0.08 | 21,802,250 ³ | 5.44 | 315,000 | 0.08 | 21,802,250 ³ | 5.56 |
| Wan Hin Investments Sdn Berhad | 8,387 | * | 197,430,367 ^d | 49.31 | 8,387 | * | 197,430,367 ^d | 50.32 |
| Grateful Blessings Inc | - | - | 213,688,705 ^d | 53.37 | - | - | 213,688,705 ^d | 54.46 |
| Grateful Blessings Foundation | - | - | 213,688,705 ^d | 53.37 | - | - | 213,688,705 ^d | 54.46 |
| Cubic Crystal Corporation | - | - | 212,391,480 ^d | 53.04 | - | - | 212,391,480 ^d | 54.13 |
| High Quest Anstalt | - | - | 212,391,480 ^d | 53.04 | - | - | 212,391,480 ^d | 54.13 |

Notes:

* Less than 0.01%.

¹ Deemed interest through the shares held by his children. Tan Sri Dato' Seri Lee Oi Hian is also deemed to have an interest by virtue of Section 8(4) of the Act although he does not have any economic or beneficial interest in the BKB Shares as his deemed interest is held via the interest of his family members as discretionary beneficiaries of Grateful Blessings Foundation (which said family members' interest is held subject to the discretion of Grateful Blessings Foundation Council).

² Deemed interest through the shares held by his child and by virtue of Section 8(4) of the Act.

³ Deemed interest through the shares held by his spouse and children, and by virtue of Section 8(4) of the Act.

⁴ Deemed interest by virtue of Section 8(4) of the Act.

6. CANCELLATION AND RESALE MADE IN THE PREVIOUS 12 MONTHS

BKB has not made any cancellation or resold its Treasury Shares in the previous 12 months.

7. SHARE PRICES

The monthly highest and lowest prices of the BKB Shares traded on Bursa Securities for the previous twelve (12) months from December 2017 to November 2018 are as follows:

| | High RM | Low RM |
|--------------|------------|-----------|
| 2017: | | |
| December | 19.96 | 19.50 |
| 2018: | | |
| January | 19.96 | 19.70 |
| February | 19.80 | 18.62 |
| March | 18.90 | 18.10 |
| April | 18.60 | 18.00 |
| May | 18.50 | 17.80 |
| June | 18.30 | 17.74 |
| July | 17.90 | 17.34 |
| August | 17.48 | 17.06 |
| September | 17.20 | 16.80 |
| October | 17.44 | 16.52 |
| November | 16.82 | 16.72 |

(Source: Bloomberg)

The last transacted price of BKB Shares on 3 December 2018, being the LPD prior to the printing of this Circular, was RM16.78.

8. DIRECTORS' RECOMMENDATION

Your Directors, having considered all aspects of the Proposed Renewal of Authority to Buy Back Shares, are of the opinion that the Proposed Renewal of Authority to Buy Back Shares is in the best interests of the Company. Accordingly, your Directors **recommend that you vote in favour of the ordinary resolution pertaining to the Proposed Renewal of Authority to Buy Back Shares** to be tabled at the forthcoming AGM.

9. AGM

The ordinary resolution to vote on the Proposed Renewal of Authority to Buy Back Shares has been incorporated into the notice of AGM in the 2018 Annual Report of the Company which is sent to you together with this Circular. The AGM will be held at WEIL Hotel, Ballroom 1, Level 6, 292 Jalan Sultan Idris Shah, 30000 Ipoh, Perak Darul Ridzuan, Malaysia on Tuesday, 19 February 2019 at 2.30 p.m.

If you are unable to attend the AGM in person, kindly complete and return the enclosed Proxy Form in accordance with the instructions printed therein to the registered office of BKB, Bangunan Mayban Trust Ipoh, Level 9, No. 28, Jalan Tun Sambanthan, 30000 Ipoh, Perak Darul Ridzuan, Malaysia not less than 24 hours before the time appointed for the taking of the poll. The completion, signing and returning of the Proxy Form will not, however, preclude you from attending and voting at the AGM should you find that you are subsequently able to do so.

10. FURTHER INFORMATION

Shareholders are requested to refer to the attached Appendix III for further information.

Yours faithfully,
For and on behalf of the Board
BATU KAWAN BERHAD

DATO' YEOH ENG KHOON
Senior Independent Non-Executive Director

PART B

**CIRCULAR TO SHAREHOLDERS IN RELATION TO
THE PROPOSED SHAREHOLDERS' MANDATE**

BATU KAWAN BERHAD (6292-U)
(Incorporated in Malaysia)

Registered Office:
Bangunan Mayban Trust Ipoh
Level 9, No. 28 Jalan Tun Sambanthan
30000 Ipoh
Perak Darul Ridzuan
Malaysia

31 December 2018

Directors:

Tan Sri Dato' Seri Lee Oi Hian - *Chairman/Non-Independent Non-Executive Director*
Dato' Lee Hau Hian - *Managing Director/Non-Independent Executive Director*
Dato' Yeoh Eng Khoon - *Senior Independent Non-Executive Director*
R. M. Alias - *Independent Non-Executive Director*
Mr. Quah Chek Tin - *Independent Non-Executive Director*
Tan Sri Rastam Bin Mohd Isa - *Independent Non-Executive Director*
Dr. Tunku Alina Binti Raja Muhd Alias - *Independent Non-Executive Director*

To: The Shareholders of BKB

Dear Sir/Madam,

PROPOSED SHAREHOLDERS' MANDATE

1. INTRODUCTION

At the last AGM held on 13 February 2018, the Company obtained shareholders' mandate to enter into Recurrent Related Party Transactions ("RRPTs"). The mandate shall, in accordance with the Listing Requirements, lapse at the conclusion of the forthcoming AGM which will be held on 19 February 2019 unless the mandate is renewed.

On 14 November 2018, the Company announced to Bursa Securities that it proposes to seek shareholders' approval for the Proposed Shareholders' Mandate in accordance with Part E, Paragraph 10.09 of the Listing Requirements.

The purpose of this Circular is to provide you with details of the Proposed Shareholders' Mandate, to set out the views of your Directors and to seek your approval for the ordinary resolution pertaining to the Proposed Shareholders' Mandate to be tabled at the forthcoming AGM. The notice of AGM has been incorporated in the 2018 Annual Report of the Company which is sent to you together with this Circular.

2. DETAILS OF THE PROPOSED SHAREHOLDERS' MANDATE

2.1 Listing Requirements

Pursuant to Part E, Paragraph 10.09 of the Listing Requirements, where related party transactions of a revenue or trading nature which are necessary for its day-to-day operations are entered into between a listed company or its subsidiaries with a related party, the listed company may seek a shareholders' mandate in respect of such transactions subject to the following:

- (a) The transactions are in the ordinary course of business, are on terms not more favourable to the related party than those generally available to the public and are not to the detriment of the minority shareholders;
- (b) The shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year where the aggregate value is equal to or more than the threshold prescribed under Paragraph 10.09(1) of the Listing Requirements;
- (c) Issuing of a circular to shareholders by the listed company; and
- (d) Where it involves the interest of a director, major shareholder or persons connected with a director or major shareholder, such director or major shareholder must not vote on the resolution approving the transactions. An interested director or major shareholder must ensure that persons connected with him abstain from voting on the resolution approving the transactions.

Your Directors are now seeking the approval of Shareholders for the Proposed Shareholders' Mandate, which will allow the BKB Group, in its normal course of business, to enter into categories of Related Party Transactions referred to in paragraph 2.2(a) below with the classes of Related Party referred to in paragraph 2.2(b) below, provided that such transactions, if any, are made at the Group's normal commercial terms which are not more favourable to the Related Party than those generally available to the public and are not to the detriment of the minority Shareholders.

2.2 Proposed Shareholders' Mandate for RRPTs

BKB is an investment holding company. The activities of the BKB Group include business of producing palm products and natural rubber on its plantations, property development, manufacturing and sale of chemicals and general transport services, and investment holding. The companies in the BKB Group undertaking these activities are set out in Appendix I of this Circular.

It is envisaged that in the normal course of the Group's business, transactions of a revenue or trading nature between companies in the BKB Group and the Related Parties are likely to occur, which are necessary for its day-to-day operations and which are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders.

(a) Categories of RRPTs

The types of RRPTs to be covered by the Proposed Shareholders' Mandate relate principally to the purchase and supply of materials and services in the ordinary course of the BKB Group's business operations (excluding RRPTs for its listed subsidiary, Kuala Lumpur Kepong Berhad).

(i) Purchase and sale of products and services which relate to core chemical business

In the course of the BKB Group's businesses, the BKB Group may enter into RRPTs to purchase and sell products and services such as industrial and consumer chemicals and the provision of services which are necessary for its day-to-day operations. Transactions that may be carried out with Related Parties under this category include:

- Sale and purchase of raw materials (include industrial salt, bulk sulphur, sulphuric acid and caustic soda), finished goods (consist of liquid chlorine, caustic soda, hydrochloric acid, sulphuric acid, sulphur powder, molten sulphur, oleum, aluminium sulphate, sodium silicate, ferric chloride, sodium hypochlorite and poly aluminium chloride) and storage tanks and packaging materials for use in the manufacturing and storage of industrial chemicals;
- Sale and purchase of consumable items such as personal protective equipment wear, lubricants and spare parts;

- Sale of waterworks treatment chemicals and industrial acids/alkali;
- Purchase of finished goods for resale to third parties;
- Sale and purchase of electricity;
- Provision of oleum refinement processing services for use in the electronics industry;
- Provision of freight, transport and haulage services; and
- Rental of transportation vehicles, motor vehicles, office premises, land, storage tanks and warehouse.

(ii) Procurement and provision of other products (include soda ash, sodium sulphite and flocculants) and services (supply of manpower and technical expertise)

In the course of the BKB Group's businesses, it is anticipated that transactions with Related Parties under this category include transactions such as:

- Procurement of manpower and technical expertise
Manpower and technical expertise are procured by the Group's subsidiaries and procured to Related Parties to maintain and operate their plant and machinery; and
- Procurement of indirect materials
Indirect materials are purchased by the Group's subsidiaries from Related Parties to ensure their finished goods conform to the required specifications.

The inclusion of these categories of transactions in the Proposed Shareholders' Mandate will facilitate such transactions by the BKB Group with Related Parties that arise in the normal course of operations of the BKB Group.

(iii) Purchase and sale of fresh fruit bunches ("FFB") and palm products by/to a subsidiary

(iv) Purchase of materials required for plantation operations

(v) Procurement of logistics services for delivery of palm products

Details of these RRPTs are described in Appendix II of this Circular.

(b) Classes of Related Party

The Proposed Shareholders' Mandate will apply to the following classes of Related Party:

- (i) Directors and Major Shareholders; and
- (ii) Persons Connected with the Directors and Major Shareholders.

(c) Guidelines and Review Procedures

The BKB Group has in place a Policy on Related Party Transactions ("Policy") to establish adequate procedures and processes to ensure that the RRPTs are conducted on normal commercial terms consistent with the Group's business practices and policies, are not more favourable to the Related Party than those generally available to the public and are not to the detriment of the minority shareholders.

The procedures established by the Policy are as follows:

- (i) An updated list of Related Parties shall be circulated to the operating centres and subsidiaries from time to time for reference in ensuring that all transactions with such Related Parties are undertaken on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and are not detrimental to the minority shareholders. These include transacting at the prevailing market rates/prices of the services or products providers' usual commercial terms (including where appropriate, preferential rates and discounts accorded for bulk purchases which are the same as those accorded to third-party bulk purchases) and otherwise in accordance with applicable industry norms.
- (ii) Wherever practicable and/or feasible, at least two (2) other contemporaneous transactions with unrelated third parties for similar products/services and/or quantities will be used as comparison to determine whether the price and terms offered to/by the Related Parties are fair and reasonable and comparable to those offered to/by other unrelated third party for the same or substantially similar type of products/services and/or quantities. In the event that such quotation or comparative pricing cannot be obtained, the Board and the Audit and Risk Committee will rely on their market knowledge of prevailing industry norms bearing in mind the urgency and efficiency or services to be provided or required to ensure that the RRPTs are not detrimental to the Company/Group.
- (iii) All operating centres and subsidiaries shall review the existing information systems to ensure that features are incorporated into the systems for capturing information on Related Party Transactions at source, for instance, when purchase requisitions are raised.
- (iv) Records shall be maintained to capture all the RRPTs which are entered into pursuant to the Proposed Shareholders' Mandate. Details of the RRPTs made during the financial year shall be submitted to the Group Finance Department monthly and compiled quarterly for the review by the Internal Auditor which thereafter, the Internal Auditor will report on the findings from the audits at the Audit and Risk Committee meetings for further disclosure in the Company's Annual Report.
- (v) Any Director who has an interest or Persons Connected with him have an interest in a transaction, shall abstain from deliberation on the Board and from voting on the relevant resolution in respect of the Proposed Shareholders' Mandate.
- (vi) The Audit and Risk Committee shall review the management's system and procedures to compile Related Party Transactions data and if necessary, may request the Internal Auditor to review such procedures.
- (vii) Any member of the Audit and Risk Committee may, as he deems fit, request for additional information pertaining to the RRPTs from independent sources or advisers. An Audit and Risk Committee member who is interested in any transaction shall abstain from reviewing and approving the transaction.

The Policy has also set out the guidelines on the approving authority practiced by the BKB Group in relation to the RRPTs, as follows:

| Proposed Transaction | Material Threshold | Action Required |
|-----------------------------|---|--|
| RRPTs | < 0.5% of Net Assets for the financial year | Approval by Management |
| | ≥ 0.5% of Net Assets for the financial year | Review by the Audit and Risk Committee and approval by the Board |

(d) Statement by Audit and Risk Committee

The Audit and Risk Committee is satisfied that the guidelines and review procedures for Related Party Transactions are sufficient to ensure that such Related Party Transactions will be carried out on normal commercial terms which are not prejudicial to the interests of shareholders, and that the terms of the RRPTs are not more favourable to the Related Party and are not detrimental to the minority shareholders of BKB.

The Audit and Risk Committee is of the view that BKB Group has in place adequate procedures and processes to monitor, track and identify RRPTs in a timely and orderly manner. The Audit and Risk Committee shall review these procedures and processes annually.

(e) Validity period of the Proposed Shareholders' Mandate

The Proposed Shareholders' Mandate is subject to annual review. In this respect, any authority conferred by the Proposed Shareholders' Mandate shall continue to be in force until:

- (i) the conclusion of the next AGM of the Company following the forthcoming AGM at which such Proposed Shareholders' 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 AGM meeting after the date it is required to be held pursuant to Section 340(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (iii) revoked or varied by resolution passed by Shareholders in general meeting;

whichever is the earlier.

(f) Disclosure

Disclosure will be made in accordance with Section 3.1.5 of Practice Note 12 of the Listing Requirements, which requires a breakdown of the aggregate value of the RRPTs entered into during the financial year, amongst others, based on the following information:

- (i) the type of the RRPTs entered into; and
- (ii) the names of the Related Parties involved in each type of the RRPTs entered into and their relationship with the Company

in the Company's annual report pursuant to the Proposed Shareholders' Mandate and in the annual reports for subsequent financial years that the Proposed Shareholders' Mandate continues to be in force.

(g) Amount Owning by Related Parties

As at the financial year ended 30 September 2018, there was no amount due and owing to the BKB Group by its Related Parties arising from the RRPTs which exceeded the credit terms.

3. RATIONALE AND BENEFITS FOR THE PROPOSED SHAREHOLDERS' MANDATE

The Proposed Shareholders' Mandate will facilitate transactions with Related Parties which are in the ordinary course of business of the BKB Group, are undertaken on normal commercial terms, are on terms not more favourable to the Related Party than those generally available to the public and are not to the detriment of the minority shareholders.

The RRPTs entered into by the BKB Group are intended to meet business needs at commercial terms which are not more favourable to the Related Party and would enhance its ability to explore beneficial business opportunities. The Proposed Shareholders' Mandate will enhance the BKB Group's ability to pursue business opportunities and operations which are time-sensitive in nature via the established relationships between the BKB Group and the Related Parties. Such relationships will also ensure that the BKB Group will continue to have support in the procurement of products and services of required quality.

For certain transactions, where it is vital that confidentiality be maintained, it would not be viable to obtain prior approval, as releasing details of the transaction prematurely will adversely affect and prejudice the BKB Group's interests and place the BKB Group at a disadvantage as compared with its competitors who may not require Shareholders' approval to be obtained.

By obtaining the Proposed Shareholders' Mandate and the renewal of the same on an annual basis, the necessity to make regular announcements to Bursa Securities and to convene separate general meetings from time to time, to seek Shareholders' approval as and when such RRPTs occur, would not arise. This would reduce substantial administrative time, inconvenience and expenses associated with the making of announcements or the convening of such meetings, without compromising the corporate objectives of the Group or adversely affecting the business opportunities available to the Group.

The BKB Group has long-standing business relationships with the Related Parties. The Related Parties are both good customers of the BKB Group as well as reliable suppliers of goods and services. The close cooperation between BKB Group and the Related parties has reaped mutual benefits which is expected to continue to be beneficial to the business of the Group.

4. EFFECTS OF THE PROPOSED SHAREHOLDERS' MANDATE

The Proposed Shareholders' Mandate will not have any impact on the share capital, NA, EPS, dividends and shareholding structure of BKB.

5. CONDITION PRECEDENT OF THE PROPOSED SHAREHOLDERS' MANDATE

The Proposed Shareholders' Mandate is conditional upon approval being obtained from the Shareholders of BKB at the forthcoming AGM.

6. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED WITH THEM

Save as disclosed below, none of the other Directors, Major Shareholders and Persons Connected with them has any interest, direct or indirect, in the Proposed Shareholders' Mandate.

The direct and indirect shareholdings of the interested Directors, Major Shareholders and Persons Connected with them in BKB as at LPD are as follows:

| | Based on Issued Capital as at LPD of 400,426,369 BKB Shares (after excluding 35,524,631 Treasury Shares) | | | |
|--------------------------------|--|----------|--------------------------|----------|
| | Direct | | Deemed | |
| | <u>No. of BKB Shares</u> | <u>%</u> | <u>No. of BKB Shares</u> | <u>%</u> |
| Directors | | | | |
| Tan Sri Dato' Seri Lee Oi Hian | 854,355 | 0.21 | 213,728,705 ¹ | 53.38 |
| Dato' Lee Hau Hian | 1,425,530 | 0.36 | 212,531,980 ² | 53.08 |

**Based on Issued Capital as at LPD of 400,426,369
BKB Shares (after excluding 35,524,631 Treasury
Shares)**

| | ← Direct → | | ← Deemed → | |
|--|------------------------------|----------|------------------------------|----------|
| | <u>No. of BKB Shares</u> | <u>%</u> | <u>No. of BKB Shares</u> | <u>%</u> |
| Major Shareholders | | | | |
| Arusha Enterprise Sdn Bhd | 191,554,667 | 47.84 | 5,875,700 ³ | 1.47 |
| Di-Yi Sdn Bhd | 16,249,951 | 4.06 | 197,438,754 ³ | 49.31 |
| High Quest Holdings Sdn Bhd | 14,952,726 | 3.73 | 197,438,754 ³ | 49.31 |
| Dato' Lee Hau Hian | 1,425,530 | 0.36 | 212,531,980 ² | 53.08 |
| Tan Sri Dato' Seri Lee Oi Hian | 854,355 | 0.21 | 213,728,705 ¹ | 53.38 |
| Wan Hin Investments Sdn Berhad | 8,387 | * | 197,430,367 ³ | 49.31 |
| Grateful Blessings Inc | - | - | 213,688,705 ³ | 53.37 |
| Grateful Blessings Foundation | - | - | 213,688,705 ³ | 53.37 |
| Cubic Crystal Corporation | - | - | 212,391,480 ³ | 53.04 |
| High Quest Anstalt | - | - | 212,391,480 ³ | 53.04 |
| Persons Connected | | | | |
| Malay-Rubber Plantations (Malaysia) Sdn Berhad | 2,792,250 ⁴ | 0.70 | - | - |
| Malay-Sino Formic Acid Sdn Bhd | 3,083,450 ⁴ | 0.77 | - | - |
| Steppe Structure Sdn Bhd | 2,224,250 ⁵ | 0.56 | - | - |
| Cengal Emas Sdn Bhd | 130,500 ⁶ | 0.03 | - | - |
| Dato' Lee Soon Hian | 1,739,771 ⁷ | 0.43 | - | - |
| Lee Oi Kum | 1,439,771 ⁷ | 0.01 | - | - |
| Lee Oi Loon | 1,749,771 ⁷ | 0.44 | - | - |
| Lim Peng Hong | 31,500 ⁸ | 0.01 | - | - |
| Lee Jia Zhang | 10,000 ⁹ | * | - | - |
| Lee Guo Zhang | 10,000 ⁹ | * | - | - |
| Lee Su-Ling | 10,000 ⁹ | * | - | - |
| Lee Wen Ling | 10,000 ⁹ | * | - | - |
| Lee Yuan Zhang | 10,000 ¹⁰ | * | - | - |

Notes:

* Less than 0.01%.

¹ Deemed interest through the shares held by his children. Tan Sri Dato' Seri Lee Oi Hian is also deemed to have an interest by virtue of Section 8(4) of the Act although he does not have any economic or beneficial interest in the BKB Shares as his deemed interest is held via the interest of his family members as discretionary beneficiaries of Grateful Blessings Foundation (which said family members' interest is held subject to the discretion of Grateful Blessings Foundation Council).

² Deemed interest through the shares held by his child and by virtue of Section 8(4) of the Act.

³ Deemed interest by virtue of Section 8(4) of the Act.

⁴ Through the shareholdings of Tan Sri Dato' Seri Lee Oi Hian and Dato' Lee Hau Hian by virtue of Section 8(4) of the Act.

⁵ Through the shareholdings of Dr. Lee Oi Kum by virtue of Section 8(4) of the Act.

⁶ Through the shareholdings of Dato' Lee Hau Hian by virtue of Section 8(4) of the Act.

⁷ Siblings to Tan Sri Dato' Seri Lee Oi Hian and Dato' Lee Hau Hian.

⁸ Spouse to Madam Lee Oi Loon.

⁹ Children of Tan Sri Dato' Seri Lee Oi Hian.

¹⁰ Child of Dato' Lee Hau Hian.

The interested Directors namely, Tan Sri Dato' Seri Lee Oi Hian and Dato' Lee Hau Hian ("Interested Directors") have abstained and will continue to abstain from deliberating and voting on the resolution in respect of the Proposed Shareholders' Mandate at the relevant Board Meetings. The Interested Directors together with the Major Shareholders will also abstain from voting in respect of their direct and indirect interests in the Company on the Proposed Shareholders' Mandate at the forthcoming AGM. In addition, the Interested Directors and Major Shareholders have undertaken that they will ensure that Persons Connected with them will abstain from voting on the Proposed Shareholders' Mandate at the forthcoming AGM.

7. DIRECTORS' RECOMMENDATION

Your Directors (with the Interested Directors abstaining), having considered all aspects of the Proposed Shareholders' Mandate, are of the opinion that the Proposed Shareholders' Mandate is in the best interests of the Company. Accordingly, your Directors (with the Interested Directors abstaining themselves from making any recommendations on the Proposed Shareholders' Mandate), recommend that you vote in favour of the ordinary resolution pertaining to the Proposed Shareholders' Mandate to be tabled at the forthcoming AGM.

8. AGM

The ordinary resolution to vote on the Proposed Shareholders' Mandate has been incorporated in the notice of AGM in the Company's 2018 Annual Report which is sent to you together with this Circular. The AGM will be held at WEIL Hotel, Ballroom 1, Level 6, 292 Jalan Sultan Idris Shah, 30000 Ipoh, Perak Darul Ridzuan, Malaysia on Tuesday, 19 February 2019 at 2.30 p.m.

If you are unable to attend the AGM in person, kindly complete and return the enclosed Proxy Form in accordance with the instructions printed therein to the registered office of BKB, Bangunan Mayban Trust Ipoh, Level 9, No. 28, Jalan Tun Sambanthan, 30000 Ipoh, Perak Darul Ridzuan, Malaysia not less than 24 hours before the time appointed for the taking of the poll. The completion, signing and returning of the Proxy Form will not, however, preclude you from attending and voting at the AGM should you find that you are subsequently able to do so.

9. FURTHER INFORMATION

Shareholders are advised to refer to the attached Appendices I, II and III for further information.

Yours faithfully,
for and on behalf of the Board
BATU KAWAN BERHAD

DATO' YEOH ENG KHOON
Senior Independent Non-Executive Director

ACTIVITIES OF THE BKB GROUP AS AT LPD

The principal activity of the holding company, Batu Kawan Berhad, is that of investment holding.

The activities of its subsidiaries are as follows:

| Name of subsidiaries | Effective % held | Principal activities |
|--|------------------|--|
| Kuala Lumpur Kepong Berhad | 47 | Plantation |
| See Sen Chemical Berhad | 61 | Chemicals manufacturing |
| See Sen Bulking Installation Sdn Bhd | 61 | Dormant |
| Malay-Sino Chemical Industries Sendirian Berhad | 98 | Chemicals manufacturing |
| Malay-Sino Agro-Chemical Products Sdn Bhd | 98 | Manufacture and sale of methyl chloride |
| Circular Agency Sdn Bhd | 98 | General transportation services |
| North-South Transport Sdn Bhd | 98 | General transportation services |
| Malay-Sino Properties Sdn Bhd | 98 | Letting of storage warehouse facilities |
| Batu Kawan Holdings Sdn Bhd | 100 | Investment property |
| Caruso Enterprises Sdn Bhd | 100 | Dormant |
| Whitmore Holdings Sdn Bhd | 100 | Investment holding |
| Enternal Edge Sdn Bhd | 100 | Investment holding |
| Synergy Motion Sdn Bhd | 100 | Investment holding |
| PT Satu Sembilan Delapan (Incorporated in Indonesia) | 92 | Plantation |
| PT Tekukur Indah (Incorporated in Indonesia) | 90 | Plantation |
| BKB Overseas Investments Ltd (Incorporated in British Virgin Islands) | 100 | Investment holding |
| Caruso Ventures Pte Ltd (Incorporated in Singapore) | 100 | Investment holding |
| Caruso Australia Ventures Pty Ltd (Incorporated in Australia) | 100 | Investment holding |
| Caruso Epping Pty Ltd (Incorporated in Australia) | 100 | Trustee company |
| Caruso Epping Unit Trust (Established in Australia) | 100 | Joint venture partner in property development |
| Caruso Greenvale Pty Ltd (Incorporated in Australia) | 100 | Trustee company |
| Caruso Greenvale Unit Trust (Established in Australia) | 100 | Investment in land and property development projects |
| Vivaldi Victoria Pty Ltd (Incorporated in Australia) | 100 | Trustee company |
| Vivaldi Victoria Unit Trust (Established in Australia) | 100 | Dormant |

DETAILS OF RECURRENT RELATED PARTY TRANSACTIONS

Recurrent related party transactions (“RRPTs”) of a revenue or trading nature in which the interested BKB Directors are Tan Sri Dato’ Seri Lee Oi Hian (“LOH”) and Dato’ Lee Hau Hian (“LHH”):

| (A) BKB and its subsidiaries(#) | (B) Related Parties involved and Nature of Relationships | (C) Categories of transactions | (D) Actual value transacted(*) RM'000 | (E) Estimated value(^) per existing Mandate RM'000 | (F) Proposed Estimated Mandate value(@) RM'000 |
|---|---|---|---|--|--|
| Malay-Sino Chemical Industries Sendirian Berhad (“Malay-Sino”) Group ⁷ | Taiko Marketing Sdn Bhd (“TMK”) Group ⁶ <u>Related Parties</u> Interested Major Shareholders ¹ Persons Connected ² | Sale and purchase of finished goods, raw materials, other products and services including transportation services | 162,390 | 314,000 | 304,000 |
| | Taiko Marketing (Singapore) Pte Ltd (“TMK(S)”) ⁵ <u>Related Parties</u> Interested Major Shareholders ¹ Persons Connected ² | Purchase and sale of products and services which relate to core chemical business | 26,515 | 60,000 | 61,000 |
| | Chlor-Al Chemical Pte Ltd (“CAC”) ⁵ <u>Related Parties</u> Interested Major Shareholders ¹ Persons Connected ² | Sale and purchase of raw materials, finished goods, other products and services including transportation services | 5,366 | 30,000 | 13,000 |
| See Sen Chemical Berhad (“See Sen”) ³ | TMK Group ⁶ <u>Related Parties</u> Interested Major Shareholders ¹ Persons Connected ² | Purchase of raw materials, finished goods, other products and services | 10,727 | 30,000 | 33,000 |
| | | Sale of finished goods and other products and services | 45,072 | 75,000 | 79,000 |

| (A) BKB and its subsidiaries(#) | (B) Related Parties involved and Nature of Relationships | (C) Categories of transactions | (D) Actual value transacted(*) RM'000 | (E) Estimated value(^) per existing Mandate RM'000 | (F) Proposed Estimated Mandate value(@) RM'000 |
|------------------------------------|--|---|---|--|--|
| See Sen | CAC ⁵ <u>Related Parties</u> Interested Major Shareholders ¹ Persons Connected ² | Purchase and sale of products and services | 712 | 30,000 | 10,000 |
| | Taiko Chemical Industries Sdn Bhd ("TCI") Group ⁴ <u>Related Parties</u> Interested Major Shareholders ¹ Persons Connected ² | Purchase and sale of products and services | 59 | 30,000 | 20,000 |
| | BASF See Sen Sdn Bhd ⁸ <u>Related Parties</u> Interested Major Shareholders ¹ Persons Connected ² | Sale of electricity and provision of other chemical-based products and services | 7,353 | 30,000 | 18,000 |
| PT Satu Sembilan Delapan | Kuala Lumpur Kepong Berhad ("KLK") Group ⁹ <u>Related Parties</u> Interested Major Shareholders ¹ Persons Connected ² | Sale of fresh fruit bunches ("FFB") and palm products | 16,376 | 222,000 | 211,000 |
| | KLK Group ⁹ <u>Related Parties</u> Interested Major Shareholders ¹ Persons Connected ² | Purchase of FFB and palm products | 12,513 | 212,000 | 167,000 |

Notes:

Excludes RRPT for its listed subsidiary, Kuala Lumpur Kepong Berhad ("KLK"), as approval for its mandate shall be obtained from the shareholders of KLK pursuant to Chapter 10 of the Listing Requirements.

- * *Column D - The actual value of RRPT did not exceed the estimated value as approved under the previous shareholders' mandate granted to the Company at the last AGM by ten percent (10%) or more.*

The actual value transacted from the date of AGM on 13 February 2018 (the date on which the existing mandate was obtained up to LPD, being the latest practicable date prior to the printing of this Circular).

- ^ *Column E - Estimated value of RRPT for the period from 13 February 2018 to 19 February 2019 as disclosed in the preceding year's Circular to Shareholders dated 29 December 2017. The values are estimated based on forecast and the actual amount transacted may vary.*
- @ *Column F – Estimated value of RPPT from 19 February 2019 to the date of next AGM. The values are merely indicative estimates which are based on past transaction values and the actual amount may differ.*

Details of the nature of relationships with Related Parties are as follows:

1. *Grateful Blessings Foundation ("Foundation") (who holds the entire issued and paid-up capital of Grateful Blessings Inc) was founded by Tan Sri Dato' Seri Lee Oi Hian who has a deemed interest by virtue of Section 8(4) of the Companies Act 2016. However, he does not have any economic or beneficial interest in the shares of the Company as his deemed interest is held via the interest of his family members who are discretionary beneficiaries of the Foundation and whose interest is held subject to the discretion of the Foundation Council. Grateful Blessings Inc is a substantial shareholder of Di-Yi Sdn Bhd. Cubic Crystal Corporation [whose entire issued and paid-up capital is held by High Quest Anstalt (founded by Dato' Lee Hau Hian)] is a substantial shareholder of High Quest Holdings Sdn Bhd. Di-Yi Sdn Bhd and High Quest Holdings Sdn Bhd are substantial shareholders of Wan Hin Investments Sdn Berhad ("WHI") and Arusha Enterprise Sdn Bhd, Major Shareholders of the Company. Accordingly, all these parties are Major Shareholders by virtue of their deemed interests and have interest in the RRPTs.*
2. *Persons Connected as disclosed under Item 6 of Part B of this Circular are deemed interested in the RRPTs by virtue of their relationships with the Directors, LOH and LHH.*
3. See Sen
 - (a) *See Sen is a 61% subsidiary of BKB.*
 - (b) *Certain BKB Directors, LHH, who is a Major Shareholder of BKB, together with Dato' Yeoh Eng Khoon (with no shareholding in See Sen), are directors of this company.*
 - (c) *WHI, a company in which LOH and LHH have interests, is a substantial shareholder of See Sen. WHI is also a major shareholder of BKB.*
4. TCI Group

TCI is a person connected with LOH and LHH, who are Directors of BKB as their brother, Dato' Lee Soon Hian ("LSH"), is the deemed major shareholder and major shareholder of TCI.
5. TMK(S) / CAC

These companies are companies in which LSH is a deemed major shareholder.
6. TMK Group

TMK is a company in which LSH is a major shareholder.
7. Malay-Sino Group
 - (a) *Malay-Sino is a 98% subsidiary of BKB.*
 - (b) *A BKB Director, LHH is also a director of Malay-Sino.*
8. BASF See Sen Sdn Bhd

BASF See Sen Sdn Bhd is a 30% associate of See Sen.
9. KLK Group
 - (a) *KLK is a 47% subsidiary of BKB, following the adoption of FRS 10 Consolidated Financial Statements in financial year 2014.*
 - (b) *Certain BKB Directors, LOH, LHH are major shareholders and directors of KLK.*
 - (c) *WHI is a major shareholder of KLK.*
 - (d) *All BKB Directors are common directors of KLK except Mr. Quah Chek Tin, Tan Sri Rastam Bin Mohd Isa and Dr. Tunku Alina Binti Raja Muhd Alias.*

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Directors and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that after making all reasonable enquiries and to the best of their knowledge and belief, there are no facts, the omission of which, will make any statement herein misleading.

2. MATERIAL LITIGATION

BKB Group is not engaged in any material litigation, claims and arbitration either as plaintiff or defendant and as at the date of this Circular, the Directors do not know of any proceedings, pending or threatened against the BKB Group, or of any fact likely to give rise to any proceedings which might materially affect the position or business of the BKB Group.

3. MATERIAL CONTRACT

BKB Group has not entered into any contract which is or may be material other than contracts entered into in the ordinary course of business during the two (2) years preceding the date of this Circular.

4. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of BKB at Bangunan Mayban Trust Ipoh, Level 9, No. 28, Jalan Tun Sambanthan, 30000 Ipoh, Perak Darul Ridzuan, Malaysia during normal business hours between Monday and Friday (except public holidays) from the date of this Circular up to and including the date of the AGM:

- (i) Constitution; and
- (ii) audited consolidated financial statements of BKB for the past two (2) financial years ended 30 September 2017 and 30 September 2018.