

BATU KAWAN BERHAD (6292-U)

SUMMARY OF PROCEEDINGS OF THE FIFTY-FOURTH (54TH) ANNUAL GENERAL MEETING OF THE COMPANY HELD AT WEIL HOTEL, BALLROOM 1, LEVEL 6, 292 JALAN SULTAN IDRIS SHAH, 30000 IPOH, PERAK DARUL RIDZUAN ON TUESDAY, 19 FEBRUARY 2019 AT 2.30 P.M.

PRESENT : Tan Sri Dato' Seri Lee Oi Hian – Chairman
Members, proxies, corporate representatives and others are as per attendance list

1. COMMENCEMENT OF MEETING

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

2. PRELIMINARY

The Chairman briefed the members that pursuant to the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Malaysia”), resolutions at the Meeting would be put to vote on a poll through electronic voting. The Company had appointed Boardroom Share Registrars Sdn Bhd as the Poll Administrator to conduct the polling process and Boardroom Corporate Services Sdn Bhd as Scrutineers to verify and validate the poll results. The polling process for voting on the resolutions would be conducted upon completion of the deliberation of all items to be transacted at the Meeting.

3. NOTICE OF MEETING

On a proposal of a member, the Notice of Meeting dated 31 December 2018 was taken as read.

4. AUDITORS' REPORT

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

5. QUESTION AND ANSWER SESSION

The Chairman informed that the Company had responded to the questions raised by the MSWG in its letter dated 24 January 2019 for the Annual General Meeting. The replies thereto (a copy of the MSWG's letter together with the Company's reply dated 13 February 2019 are attached as **Appendix 1**) have been distributed to all members attending the Meeting.

The MSWG representative commented on the Company's replies to Questions 2 and 3 of the Corporate Governance as below:

- (a) MSWG noted that it is not mandatory for the Company to comply with all the recommended practices in the Malaysian Code of Corporate Governance 2017 ("MCCG"). However, it is a requirement under the Listing Requirements of Bursa Malaysia to state the timeframe for all the practices that the Company has departed from. Therefore, the Company is advised to disclose specified timeframes in its Corporate Governance Report for all the departed practices, for compliance with the Listing Requirements;
- (b) At the last Company's Annual General Meeting held in 2018, MSWG raised a concern on the composition of the Nomination Committee ("NC") as one of its functions and duties is to assess the independence of Independent Directors. At this Annual General Meeting, it was noted that the Company is not tabling any resolution to seek members' approval to retain the Independent Directors who have served for more than nine (9) years tenure. Hence, the Board is requested to re-look at the composition of NC as it is better for the NC not to rely on the recommendation of the sole non-interested NC member for assessment of the independence of BKB Independent Directors. Moreover, the sole non-interested NC member is a Non-Independent Director and therefore, he may not be in the best position to evaluate the independence of the affected Independent Directors, which may result in a compromise of a formal and transparent procedure to manage Board appointments.

In relation to this, the Board should consider appointing additional Independent Directors to the NC or to adopt 2-tier voting for independent directors whose tenure has exceeded 12 years.

The MSWG representative further queried whether the Company should consider utilising its investments in the wholesale funds to repay the bank borrowings as the average return from these investments in wholesale funds (ranging between 3.36% to 3.73% p.a.) is lower than the bank borrowings costs which ranged from 4.00% to 4.65% p.a. The Managing Director replied that the Company is mindful of the negative margin differential but the Company needs to reserve funds for any strategic investment opportunities that may arise. The Company will also continue to look for investments which will yield returns higher than the bank borrowing costs.

Thereafter, the floor was opened to further questions. In summary, the questions raised by the following members/corporate representatives/proxies were responded by the Company as follows:

- (a) A member enquired on the intended treatment of the BKB shares bought back and whether the Company will consider distributing such shares as share dividends to the members.

The Chairman explained that the Company's share buybacks will enhance the earnings per share of the Group. For the BKB shares bought back, currently kept as treasury shares, the Directors will have the option to sell these treasury shares at a higher price and therefore make exceptional gains for the Company, cancel the shares or distribute as shares dividend. The Board will decide on the treatment of these treasury shares later.

- (b) A member raised the following matters, which were responded to by the Managing Director as below:
- (i) Regarding capital expenditures for 2019, 2020 and 2021, the Managing Director replied that at the Group level (excluding KLK Group), the capital expenditure for financial year 2019 amounted to some RM40.0 million. However, as capital expenditure are reviewed annually based on the Group's then needs, the Board is unable to provide the capital expenditures expected for the next two (2) years (i.e. 2020 and 2021) at this juncture.
 - (ii) As to whether the Company or the Group should consider diversifying its businesses, the Managing Director clarified that Management is constantly looking out for the Company to diversify or go downstream with its businesses, particularly in industries where the Group can have a competitive advantage.

The Chairman took note of the member's comment on distributing shares to members in fractions which may give rise to odd lot shares and will consider minimizing fractional shares should there be any future shares distributions.

With that, the Chairman concluded the question and answer session and proceeded to Agenda 1.

6. AUDITED FINANCIAL STATEMENTS AND REPORTS

The Chairman informed that the Audited Financial Statements for the year ended 30 September 2018 ("FY 2018"), together with the Directors' and Auditors' Reports thereon, are tabled in the Meeting for discussion only and are not required to be put forward for voting.

The Audited Financial Statements for the year ended 30 September 2018, together with the Directors' and Auditors' Reports thereon laid before the Meeting in compliance with Section 244(2)(a) of the Companies Act 2016 were duly received and there were no questions.

7. ANY OTHER BUSINESS

The Meeting noted that the Company had not received any notice for transaction of any other business.

8. RETIREMENT OF R.M. ALIAS

The Chairman informed that R.M. Alias has decided to retire from the Board at the conclusion of this Annual General Meeting. R.M. Alias was appointed to the Board on 1 December 1979. During his tenure, R.M. Alias had also served on other Board Committees where he demonstrated his leadership, independence and intellectual honesty.

On behalf of the Board and shareholders, the Chairman expressed his heart-felt thanks for R.M. Alias' contributions and dedication to the Company over the past 39 years as a Director of the Company.

R.M. Alias thanked the members and the Board for the support given to him throughout his years of service on the BKB Board. His appreciation and gratitude to the father of the Chairman and Managing Director for inviting him to join the BKB Board was placed on record.

The retirement of R.M. Alias as a Director of the Company at the conclusion of this Annual General Meeting on 19 February 2019 was duly noted.

The Meeting then proceeded to electronic poll voting.

9. DECLARATION OF RESULTS

Based on the poll results as verified and validated by the Scrutineers, all the resolutions tabled at the Meeting were declared **CARRIED** as follows:

Resolution	Vote in Favour		Vote Against	
	No. of Shares	%	No. of Shares	%
Ordinary Business				
Resolution 1 Re-election of Tan Sri Dato' Seri Lee Oi Hian who retires in accordance with the Company's Constitution	297,766,437	99.9235	228,039	0.0765
Resolution 2 Re-election of Mr. Quah Chek Tin who retires in accordance with the Company's Constitution	297,944,076	99.9831	50,400	0.0169
Resolution 3 Re-election of Dr. Tunku Alina binti Raja Muhd Alias who retires in accordance with the Company's Constitution	297,991,376	99.9990	3,100	0.0010
Resolution 4 Approval of Directors' fees amounting to RM962,863 for the year ended 30 September 2018	297,994,476	100	0	0
Resolution 5 Approval of payment of Directors' benefits (other than Directors' fees) to Non-Executive Directors for the period from the Fifty-Fourth AGM to Fifty-Fifth AGM to be held in 2020	297,984,476	100	0	0
Resolution 6 Appointment of BDO PLT as Auditors and authority to the Directors to fix their remuneration	297,871,455	99.9621	113,021	0.0379
Special Business				
Resolution 7 Proposed Renewal of Authority to Buy Back its Own Shares by the Company	297,994,476	100	0	0
Resolution 8 Proposed Renewal of Shareholders' Mandate For Recurrent Related Party Transactions of a Revenue or Trading Nature	64,699,277	100	0	0

Resolution	Vote in Favour		Vote Against	
	No. of Shares	%	No. of Shares	%
Resolution 9 Proposed Renewal of Authority to Allot and Issue new BKB Shares in relation to Dividend Reinvestment Plan	297,984,476	100	0	0

10. TERMINATION

There being no other business, the Meeting ended at 3.30 p.m. with a vote of thanks to the Chair.



MINORITY SHAREHOLDERS WATCH GROUP
Shareholder Activism and Protection of Minority Interest

24 January 2019

BY FAX

(Fax No.: 605-240 8117)

The Board of Directors
BATU KAWAN BERHAD
 Bangunan Mayban Trust Ipoh
 Level 9
 No. 28, Jalan Tun Sambanthan
 30000 Ipoh
 Perak Darul Ridzuan

Attention: Mr. Chong See Teck / Ms Yap Miow Kien/ Ms. Cindy Chiew
Company Secretaries

Dear Sir,

Re: **54th Annual General Meeting of BATU KAWAN BERHAD ("The Company"/"BKB")
 on 19 February 2019**

In the interest of minority shareholders and all other stakeholders of the Company, we would like to raise the following issues at the 54th Annual General Meeting of Batu Kawan Berhad.

Strategic & Financial Matters

- 1) As reported in the Management Discussion & Analysis (MD&A) on Page 29 of the Annual Report, the refining, crushing and trading operations had suffered a loss of RM34.12 million compared to a profit of RM44.59 million in FY2017, mainly due to negative refining margins arising from tighter supply of feedstock.

What is the outlook of the Division in FY2019?

- 2) As stated in the MD&A on page 30 of the Annual Report, the Group will continue its replanting activities to achieve the desired oil palm age profile. The current average age of palms for the Group is 12.1 years.

(a) What is desired oil palm age profile targeted to be achieved?

(b) What is the current average age profile for palms in Malaysia, Indonesia and Liberia?

- 3) A further impairment loss of RM21.625 million (FY2017: RM30.94 million) in respect of a specialised oleochemical plant was charged to other operating expenses in FY2018 (Note 12 to the Financial Statements on page 102 of the Annual Report).

The reply to our letter dated 7 February 2018 states that the technology related issues was one of the factors that had triggered the impairment loss provision in

FY2017 and that these issues have largely been addressed and product sales had since improved.

- (a) Given that the product sales had improved, what then are the factors that triggered further impairment in FY2018?
 - (b) Does the Board anticipate any further impairment in respect of the oleochemical plant in FY2019?
- 4) As disclosed in Note 22 to the Financial Statements on page 110 of the Annual Report, the Group has an investment in wholesale funds at a fair value of RM291.246 million for FYE 2018. (FY2017: RM327.143 million)
- (a) What is the average annual return from the investment in wholesale funds for FY2018 and FY2017? How do the returns, percentage-wise, compare to the cost of borrowing of the Group?
 - (b) What is the gain/loss from redemption of the funds in FY2018 & FY2017?

Corporate Governance

- 1) The details of the Directors' remuneration on page 44 of the Annual Report show that the Executive Director, Dato' Lee Hau Hian and the Non-Executive Director, Tan Sri Dato' Seri Lee Oi Hian (Group basis) are being paid incentive as part of their remuneration.

What is the nature of the incentive payment and what is the basis for determining the amount of the incentive for them?

- 2) Under Paragraph 3.2C(b), Practice Note 9 of the Main Market Listing Requirements, a company defined as a Large Company under the Malaysian Code on Corporate Governance (MCCG) must disclose the timeframe required if it departs from a Practice.

The Company did not state the timeframe for all Practices that the Company has departed from.

Please take note of this to comply with the Listing Requirements.

- 3) Two of the Independent Directors of the Company have served on the Board for a cumulative period of more than nine (9) years. Again, there were no resolutions tabled to retain them as Independent Directors of the Company.

In the explanation for departure provided by the Company in the Corporate Governance Report, it was stated that the necessary assessment on the independence of these Directors had been carried out by the Nomination Committee and the Board.

However, shareholders should be given the opportunity to participate in the re-election of the long-servicing Independent Directors.

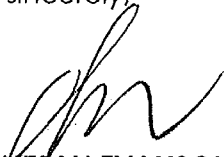
Under Practice 4.2 of the Malaysian Code on Corporate Governance, it is stated that "If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two tier voting process".

The Board should deliberate the issue again to be in compliance with the abovementioned Practice and table the resolution on re-election of Independent Directors who have served on the Board for more than nine years for shareholders' approval.

We would appreciate if the Board could present the points raised here, and their related answers, for the shareholders present at the AGM. At the same time, we await a written reply as soon as possible for our records and posting on our website.

Thank you.

Yours sincerely,



DEVANESAN EVANSON
Chief Executive Officer

DE/LH/AGM2019

BATU KAWAN BERHAD (6292-U)

13 February 2019

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

Tingkat 11, Bangunan KWSP
No. 3, Changkat Raja Chulan
Off Jalan Raja Chulan
50200 Kuala Lumpur

Dear Sirs,

BATU KAWAN BERHAD FIFTY-FOURTH (54TH) ANNUAL GENERAL MEETING on 19 FEBRUARY 2019

We refer your letter dated 24 January 2019 in relation to our 54th Annual General Meeting, raising several questions that may be in the interest of minority shareholders and all other stakeholders of the Group and the Company.

Following are our replies to your questions raised:

Strategic & Financial Matters

- 1. Q: "As reported in the Management Discussion & Analysis (MD&A) on Page 29 of the Annual Report, the refining, crushing and trading operations had suffered a loss of RM34.12 million compared to a profit of RM44.59 million in FY2017, mainly due to negative refining margins arising from tighter supply of feedstock.**

What is the outlook of the Division in FY2019?"

While previously tight feedstock supplies are expected to ease, the refining sector will still be impacted by the inherent refining overcapacity in the industry. Thus the refining, crushing and trading operations will remain challenging in 2019 as refinery margins will continue to be volatile.

2. Q: "As stated in the MD&A on page 30 of the Annual Report, the Group will continue its replanting activities to achieve the desired oil palm age profile. The current average age of palms for the Group is 12.1 years."

- (a) "What is the desired oil palm age profile targeted to be achieved?"

The desired palm age profile is between 10 to 18 years old. The Group's policy is to replant old sub-optimal yielding palms with high yielding planting materials, when necessary.

- (b) "What is the current average age profile for palms in Malaysia, Indonesia and Liberia?"

Our current average age profile for palms by country is as below:

<i>As at 30 September 2018</i>	<i>Overall Group</i>	<i>Malaysia</i>	<i>Indonesia</i>	<i>Liberia</i>
<i>Weighted average age (Years)</i>	12.1	13.9	11.2	4.6

3. Q: "A further impairment loss of RM21.625 million (FY2017: RM30.94 million) in respect of a specialised oleochemical plant was charged to other operating expenses in FY2018 (Note 12 to the Financial Statements on page 102 of the Annual Report).

The reply to our letter dated 7 February 2018 states that the technology related issues was one of the factors that had triggered the impairment loss provision in FY2017 and that these issues have largely been addressed and product sales had since improved."

- (a) "Given that the product sales had improved, what then are the factors that triggered further impairment in FY2018?"

The additional impairment loss for FY 2018 was provided after considering the slow market condition due to low petroleum prices in FY 2018 hindering the growth of this new product in the new detergent formulations that use renewable and sustainable raw materials. Meanwhile, Management has proposed a new plan to convert one of the plants to make another surfactant product that is more established and popularly used in the market especially for personal and homecare products manufacturing, with slight modification of the plant.

- (b) "Does the Board anticipate any further impairment in respect of the oleochemical plant in FY2019?"

The sulphonated methyl ester ("SME") plant is currently running at 50% to 60% utilization and we anticipate its capacity utilization to grow gradually. Hence, we do not anticipate any further impairment in respect of the Oleochemical plants in FY 2019 based on prevailing market situation.

4. Q: “As disclosed in Note 22 to the Financial Statements on page 110 of the Annual Report, the Group has an investment in wholesale funds at a fair value of RM291.246 million for FYE2018 (FY2017: RM327.143 million).”

- (a) “What is the average annual return from investment in wholesale funds for FY2018 and FY2017? How do the returns, percentage-wise, compare to the cost of borrowing of the Group?”

The average return from the investments in wholesale funds ranged between 3.36% to 3.73% p.a. in FY 2018, and 3.49% to 3.65% p.a. in FY 2017, while the Group’s borrowing costs ranged from 4.00% to 4.65% p.a. (FY 2017: 3.88% to 4.65% p.a.).

- (b) “What is the gain/loss from redemption of the funds in FY2018 & FY2017?”

A total of some RM135,000 accounting loss and RM266,000 accounting gain from redemption of the funds were recorded in FY 2018 and FY 2017 respectively. The RM135,000 accounting loss in FY 2018 was mainly due to lower NAV of the funds as at relevant redemption date after profit distribution(s) have been made.

Corporate Governance

1. Q: “The details of the Directors’ remuneration on page 44 of the Annual Report show that the Executive Director, Dato’ Lee Hau Hian and the Non-Executive Director, Tan Sri Dato’ Seri Lee Oi Hian (Group basis) are being paid in incentive as part of their remuneration.

What is the nature of the incentive payment and what is the basis for determining the amount of the incentive for them?”

The incentive payments consist solely of bonuses paid to Dato’ Lee Hau Hian as the Executive Director of Batu Kawan Berhad (“BKB”) and to Tan Sri Dato’ Seri Lee Oi Hian as the Chief Executive Officer of BKB’s subsidiary, Kuala Lumpur Kepong Berhad (“KLK”). The respective Remuneration Committee will evaluate their individual performance against the respective companies’ performance (i.e. BKB and KLK), other measures and relevant targets, to determine the amount to be paid. The factors taken into account include:

- *the scope of their duties and responsibilities;*
- *the respective Company’s performance; and*
- *current market rate within the industry and in comparable companies.*

2. **Q: "Under Paragraph 3.2C(b), Practice Note 9 of the Main Market Listing Requirements, a company defined as a Large Company under the Malaysian Code on Corporate Governance (MCCG) must disclose the timeframe required if it departs from a Practice.**

The Company did not state the timeframe for all Practices that the Company has departed from.

Please take note on this to comply with the Listing Requirements."

The Company acknowledges that it has departed from certain recommended Practices of the MCCG. These departures are published in its Corporate Governance Report via Bursa Malaysia's prescribed format, wherein the Company had also disclosed that its intended compliance with the recommended Practices would not take place within 3 years.

Nevertheless, the Company will periodically review the circumstances to determine if the Company is able to apply the relevant Practices sooner rather than later, and always taking into account the best interest of the Company.

3. **Q: "Two of the Independent Directors of the Company have served on the Board for a cumulative period of more than nine (9) years. Again, there were no resolutions tabled to retain them as Independent Directors of the Company.**

In the explanation for departure provided by the Company in the Corporate Governance Report, it was stated that the necessary assessment on the independence of these Directors had been carried out by the Nomination Committee and the Board.

However, shareholders should be given the opportunity to participate in the re-election of the long-servicing Independent Directors.

Under Practice 4.2 of the Malaysian Code on Corporate Governance, it is stated that "If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process".

The Board should deliberate the issue again to be in compliance with the abovementioned Practice and table the resolution on re-election of Independent Directors who have served on the Board for more than nine years for shareholders' approval."

Intended Outcome 4.0 of the MCCG is for board decisions to be made objectively in the best interest of the company, taking into account diverse perspectives and insights. We note that one of the recommended practices to achieve this Intended Outcome is for a company to seek annual shareholders' approval for the re-election of its independent directors who have served for more than 9 years, the concern being that long tenure of service may negatively impact objectivity. Nevertheless, BKB does not view this as a major concern as it has put in place robust measures to ensure that the independence of its Independent Directors is not compromised, and that the Intended Outcome is ultimately achieved.

In addition to the formal annual evaluation of Directors' performance by the Nomination Committee, the Board is able to observe the conduct, behaviour and values of its Independent Directors through regular interaction and discussions amongst themselves (for example at Board or Board Committee meetings, visits to operating centres, company social functions and conferences). This proximity to the Independent Directors is an advantage that other stakeholders do not have and puts the Board and the Nomination Committee in pole position to assess their independence.

Furthermore, there have never been any doubts raised that the length of service of the two (2) Independent Directors of BKB who have served for more than nine (9) years, has adversely affected the performance of the Group. Their experience, intellectual honesty and objective and independent judgment in carrying out their roles as Board and Board Committee members have in fact strengthened board decision-making. In conclusion, the Intended Outcome of the MCCG has been achieved, even if shareholders' approval has not been sought to retain them as Independent Directors.

Nevertheless, the Board takes cognisance of the reasoning behind Practice 4.2 of the MCCG and will continue to regularly review our current practises to ensure that they are in the best interest of the Company.

Yours faithfully,
BATU KAWAN BERHAD



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(Chong See Teck)
Company Secretary