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If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

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BATU KAWAN BERHAD

196501000504 (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 resolutions in respect of the Proposed Renewal of Authority to Buy Back Shares and Proposed Renewal of Shareholders' Mandate will be tabled at the Fifty-Fifth ("55th") Annual General Meeting ("AGM") of Batu Kawan Berhad ("BKB" or "Company") to be held at WEIL Hotel, Ballroom 1, Level 6, 292 Jalan Sultan Idris Shah, 30000 Ipoh, Perak Darul Ridzuan, Malaysia on Tuesday, 18 February 2020 at 2.15 p.m. The Notice of the 55th AGM of the Company together with the Proxy Form are enclosed in the Abridged Annual Report 2019 of the Company.

In the event you wish to appoint a proxy, please complete, sign and return the Proxy Form in accordance with the instructions printed thereon. The duly completed Proxy Form should be 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 2019

DEFINITIONS

Except 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 2019
- “Constitution” : 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 43,595,031 Treasury Shares) 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 2019, 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 number or aggregate number of those shares is:
- (a) ten percent (10%) or more of the total number of voting shares in the Company; or
 - (b) five percent (5%) or more of the total number of 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” shall have the meaning of “interest in shares” 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 any one (1) of the following categories:
- (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 or Major Shareholder;
 - (d) a person, or where the person is a body corporate, the body corporate or its directors 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;
 - (e) a person, or where the person is a body corporate, the body corporate or its directors, 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 in which the Director, Major Shareholder 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
 - (g) a body corporate which is a related corporation of the Director or Major Shareholder.
- “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 Issued and Paid-up Share Capital.
- “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 2016, as amended from time to time and any re-enactment thereof.
- “Shareholder” : Shareholder of BKB
- “Substantial Shareholder” : A person who has an interest in one (1) or more voting shares in the Company and the number or the aggregate number of such shares, is not less than five percent (5%) of the total number of all the voting shares of the Company.
- For the purpose of this definition, “interest” shall have the meaning of “interest in shares” 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.

DEFINITIONS *(cont'd)*

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 “we”, “us”, “our” and “ourselves” mean the Company, or where the context otherwise requires, the Group. All references to “you” in this Circular mean the Shareholders of the Company, unless the context otherwise requires. All references in this Circular to an “affiliate” of any entity in the 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 and date in this Circular is a reference to Malaysian time and date, 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

196501000504 (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 2019

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*
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 19 February 2019, 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 18 February 2020, unless a new Authorisation is received.

Consequently, on 19 November 2019, 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 18 February 2020.

The purpose of this Statement 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 2019 was RM1,009,555,000. 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 Rule 4.15 Part B 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 thirty (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 31.87%. 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 the same at 31.87%.

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.

4. POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED RENEWAL OF AUTHORITY TO BUY BACK SHARES

The Proposed Renewal of Authority to Buy Back Shares will enable the Company to utilise its surplus financial resources to purchase its own shares at prices which the Board views as favourable. It may stabilise the supply and demand of shares traded on the Bursa Securities and thereby support the Company's fundamental value.

The purchased shares held as treasury shares may be resold through the stock exchange of Bursa Securities with the intention of realising a potential gain without affecting the Issued and Paid-up Share Capital of the Company. The Treasury Shares may also be distributed to Shareholders as dividends and, if undertaken, would serve to reward the Shareholders of the Company.

However, 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. It will only be exercised after taking into consideration of the financial resources of the Group and of the resultant impact on Shareholders.

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

5.1 Share Capital

The effect of the Proposed Renewal of Authority to Buy Back Shares on the Issued and Paid-up Share Capital of BKB depend on whether the purchased shares are cancelled or retained as treasury shares. The Proposed Renewal of Authority to Buy Back Shares will result in a reduction of the total number of Issued and Paid-up Share Capital of the Company if the purchased shares are cancelled. 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.

Based on the assumption that the Proposed Renewal of Authority to Buy Back Shares is implemented in full and all the purchased shares are cancelled, the effect on the number of Issued and Paid-up Share Capital of the Company is illustrated below:

	No. of BKB Shares
Existing as at LPD	435,951,000
Less:	
Number of BKB Shares if to be cancelled pursuant to the Proposed Renewal of Authority to Buy Back Shares (10%)	43,595,100
Total Issued and Paid-up Share Capital after the Proposed Renewal of Authority to Buy Back Shares	392,355,900

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 2018					
3 December	4,400	16.80	16.78	16.7973	74,447.75
4 December	6,200	16.80	16.80	16.8000	104,608.73
5 December	39,000	16.80	16.72	16.7982	657,491.73
6 December	260,800	16.76	16.60	16.7394	4,379,932.43
7 December	21,500	16.70	16.62	16.6565	359,496.53
10 December	43,600	16.60	16.50	16.5229	722,975.76
11 December	109,000	16.50	16.46	16.4853	1,803,027.46
12 December	367,700	16.40	16.32	16.3997	6,049,460.20
13 December	1,391,700	16.40	16.40	16.4000	22,893,551.64
14 December	689,000	16.40	16.40	16.4000	11,334,698.80
17 December	2,500	16.30	16.30	16.3000	41,047.73
18 December	32,200	16.30	16.20	16.2658	525,687.17
19 December	1,024,400	16.30	16.24	16.2999	16,748,910.41
20 December	10,300	16.30	16.20	16.2736	168,339.22
21 December	13,000	16.30	16.30	16.3000	212,799.27
JANUARY 2019					
10 January	5,200	16.62	16.60	16.6038	86,970.71
15 January	10,800	16.60	16.58	16.5983	180,033.20
18 January	9,300	16.60	16.60	16.6000	155,044.46
FEBRUARY 2019					
18 February	20,800	17.26	17.22	17.2436	360,050.49
22 February	7,400	17.30	17.20	17.2878	128,479.89
27 February	1,400	17.10	17.10	17.1000	24,114.83

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
MARCH 2019					
8 March	20,600	17.06	17.06	17.0600	352,859.01
21 March	1,200	16.98	16.98	16.9800	20,532.72
22 March	24,300	17.00	16.98	16.9967	414,657.12
25 March	11,200	17.02	16.96	17.0086	191,350.25
26 March	28,300	17.00	16.90	16.9877	482,624.93
28 March	22,800	17.00	16.98	16.9976	389,093.95
29 March	3,000	16.98	16.96	16.9667	51,290.10
APRIL 2019					
4 April	10,900	16.98	16.90	16.9503	185,586.23
26 April	89,500	16.80	16.78	16.7889	1,508,035.63
MAY 2019					
2 May	6,100	16.82	16.80	16.8016	102,949.43
3 May	9,100	16.80	16.78	16.7996	153,561.38
8 May	3,700	16.80	16.80	16.8000	62,636.99
13 May	600	16.80	16.80	16.8000	10,158.14
14 May	11,300	16.80	16.76	16.7943	190,626.02
15 May	9,100	16.80	16.80	16.8000	153,565.03
23 May	17,200	16.80	16.76	16.7949	290,077.57
24 May	9,600	16.72	16.72	16.7200	161,231.59
27 May	5,200	16.70	16.68	16.6923	87,465.05
29 May	101,100	16.70	16.60	16.6853	1,692,954.19
JUNE 2019					
11 June	7,800	16.70	16.70	16.7000	130,844.31
12 June	1,700	16.72	16.72	16.7200	28,642.30
13 June	4,200	16.70	16.70	16.7000	70,678.14
14 June	103,100	16.80	16.70	16.7801	1,736,248.80
17 June	40,400	16.78	16.72	16.7794	680,446.81
18 June	40,300	16.78	16.70	16.7794	678,763.04
19 June	115,800	16.70	16.70	16.7000	1,940,789.83
20 June	51,500	16.70	16.68	16.6990	863,191.30
21 June	32,000	16.70	16.68	16.6988	536,421.17
24 June	62,400	16.70	16.68	16.6999	1,045,900.18
25 June	32,600	16.70	16.68	16.6992	546,488.41
26 June	40,000	16.70	16.70	16.7000	670,524.64
27 June	71,900	16.70	16.68	16.6994	1,205,065.25
28 June	28,000	16.70	16.70	16.7000	469,427.25
JULY 2019					
1 July	30,700	16.70	16.62	16.6863	514,252.12
2 July	25,600	16.70	16.62	16.6981	429,158.96
3 July	50,800	16.70	16.70	16.7000	851,512.29
10 July	13,500	16.64	16.64	16.6400	225,621.76
26 July	131,000	16.40	16.38	16.3816	2,153,657.65
29 July	247,000	16.38	16.36	16.3797	4,059,851.50
31 July	30,200	16.38	16.36	16.3766	496,494.44
AUGUST 2019					
1 August	11,400	16.38	16.36	16.3740	187,500.19
2 August	79,000	16.20	16.18	16.1949	1,284,049.40
5 August	19,300	16.10	16.04	16.0702	311,434.20
6 August	10,500	16.04	16.02	16.0305	169,075.01
7 August	11,900	16.12	16.04	16.0729	192,125.13
8 August	9,500	16.12	16.04	16.0771	153,416.96
14 August	2,300	16.20	16.06	16.1452	37,419.28
16 August	14,100	16.20	16.08	16.1753	229,065.43
20 August	878,000	16.08	16.00	16.0029	14,096,426.94
21 August	33,700	15.90	15.90	15.9000	537,894.69
22 August	53,000	15.80	15.78	15.7977	840,391.83
26 August	1,800	15.62	15.60	15.6100	28,314.14
27 August	2,000	15.60	15.60	15.6000	31,439.79
SEPTEMBER 2019					
4 September	147,900	15.90	15.72	15.7430	2,336,692.50
6 September	57,900	15.72	15.72	15.7200	913,555.45
11 September	180,300	15.70	15.50	15.6989	2,840,561.86
12 September	15,700	15.70	15.70	15.7000	247,547.79

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
17 September	20,300	15.70	15.68	15.6995	320,008.93
18 September	329,500	15.70	15.68	15.6999	5,190,767.56
19 September	348,600	15.70	15.60	15.6982	5,490,994.73
23 September	2,500	15.60	15.60	15.6000	39,298.74
24 September	23,400	15.70	15.60	15.6162	366,890.75
26 September	2,000	15.64	15.62	15.6370	31,514.29
30 September	13,500	15.68	15.68	15.6800	212,616.65
OCTOBER 2019					
3 October	2,700	15.70	15.70	15.7000	42,715.32
4 October	6,100	15.70	15.70	15.7000	96,503.84
7 October	16,400	15.84	15.70	15.7184	258,878.85
9 October	12,300	15.74	15.70	15.7312	194,361.12
10 October	13,000	15.74	15.72	15.7395	205,525.56
11 October	1,700	15.74	15.74	15.7400	26,963.21
15 October	10,500	15.76	15.70	15.7430	166,042.75
22 October	46,700	15.66	15.58	15.6340	732,848.58
23 October	25,400	15.60	15.58	15.5890	397,538.54
25 October	37,400	15.60	15.58	15.5979	585,591.55
29 October	19,000	15.60	15.58	15.5961	297,557.12

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.

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 Constitution 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.

5.2 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.

5.3 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.

5.4 Dividend

The Proposed Renewal of Authority to Buy Back Shares will have the effect of increasing the effective dividend rate per ordinary share of the Company as dividends will be paid on the remaining Issued and Paid-up Share Capital of the Company (excluding Treasury Shares).

6. 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 and Paid-up Share Capital as at LPD of 392,355,969 BKB Shares (after excluding 43,595,031 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	1,143,155	0.29	210,335,705 ¹	53.61	1,143,155	0.29	210,335,705 ¹	53.61
Dato' Lee Hau Hian	1,541,530	0.39	209,138,980 ²	53.30	1,541,530	0.39	209,138,980 ²	53.30
Dato' Yeoh Eng Khoon	315,000	0.08	21,802,250 ³	5.56	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 392,355,969 BKB Shares (after excluding 43,595,031 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	162,554,667	41.43	5,875,700 ⁴	1.50	162,554,667	41.43	5,875,700 ⁴	1.50
Wan Hin Investments Sdn Berhad	22,454,387	5.72	168,430,367 ⁴	42.93	22,454,387	5.72	168,430,367 ⁴	42.93
Yeoh Chin Hin Investments Sdn Berhad	21,711,250	5.53	-	-	21,711,250	5.53	-	-
Di-Yi Sdn Bhd	16,626,951	4.24	190,884,754 ⁴	48.65	16,626,951	4.24	190,884,754 ⁴	48.65
High Quest Holdings Sdn Bhd	14,952,726	3.81	190,884,754 ⁴	48.65	14,952,726	3.81	190,884,754 ⁴	48.65
Dato' Lee Hau Hian	1,541,530	0.39	209,138,980 ²	53.30	1,541,530	0.39	209,138,980 ²	53.30
Tan Sri Dato' Seri Lee Oi Hian	1,143,155	0.29	210,335,705 ¹	53.61	1,143,155	0.29	210,335,705 ¹	53.61
Dato' Yeoh Eng Khoon	315,000	0.08	21,802,250 ³	5.56	315,000	0.08	21,802,250 ³	5.56
Grateful Blessings Inc	-	-	207,511,705 ⁴	52.89	-	-	207,511,705 ⁴	52.89
Grateful Blessings Foundation	-	-	207,511,705 ⁴	52.89	-	-	207,511,705 ⁴	52.89
Cubic Crystal Corporation	-	-	205,837,480 ⁴	52.46	-	-	205,837,480 ⁴	52.46
High Quest Anstalt	-	-	205,837,480 ⁴	52.46	-	-	205,837,480 ⁴	52.46

Notes:

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.

7. CANCELLATION AND RESALE MADE IN THE PREVIOUS TWELVE (12) MONTHS

BKB has not made any cancellation or resold its Treasury Shares in the twelve (12) months preceding the LPD.

8. SHARE PRICES

The monthly highest and lowest prices of the BKB Shares traded on Bursa Securities for the previous twelve (12) months from December 2018 to November 2019 are as follows:

	High	Low
	RM	RM
2018:		
December	16.80	16.20
2019:		
January	17.30	16.40
February	17.60	16.90
March	17.46	16.80
April	17.00	16.76
May	17.18	16.60
June	16.80	16.68
July	16.90	16.18
August	16.38	15.60
September	15.90	15.40
October	15.84	15.56
November	15.70	15.10

(Source: Bloomberg)

The last transacted price of BKB Shares on 3 December 2019, being the LPD prior to the printing of this Circular, was RM15.68.

9. 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.

10. 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 Abridged Annual Report 2019 and 2019 Annual Report of the Company. 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, 18 February 2020 at 2.15 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 twenty-four (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.

11. 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

196501000504 (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 2019

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*
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 19 February 2019, 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 18 February 2020 unless the mandate is renewed.

On 19 November 2019, 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.

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;

- (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 rubber on its plantations, oleochemical, property development, manufacturing and sale of industrial chemicals and general transportation 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, caustic soda and aluminium hydroxide), 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 polyaluminium 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 or Major Shareholders; and
- (ii) Persons Connected with such Directors or 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 or the BKB 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 made during the financial year, amongst others, based on the following information:

- (i) the type of the RRPTs made; and
- (ii) the names of the Related Parties involved in each type of the RRPTs made 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 2019, 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 392,355,969 BKB Shares (after excluding 43,595,031 Treasury Shares)			
	Direct		Deemed	
	No. of BKB Shares	%	No. of BKB Shares	%
Directors				
Tan Sri Dato' Seri Lee Oi Hian	1,143,155	0.29	210,335,705 ¹	53.61
Dato' Lee Hau Hian	1,541,530	0.39	209,138,980 ²	53.30

**Based on Issued Capital as at LPD of 392,355,969
BKB Shares (after excluding 43,595,031 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	162,554,667	41.43	5,875,700 ³	1.50
Wan Hin Investments Sdn Berhad	22,454,387	5.72	168,430,367 ³	42.93
Di-Yi Sdn Bhd	16,626,951	4.24	190,884,754 ³	48.65
High Quest Holdings Sdn Bhd	14,952,726	3.81	190,884,754 ³	48.65
Dato' Lee Hau Hian	1,541,530	0.39	209,138,980 ²	53.30
Tan Sri Dato' Seri Lee Oi Hian	1,143,155	0.29	210,335,705 ¹	53.61
Grateful Blessings Inc	-	-	207,511,705 ³	52.89
Grateful Blessings Foundation	-	-	207,511,705 ³	52.89
Cubic Crystal Corporation	-	-	205,837,480 ³	52.46
High Quest Anstalt	-	-	205,837,480 ³	52.46
Persons Connected				
Cengal Emas Sdn Bhd	3,291,500 ⁴	0.84	-	-
Malay-Sino Formic Acid Sdn Bhd	3,083,450 ⁵	0.79	-	-
Malay-Rubber Plantations (Malaysia) Sdn Berhad	2,792,250 ⁵	0.71	-	-
Congletion Holdings Sdn Bhd	2,784,000 ⁶	0.71	-	-
Steppe Structure Sdn Bhd	2,224,250 ⁷	0.57	-	-
Dato' Lee Soon Hian	1,739,771 ⁸	0.44	-	-
Lee Oi Loon	1,649,771 ⁸	0.42	-	-
Dr. Lee Oi Kum	39,771 ⁸	0.01	-	-
Lim Peng Hong	31,600 ⁹	0.01	-	-
Lee Jia Zhang	10,000 ¹⁰	*	-	-
Lee Guo Zhang	10,000 ¹⁰	*	-	-
Lee Su-Ling	10,000 ¹⁰	*	-	-
Lee Wen Ling	10,000 ¹⁰	*	-	-
Lee Yuan Zhang	10,000 ¹¹	*	-	-

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

⁵ 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.

⁶ Through the shareholdings of Tan Sri Dato' Seri Lee Oi Hian by virtue of Section 8(4) of the Act.

⁷ Through the shareholdings of Dr. Lee Oi Kum by virtue of Section 8(4) of the Act.

⁸ Siblings to Tan Sri Dato' Seri Lee Oi Hian and Dato' Lee Hau Hian.

⁹ Spouse to Madam Lee Oi Loon.

¹⁰ Children of Tan Sri Dato' Seri Lee Oi Hian.

¹¹ 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 Abridged Annual Report 2019 and 2019 Annual Report. 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, 18 February 2020 at 2.15 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 twenty-four (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 Percentage held	Principal activities
Kuala Lumpur Kepong Berhad	47	Plantation
See Sen Chemical Berhad	61	Manufacturing of chemicals
Malay-Sino Chemical Industries Sendirian Berhad	98	Manufacturing of chemicals
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) Value(^) per existing Mandate RM’000	(F) Proposed 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	140,722	304,000	302,000
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	8,373	33,000	33,000
		Sale of finished goods and other products and services	46,122	79,000	80,000
BKB Group	TMK Group	TOTAL	195,217	416,000	415,000
Malay-Sino	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	27,622	61,000	60,000
See Sen	TMK(S) ⁵ <u>Related Parties</u> Interested Major Shareholders ¹ Persons Connected ²	Purchase of raw materials, finished goods, other products and services	0	0	6,000
BKB Group	TMK(S)	TOTAL	27,622	61,000	66,000

(A) BKB and its subsidiaries(#)	(B) Related Parties involved and Nature of Relationships	(C) Categories of transactions	(D) Actual value transacted(*) RM'000	(E) Value(^) per existing Mandate RM'000	(F) Proposed Mandate value(@) RM'000
Malay-Sino	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	4,067	13,000	13,000
See Sen	CAC ⁵ <u>Related Parties</u> Interested Major Shareholders ¹ Persons Connected ²	Purchase and sale of products and services	4,275	10,000	10,000
BKB Group	CAC	TOTAL	8,342	23,000	23,000
See Sen	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	174	20,000	30,000
BKB Group	TCI Group	TOTAL	174	20,000	30,000
See Sen	BASF See Sen ("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	6,921	18,000	16,000
BKB Group	BASF See Sen	TOTAL	6,921	18,000	16,000

(A) BKB and its subsidiaries(#)	(B) Related Parties involved and Nature of Relationships	(C) Categories of transactions	(D) Actual value transacted(*) RM'000	(E) Value(^) per existing Mandate RM'000	(F) Proposed Mandate value(@) RM'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	39,445	211,000	224,000
	KLK Group ⁹ <u>Related Parties</u> Interested Major Shareholders ¹ Persons Connected ²	Purchase of FFB and palm products	9,714	167,000	103,000
Malay-Sino	KLK Group ⁹ <u>Related Parties</u> Interested Major Shareholders ¹ Persons Connected ²	Sale of finished goods and other products and services	0	0	10,000
BKB Group	KLK Group	TOTAL	49,159	378,000	337,000

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 19 February 2019 (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 - Value of RRPT for the period from 19 February 2019 to 18 February 2020 as disclosed in the preceding year's Circular to Shareholders dated 31 December 2018. The values are estimated based on forecast and the actual amount transacted may vary.

@ Column F – Estimated value of RPPT from 18 February 2020 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 (“DYEK”) (a Substantial Shareholder of BKB 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 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 based on assessment performed under MFRS 10 Consolidated Financial Statements.*
 - (b) *Certain BKB Directors, LOH and LHH are directors and major shareholders of KLK.*
 - (c) *A BKB Director and Substantial Shareholder, DYEK is also a director of KLK.*
 - (d) *WHI is a major shareholder of KLK.*

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 2018 and 30 September 2019.

