

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

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In line with the provisions of Practice Note No. 18/2005 on Perusal of Draft Circulars and Other Documents, Bursa Securities has not perused Part A of this Circular as the transaction fall under the category of Exempt Circulars as outlined in the aforesaid practice note.

BATU KAWAN BERHAD

(6292-U)
(Incorporated In Malaysia)

CIRCULAR TO SHAREHOLDERS

in relation to

PART A

PROPOSED AUTHORITY TO BUY BACK ITS OWN SHARES BY THE COMPANY

PART B

**PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS
OF A REVENUE OR TRADING NATURE**

The Notice of Annual General Meeting is sent to you together with this Circular. The Annual General Meeting will be held at Wisma Taiko, 1, Jalan S.P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan, Malaysia on Wednesday, 18 February 2009 at 2.15 p.m. Shareholders are advised to refer to the Notice of Annual General Meeting and the Form of Proxy which are included in the Company's 2008 Annual Report and Financial Statements. A member entitled to attend and vote at the meeting is entitled to appoint one proxy to attend and vote on his behalf. The Form of Proxy should be completed and lodged at the Registered Office of the Company not less than 48 hours before the time set for the meeting.

This Circular is dated 23 December 2008

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DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular where appropriate:-

"Act"	:	Companies Act, 1965, as amended from time to time and any re-enactment thereof
"AGM"	:	Annual General Meeting
"BKB" or "the Company"	:	Batu Kawan Berhad (6292-U)
"BKB Group" or "the Group"	:	BKB and its subsidiary companies, collectively
"Bursa Securities"	:	Bursa Malaysia Securities Berhad
"Directors"	:	Shall have the meaning given in Section 4 of the Act and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a director of BKB or any other company which is a subsidiary or holding company or a chief executive officer of BKB, its subsidiary or holding company)
"Issued and Paid-up Share Capital"	:	RM435,951,000 consisting of 426,486,000 Shares of RM1 each and 9,465,000 treasury Shares of RM1 each, in BKB, as at 9 December 2008.
"EPS"	:	Earnings per share
"Listing Requirements"	:	Listing Requirements of Bursa Securities
"Major shareholder(s)"	:	means a person who has an interest or interests in one or more voting shares in a company and the nominal amounts of that share, or the aggregate of the nominal amounts of those shares, is:- <ul style="list-style-type: none">(a) equal to or more than 10% of the aggregate of the nominal amounts of all the voting shares in the company; or(b) equal to or more than 5% 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. <p>For the purpose of this definition, "interest in shares" shall have the meaning given in Section 6A of the Act. "Major shareholder" includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a major shareholder of BKB as defined under paragraph 1.01 of the Bursa Securities Listing Requirements (or any other company which is a subsidiary or holding company of BKB)</p>
"NA"	:	Net assets
"Proposed 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 10% of its own Shares or 42,648,600 Shares of its issued and paid-up share capital (excluding treasury shares) as at 9 December 2008
"Proposed Shareholders' Mandate"	:	Proposed 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, or person connected with such Director or Major Shareholder
"Recurrent Related Party Transactions"	:	Recurrent transactions entered into by the BKB Group which involves the interests, direct or indirect, of a Related Party
"Related Party Transaction(s)"	:	Transaction(s) entered into by the BKB Group which involves the interests, direct or indirect, of a Related Party
"RM and sen"	:	Ringgit Malaysia and sen respectively
"Shares"	:	Shares of RM1 each in BKB
"Substantial Shareholder"	:	A person who has an interest or interests in one 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 voting shares of the Company. For the purpose of this definition, "interest in shares" shall have the meaning given in Section 6A of the Act.

BATU KAWAN BERHAD

(6292-U)
(Incorporated in Malaysia)

Registered Office :

Wisma Taiko
1, Jalan S.P. Seenivasagam
30000 Ipoh
Perak Darul Ridzuan

23 December 2008

Directors:

Dato' Seri Lee Oi Hian - *Chairman*
Dato' Lee Hau Hian - *Managing Director*
YM Tengku Robert Hamzah
R.M. Alias
Tan Sri Dato' Thong Yaw Hong
Dato' Mustafa bin Mohd Ali
Dato' Lee Soon Hian
Mr Yeoh Eng Khoon

To: The Shareholders of Batu Kawan Berhad

Dear Sir/Madam

PROPOSED AUTHORITY TO BUY BACK ITS OWN SHARES BY THE COMPANY

1. INTRODUCTION

At the last AGM held on 20 February 2008, your Directors obtained shareholders' authorisation for the Company to buy back its own Shares ("Authorisation") up to 10% of the issued and paid-up share capital of BKB.

In accordance with Chapter 12 of the Listing Requirements, the authorisation shall lapse at the conclusion of the forthcoming AGM to be held on 18 February 2009, unless a new Authorisation is received.

Consequently, on 21 November 2008, the Company announced that your Directors propose to seek shareholders' approval for a fresh authorisation to undertake the Proposed Authority to Buy Back Shares at the forthcoming AGM, to be held on 18 February 2009.

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

2. THE PROPOSED AUTHORITY TO BUY BACK SHARES

Your Directors seek the authority from the shareholders of the Company to purchase its Shares on the Bursa Securities through an appointed stockbroker (pursuant to Paragraph 12.16 of the Listing Requirements). Your Directors propose to allocate a maximum amount not exceeding the total retained profits of the Company for the Proposed Authority to Buy Back Shares. The audited retained profits of the Company as at 30 September 2008 was RM263,484,000. For the Proposed Authority to Buy Back Shares, the Company may buy back its own Shares up to 42,648,600 Shares representing an amount not exceeding 10% of its Issued and Paid-up Share Capital (excluding treasury shares). The Proposed Authority to Buy Back Shares will be valid immediately upon the passing of the Ordinary Resolution up till the conclusion of the next AGM of BKB in the year 2010 or the expiry of the period within which the next AGM is required by law to be held, unless earlier revoked or varied by Ordinary Resolution of the shareholders of the Company in a general meeting.

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

Under the Malaysian Code on Take-overs and Mergers, 1998 ("the Code"), a director and any person acting in concert with him or a relevant shareholder will be required to make a mandatory general offer if his/their stake(s) in the company is/are increased to beyond 33% of its issued and paid-up share capital or if his/their existing shareholding(s) is/are between 33% and 50% and it exceeds by another 2% in any six (6) months' period.

In the event that the Proposed Authority to Buy Back Shares results in the shareholding of any of above parties being affected, the affected person will be obliged to make a mandatory offer for the above remaining Shares not held by him/her. However, an exemption from a mandatory offer obligation may be granted by the Securities Commission under Practice Note 2.9.10 of the Code, 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. In this respect, the Directors will be mindful of the potential implications relating to the Code.

Based on the Company's issued and paid-up share capital and the shareholdings of the Directors and the Substantial Shareholders as at 9 December 2008, none of the Directors and Substantial Shareholders of the Company will be required to make a mandatory general offer under the above-mentioned requirements of the Code if the Proposed Authority to Buy Back Shares is carried out in full.

When Shares are purchased by the Company, the Directors may resolve to cancel the Shares so purchased or retain the Shares so purchased to be held as treasury shares. Where the Directors resolve to cancel the Shares so purchased, the Company's Issued and Paid-up Share Capital (excluding treasury shares) shall be diminished by the cancellation of the Shares so purchased and the amount by which the Company's issued share capital is diminished shall be transferred to a capital redemption reserve. It is pertinent to note that the cancellation of Shares made pursuant to Section 67A of the Act shall not be deemed to be a reduction in share capital as the capital redemption reserve shall be treated as if it were part of shareholders' funds. Where the Directors resolve to retain the Shares so purchased as treasury shares, the Directors may distribute the treasury shares as share dividends to shareholders and/or resell the treasury shares on the Bursa Securities and/or cancel the treasury shares. While the Shares so purchased are held as treasury shares, the rights attached to them as to voting, dividends and participation in any other distribution or otherwise are suspended.

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

- (i) the resale takes place no earlier than 30 days from the date of purchase; and
- (ii) the resale price is not less than the cost of purchase of the shares being resold.

As at 9 December 2008, the public shareholding spread of the Company was 39.66%. Assuming that the Proposed Authority to Buy Back Shares was carried out in full and the Shares so purchased were all cancelled on 9 December 2008, the pro-forma public shareholding of the Company would be 32.96%.

3. RATIONALE FOR THE PROPOSED AUTHORITY TO BUY BACK SHARES

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

- The Company would expect to enhance the EPS of the Group (in the case where the Directors resolve to cancel the Shares so purchased and/or retain the Shares in treasury 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 Shares bought back are kept as treasury shares, it will give the Directors an option to sell the Shares so purchased at a higher price and therefore make an exceptional gain for the Company. Alternatively, the Shares so purchased can be distributed as share dividends to shareholders.

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

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

The Proposed 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, the Directors will be mindful of the interests of BKB and its shareholders when exercising the Proposed Authority to Buy Back Shares.

Share Capital

The effect of the Proposed Authority to Buy Back Shares on the Issued and Paid-up Share Capital of BKB assuming BKB buys and subsequently cancels up to 42,648,600 Shares, representing an amount not exceeding 10% of the existing Issued and Paid-up Share Capital as at 9 December 2008, is as follows:-

	No. of ordinary shares of RM1 each	RM
Existing as at 9 December 2008	435,951,000	435,951,000
Less: Number of BKB Shares held as treasury shares as at 9 December 2008 (Assuming these treasury Shares held are fully cancelled)	9,465,000	9,465,000
Number of BKB Shares (Assuming the Shares so purchased, pursuant to the Proposed Authority to Buy Back Shares, are fully cancelled)	42,648,600	42,648,600
Upon completion of the Proposed Authority to Buy Back Shares	383,837,400	383,837,400

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

The following are the details of Shares bought back in the previous 12 months. These shares are currently held as treasury shares and none of them were cancelled.

Date	No. of shares	Highest price paid per share RM	Lowest price paid per share RM	Average price paid per share RM	Total consideration RM
24.03.2008	47,300	9.50	9.40	9.44	448,043.13
25.03.2008	68,500	9.90	9.60	9.81	674,265.10
21.07.2008	95,800	8.75	8.70	8.72	838,544.20
22.07.2008	63,900	8.90	8.80	8.84	567,247.83
23.07.2008	48,100	8.90	8.85	8.90	429,548.28
24.07.2008	265,700	8.90	8.80	8.87	2,364,416.42
25.07.2008	119,200	8.90	8.85	8.88	1,061,722.62
28.07.2008	687,100	9.00	8.85	9.00	6,203,376.04
29.07.2008	211,300	8.90	8.90	8.90	1,886,975.89
30.07.2008	16,900	8.95	8.95	8.95	151,906.15

Date Cont'd	No. of shares	Highest price paid per share RM	Lowest price paid per share RM	Average price paid per share RM	Total consideration RM
31.07.2008	12,000	9.00	9.00	9.00	108,464.40
01.08.2008	42,100	9.05	9.05	9.05	382,462.33
04.08.2008	4,000	8.95	8.95	8.95	36,061.54
05.08.2008	210,600	8.90	8.65	8.77	1,852,897.78
06.08.2008	420,400	8.75	8.65	8.73	3,680,446.97
07.08.2008	48,300	8.70	8.70	8.70	421,796.70
08.08.2008	252,400	8.70	8.65	8.66	2,194,184.71
13.08.2008	28,600	8.45	8.45	8.45	242,667.52
14.08.2008	5,200	8.45	8.45	8.45	44,260.83
15.08.2008	30,000	8.30	8.30	8.30	250,021.70
19.08.2008	21,100	8.15	8.15	8.15	172,704.49
20.08.2008	80,000	8.15	8.15	8.15	654,351.60
21.08.2008	65,000	8.15	8.15	8.15	531,698.18
22.08.2008	43,500	8.45	8.45	8.45	368,988.01
28.08.2008	416,600	8.15	8.00	8.11	3,391,633.28
03.09.2008	230,000	8.05	8.00	8.01	1,847,771.94
04.09.2008	66,300	8.00	8.00	8.00	532,350.32
08.09.2008	44,500	8.05	8.05	8.05	359,607.15
09.09.2008	97,400	7.95	7.85	7.89	771,593.35
10.09.2008	44,100	7.75	7.65	7.69	340,633.96
11.09.2008	102,300	7.65	7.35	7.52	772,434.96
12.09.2008	49,800	7.45	7.40	7.45	372,284.44
18.09.2008	6,000	6.90	6.90	6.90	41,702.82
19.09.2008	52,400	7.10	7.00	7.05	370,691.89
22.09.2008	50,600	7.25	7.20	7.22	366,717.30
23.09.2008	108,200	7.50	7.50	7.50	814,377.95
25.09.2008	37,600	7.55	7.50	7.51	283,500.31
07.10.2008	46,400	7.10	6.90	7.04	327,803.62
09.10.2008	21,900	6.95	6.95	6.95	152,860.29
10.10.2008	52,500	6.80	6.70	6.75	355,712.84
13.10.2008	93,100	6.75	6.65	6.70	626,224.60
14.10.2008	46,100	6.95	6.90	6.95	321,578.30

Date Cont'd	No. of shares	Highest price paid per share RM	Lowest price paid per share RM	Average price paid per share RM	Total consideration RM
15.10.2008	16,400	6.90	6.85	6.89	113,551.99
16.10.2008	80,600	6.75	6.65	6.70	542,115.28
17.10.2008	80,900	6.75	6.60	6.67	541,965.18
20.10.2008	42,000	6.70	6.60	6.67	281,100.13
21.10.2008	1,000	6.80	6.80	6.80	6,849.84
22.10.2008	28,400	6.80	6.80	6.80	193,951.30
23.10.2008	33,600	6.60	6.50	6.56	221,302.93
24.10.2008	54,400	6.55	6.40	6.44	351,610.24
28.10.2008	56,900	6.35	6.05	6.18	353,036.68
29.10.2008	89,000	6.35	6.20	6.27	560,491.18
04.11.2008	25,400	7.20	7.20	7.20	183,666.51
05.11.2008	92,800	7.40	7.30	7.36	685,089.51
06.11.2008	18,200	7.25	7.20	7.21	131,805.30
11.11.2008	26,200	7.20	7.20	7.20	189,451.52
13.11.2008	44,100	7.20	7.10	7.18	317,905.03

The treasury shares bought or to be bought back pursuant to the Proposed Authority to Buy Back Shares shall not be entitled to any of the rights attached to the existing Shares of the Company 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 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 the 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 share and EPS

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

The audited NA of the BKB Group as at 30 September 2008 is RM2,845 million representing a NA per share of RM6.66. The historical monthly highest and lowest price of BKB shares for the past 12 months to November 2008 as traded on the Bursa Securities are set out in Item 7.

Working Capital

The Proposed 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 Shares.

Similarly, the working capital of the Group will increase to the extent of the amount of funds obtained from the resale of the Shares so purchased which are retained as treasury shares.

5. SHAREHOLDINGS OF DIRECTORS AND MAJOR SHAREHOLDERS

The Directors, major shareholders and persons connected with the Directors and/or major shareholders of the BKB Group have no direct or indirect interest in the Proposed Authority to Buy Back Shares and/or the resale of treasury shares, if any.

The proforma table below shows the equity interests held directly and indirectly in BKB by the Directors and major shareholders as at 9 December 2008 before and after the Proposed Authority to Buy Back Shares (assuming it was carried out in full).

	No. of BKB shares held							
	Before Proposed Authority to Buy Back Shares				After Proposed Authority to Buy Back Shares			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Directors								
Dato' Seri Lee Oi Hian	853,500	0.20	216,015,129 ¹	50.65	853,500	0.22	216,015,129 ¹	56.28
Dato' Lee Hau Hian	624,375	0.15	214,857,504 ²	50.38	624,375	0.16	214,857,504 ²	55.98
YM Tengku Robert Hamzah	15,000	-	20,000 ⁶	-	15,000	-	20,000 ⁶	-
R.M. Alias	-	-	1,500 ⁷	-	-	-	1,500 ⁷	-
Tan Sri Dato' Thong Yaw Hong	22,500	-	-	-	22,500	-	-	-
Dato' Mustafa bin Mohd Ali	-	-	-	-	-	-	-	-
Dato' Lee Soon Hian	-	-	6,128,600 ³	1.44	-	-	6,128,600 ³	1.60
Mr Yeoh Eng Khoon	315,000	0.07	15,326,500 ⁴	3.59	315,000	0.08	15,326,500 ⁴	3.99
Substantial Shareholders								
Wan Hin Investments Sdn Berhad	17,108,387	4.01	197,463,367 ⁸	46.30	17,108,387	4.46	197,463,367 ⁸	51.44
Arusha Enterprise Sdn Bhd	190,554,667	44.68	6,908,700 ⁵	1.62	190,554,667	49.64	6,908,700 ⁵	1.80
Lembaga Kemajuan Tanah Persekutuan	27,369,750	6.42	-	-	27,369,750	7.13	-	-

Notes:

¹ Indirectly interested by virtue of his deemed interests in Arusha Enterprise Sdn Bhd, Di-Yi Sdn Bhd, Kampar Rubber and Tin Co. Sdn Bhd, Wan Yuen Mining Kongsi Sdn Bhd, Malay Rubber Plantations (Malaysia) Sdn Bhd, Wan Hin Investments Sdn Berhad, Malay-Sino Formic Acid Sdn Bhd and Congleton Holdings Sdn Bhd.

² Indirectly interested by virtue of his deemed interests in Arusha Enterprise Sdn Bhd, Kampar Rubber and Tin Co. Sdn Bhd, Wan Yuen Mining Kongsi Sdn Bhd, Malay Rubber Plantations (Malaysia) Sdn Bhd, Wan Hin Investments Sdn Berhad, High Quest Holdings Sdn Bhd, Malay-Sino Formic Acid Sdn Bhd and Cengal Emas Sdn Bhd.

³ Indirectly interested by virtue of his deemed interest in Elionai Sdn Bhd and Malay Rubber Plantations (Malaysia) Sdn Bhd.

⁴ Indirectly interested by virtue of his deemed interest in Yeoh Chin Hin Investments Sdn Bhd and spouse's shareholding.

⁵ Indirectly interested by virtue of its deemed interests in Malay Rubber Plantations (Malaysia) Sdn Bhd, Wan Yuen Mining Kongsi Sdn Bhd, Malay-Sino Formic Acid Sdn Bhd and Kampar Rubber and Tin Co. Sdn Bhd.

⁶ Indirectly interested by virtue of his deemed interests in KTH Holdings Sdn Bhd.

⁷ Indirectly interested through the interest of his child.

⁸ Indirectly interested by virtue of its deemed interests in Arusha Enterprise Sdn Bhd, Malay Rubber Plantations (Malaysia) Sdn Bhd, Wan Yuen Mining Kongsi Sdn Bhd, Malay-Sino Formic Acid Sdn Bhd and Kampar Rubber and Tin Co. Sdn Bhd.

6. CANCELLATION AND RESALES MADE IN THE PREVIOUS TWELVE (12) MONTHS

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

7. SHARE PRICES

The monthly highest and lowest prices of the Shares traded on the Bursa Securities for the last twelve (12) months from December 2007 to November 2008 are as follows:

	High RM	Low RM
2007		
December	11.50	9.95
2008		
January	13.10	10.50
February	11.90	11.10
March	11.30	9.30
April	11.60	9.70
May	11.40	10.90
June	11.10	10.30
July	10.60	8.60
August	9.10	8.00
September	8.30	6.55
October	7.45	6.05
November	7.55	7.00

(Source: The Star)

The last transacted price of BKB Shares on 15 December 2008, being the last practicable date prior to the printing of this Circular, was RM7.60.

8. FURTHER INFORMATION

Shareholders are requested to refer to Appendix II for further information.

9. AGM

The Ordinary Resolution to vote on the Proposed Authority to Buy Back Shares has been incorporated into the Notice of AGM in the Company's 2008 Annual Report and Financial Statements which is sent to you together with this Circular. The AGM will be held at Wisma Taiko, 1, Jalan S.P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan, Malaysia on Wednesday, 18 February 2009 at 2.15 p.m.

If you are unable to attend the AGM in person, kindly complete and return the enclosed Form of Proxy in accordance with the instructions printed therein to the Registered Office of BKB, Wisma Taiko, 1, Jalan S.P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan, Malaysia not less than 48 hours before the time fixed for the AGM. The completion, signing and returning of the Form of Proxy will not, however, preclude you from attending and voting at the AGM should you find that you are subsequently able to do so.

10. DIRECTORS' RECOMMENDATION

Your Directors, having considered all aspects of the Proposed Authority to Buy Back Shares, are of the opinion that the Proposed 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 Proposed Authority to Buy Back Shares** to be tabled at the forthcoming AGM.

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

DATO' SERI LEE OI HIAN
Chairman

BATU KAWAN BERHAD

(6292-U)
(Incorporated in Malaysia)

Registered Office :

Wisma Taiko
1, Jalan S.P. Seenivasagam
30000 Ipoh
Perak Darul Ridzuan

23 December 2008

Directors

Dato' Seri Lee Oi Hian - *Chairman*
Dato' Lee Hau Hian - *Managing Director*
YM Tengku Robert Hamzah
R.M. Alias
Tan Sri Dato' Thong Yaw Hong
Dato' Mustafa bin Mohd Ali
Dato' Lee Soon Hian
Mr Yeoh Eng Khoon

To: The Shareholders of Batu Kawan Berhad

Dear Sir/Madam,

PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**1. INTRODUCTION**

At the last AGM held on 20 February 2008, the Company obtained shareholders' mandate to enter into Recurrent Related Party Transactions of a revenue and trading nature. The approval shall, in accordance with the Listing Requirements, lapse at the conclusion of the forthcoming AGM which will be held on 18 February 2009 unless the mandate is renewed.

On 21 November 2008, the Company announced to the Bursa Securities that it proposes to seek shareholders' approval for the Proposed Shareholders' Mandate in accordance with Part E, Chapter 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 Board 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 Company's 2008 Annual Report and Financial Statements which is sent to you together with this Circular.

2. DETAILS OF THE PROPOSED SHAREHOLDERS' MANDATE**2.1 Listing Requirements**

Pursuant to Part E, Chapter 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 Proposed 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;
- (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.

The Board is now seeking the approval of the shareholders of the Company 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 Recurrent Related Party Transactions

BKB is an investment holding company. The activities of the BKB Group include the manufacture and sale of chemicals, general transport and haulage services, money lending, rental of warehousing facilities 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 Recurrent Related Party Transactions

The types of Recurrent Related Party Transactions 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.

(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 recurrent Related Party Transactions 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, hydrochloric acid, sulphuric acid, sulphur powder, oleum, aluminium sulphate, sodium silicate, ferric chloride, sodium hypochlorite and calcium 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 diesel, fuel oil 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.
- Sale commissions to a related party acting as main distributor.

- Provision of oleum refinement processing services for use in the electronics industry.
 - Provision of transport and haulage services.
- (ii) **Procurement and provision of other products (include soda ash, barium carbonate and flocculant) 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.
- Procurement of indirect materials
Indirect materials are purchased by the Group's subsidiary companies 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.

(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 the Directors or Major Shareholders.

Details are as follows:-

BKB and its subsidiary companies	Categories of transactions	Related Parties involved and nature of relationships	Estimated value per annum * RM'000
Malay-Sino Chemical Industries Sdn Bhd ("MSCI") Group	Purchase of raw materials and other products and services	See Sen Chemical Berhad ("SSCB") (<i>Note 1</i>) <u>Interested Directors</u> Dato' Seri Lee Oi Hian ("LOH"), Dato' Lee Hau Hian ("LHH"), Dato' Lee Soon Hian ("LSH"), Yeoh Eng Khoo ("YEK") <u>Interested major shareholders</u> Wan Hin Investments Sdn Berhad ("WHI"), #	6,249
MSCI Group	Sale of finished goods and other products and services	SSCB (<i>Note 1</i>) <u>Interested Directors</u> LOH, LHH, LSH, YEK <u>Interested major shareholders</u> WHI, #	Below 1,000

BKB and its subsidiary companies	Categories of transactions	Related Parties involved and nature of relationships	Estimated value per annum * RM'000
MSCI Group	Provision of transport and haulage services	SSCB (<i>Note 1</i>) <u>Interested Directors</u> LOH, LHH, LSH, YEK <u>Interested major shareholders</u> WHI, #	4,800
MSCI Group	Rental of transport vehicles received	SSCB (<i>Note 1</i>) <u>Interested Directors</u> LOH, LHH, LSH, YEK <u>Interested major shareholders</u> WHI, #	Below 1,000
MSCI Group	Purchase of electricity	SSCB (<i>Note 1</i>) <u>Interested Directors</u> LOH, LHH, LSH, YEK <u>Interested major shareholders</u> WHI, #	18,000
MSCI Group	Purchase of products and services which relate to core chemical business	Taiko Marketing Sdn Bhd ("TMK") Group (<i>Note 3</i>) <u>Interested Directors</u> LOH, LHH, LSH <u>Interested major shareholders</u> #	35,430
MSCI Group	Provision of transport and haulage services	TMK Group (<i>Note 3</i>) <u>Interested Directors</u> LOH, LHH, LSH <u>Interested major shareholders</u> #	1,260
MSCI Group	Purchase and sale of products and services which relate to core chemical business	Taiko Marketing (Singapore) Pte Ltd ("TMK(S)") (<i>Note 4</i>) <u>Interested Directors</u> LOH, LHH, LSH <u>Interested major shareholders</u> #	4,200

BKB and its subsidiary companies	Categories of transactions	Related Parties involved and nature of relationships	Estimated value per annum * RM'000
MSCI Group	Sale of finished products	TMK Group (<i>Note 3</i>) <u>Interested Directors</u> LOH, LHH, LSH <u>Interested major shareholders</u> #	113,568
MSCI Group	Purchase of storage and packing materials	Paragon Yield Sdn Bhd ("PYSB") Group (<i>Note 5</i>) <u>Interested Directors</u> LOH, LHH, LSH <u>Persons connected @</u> <u>Interested major shareholders</u> #	Below 1,000
SSCB Group	Purchase of raw materials and other products and services	MSCI (<i>Note 6</i>) <u>Interested Directors</u> LOH, LHH, LSH, YEK <u>Interested major shareholders</u> WHI, #	Below 1,000
SSCB Group	Procurement of transport and haulage services	MSCI (<i>Note 6</i>) <u>Interested Directors</u> LOH, LHH, LSH, YEK <u>Interested major shareholders</u> WHI, #	4,800
SSCB Group	Procurement of transport and haulage services	MSCI (<i>Note 6</i>) <u>Interested Directors</u> LOH, LHH, LSH, YEK <u>Interested major shareholders</u> WHI, #	4,800
SSCB Group	Rental of transport vehicles received	MSCI (<i>Note 6</i>) <u>Interested Directors</u> LOH, LHH, LSH, YEK <u>Interested major shareholders</u> WHI, #	Below 1,000

BKB and its subsidiary companies	Categories of transactions	Related Parties involved and nature of relationships	Estimated value per annum * RM'000
SSCB Group	Rental of transport vehicles paid	MSCI (<i>Note 6</i>) <u>Interested Directors</u> LOH, LHH, LSH, YEK <u>Interested major shareholders</u> WHI, #	Below 1,000
SSCB Group	Commission given for sale of products	TMK Group (<i>Note 3</i>) <u>Interested Directors</u> LOH, LHH, LSH <u>Interested major shareholders</u> #	2,672
SSCB Group	Commission given for sale of products	TMK(S) (<i>Note 4</i>) <u>Interested Directors</u> LOH, LHH, LSH <u>Interested major shareholders</u> #	Below 1,000
SSCB Group	Sale of finished goods and other products and services	TMK Group (<i>Note 3</i>) <u>Interested Directors</u> LOH, LHH, LSH <u>Interested major shareholders</u> #	51,070
SSCB Group	Sale of finished goods and other products and services	MSCI (<i>Note 6</i>) <u>Interested Directors</u> LOH, LHH, LSH, YEK <u>Interested major shareholders</u> WHI, #	6,249
SSCB Group	Purchase of products and services which relate to core chemical business	TMK Group (<i>Note 3</i>) <u>Interested Directors</u> LOH, LHH, LSH <u>Interested major shareholders</u> #	5,421

BKB and its subsidiary companies	Categories of transactions	Related Parties involved and nature of relationships	Estimated value per annum * RM'000
SSCB Group	Sale of electricity	MSCI (Note 6) <u>Interested Directors</u> LOH, LHH, LSH, YEK <u>Interested major shareholders</u> #	18,000
SSCB Group	Purchase and sale of products and services which relate to core chemical business	TMK(S) (Note 4) <u>Interested Directors</u> LOH, LHH, LSH <u>Interested major shareholders</u> #	Below 1,000
SSCB Group	Purchase and sale of products and services which relate to core chemical business	TCC Group (Note 2) <u>Interested Directors</u> LOH, LHH, LSH <u>Persons connected @</u> <u>Interested major shareholders</u> #	Below 1,000
SSCB Group	Purchase of storage and packing materials	PYSB Group (Note 5) <u>Interested Directors</u> LOH, LHH, LSH <u>Persons connected @</u> <u>Interested major shareholders</u> #	Below 1,000
SSCB Group	Purchase and sale of finished products	PYSB Group (Note 5) <u>Interested Directors</u> LOH, LHH, LSH <u>Persons connected @</u> <u>Interested major shareholders</u> #	Below 1,000

BKB and its subsidiary companies	Categories of transactions	Related Parties involved and nature of relationships	Estimated value per annum * RM'000
SSCB Group	Sale of electricity and provision of other chemical-based products and services	BASF See Sen Sdn Bhd (Note 7) <u>Interested Directors</u> LOH, LHH, LSH, YEK <u>Interested major shareholders</u> WHI, #	4,303

* Estimated value from 18/2/2009 to the date of next AGM. The values are estimated based on forecast and the actual amount transacted may vary.

@ Taiko Clay Chemicals Sdn Bhd, Taiko Chemical Industries Sdn Bhd, Paragon Yield Sdn Bhd and Lee Oi Loon are persons connected with LOH, LHH and LSH, who are Directors of BKB. LOH and LHH are also deemed major shareholders of BKB. LOH, LHH and LSH are brothers while Lee Oi Loon is their sister.

Wan Hin Investments Sdn Berhad (also the holding company of BKB), Arusha Enterprise Sdn Bhd, Kampar Rubber and Tin Co. Sdn Bhd, Wan Yuen Mining Kongsai Sdn Bhd, Malay Rubber Plantations (Malaysia) Sdn Bhd, High Quest Holdings Sdn Bhd, Elionai Sdn Bhd, Congleton Holdings Sdn Bhd, Cengal Emas Sdn Bhd, Malay-Sino Formic Acid Sdn Bhd and Di-Yi Sdn Bhd are persons connected with LOH, LHH and LSH, who are Directors of BKB. LOH and LHH are also deemed major shareholders of BKB. LOH, LHH and LSH are brothers.

Notes:-

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

(1) SSCB Group

(a) SSCB is a 61% subsidiary company of BKB.

(b) BKB's Director, LHH, who is a deemed major shareholder of BKB, together with YEK are Directors of this company.

(c) WHI, a company in which LOH and LHH have interests, is a major shareholder of SSCB. WHI is also the holding company of BKB.

(2) TCC Group

TCC is a company in which LSH, a Director of BKB, together with a person connected with him, Lee Oi Loon, are deemed major shareholders through Taiko Chemical Industries Sdn Bhd ("TCI"). TCC is a 62% subsidiary company of Taiko Chemical Industries Sdn Bhd ("TCI").

(3) TMK Group

TMK is a company in which LSH together with persons connected with him namely, Lee Oi Loon and Lee Oi Kum, are major shareholders.

(4) TMK(S)

TMK(S) is a company in which LSH is a deemed major shareholder.

(5) PYSB Group

PYSB is a company in which LSH together with a person connected with him namely, Lee Oi Loon, are deemed major shareholders through TCI. PYSB is a 62% subsidiary company of TCI.

(6) MSCI Group

(a) MSCI is a 84% subsidiary company of BKB.

(b) BKB's Directors namely, LHH and YEK, are also Directors of this Company.

(c) WHI, a company in which LOH and LHH have interests, is a deemed major shareholder of MSCI. WHI is also the holding company of BKB.

(7) BASF See Sen Sdn Bhd

(a) BASF See Sen Sdn Bhd is a 30% associate company of SSCB. SSCB in turn is a subsidiary company of BKB.

(b) LHH (also a deemed major shareholder of BKB) and YEK are also Directors of SSCB.

(c) WHI, a company in which LOH and LHH have interests, is a major shareholder of SSCB. WHI is also the holding company of BKB.

(c) Guidelines and Review Procedures

The BKB Group has established procedures to ensure that the Recurrent Related Party Transactions 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 BKB Group are as follows:-

- (i) An updated list of Related Parties shall be circulated to the operating centres and subsidiary companies 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) All operating centres and subsidiary companies 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.
- (iii) Records shall be maintained to capture all the Recurrent Related Party Transactions which are entered into pursuant to the Proposed Shareholders' Mandate. Details of the Recurrent Related Party Transactions made during the financial year shall be submitted to the Group Finance Department monthly and compiled annually for disclosure in the Company's Annual Report.
- (iv) 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(s) in respect of the Recurrent Related Party Transaction.
- (v) The Audit 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.
- (vi) Any member of the Audit Committee may, as he deems fit, request for additional information pertaining to the Recurrent Related Party Transactions from independent sources or advisers. An Audit Committee member who is interested in any transaction shall abstain from reviewing and approving the transaction.

(d) Statement by Audit Committee

The Audit 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 Recurrent Related Party Transactions are not more favourable to the Related Party and are not detrimental to the minority shareholders of BKB.

(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 first 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;
- (ii) the expiration of the period within which the next AGM meeting after the date it is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act);
- (iii) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier.

(f) Disclosure

Disclosure will be made in accordance with Section 4.1.5 of Practice Note No.12/2001 of the Listing Requirements, which requires a breakdown of the aggregate value of the Recurrent Related Party Transactions made during the financial year, amongst others, based on the following information:-

- (i) the type of the Recurrent Related Party Transactions; and
- (ii) the names of the Related Parties involved in each type of the Recurrent Related Party Transactions made and their relationships 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.

3. RATIONALE 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 Recurrent Related Party Transactions entered into by the BKB Group are intended to meet business needs at the commercial terms which are not more favourable to the Related Party and also 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 qualities and likewise, ensuring its products are of high qualities to meet customer requirements.

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 the Bursa Securities and to convene separate general meetings from time to time, to seek shareholders' approval as and when such Recurrent Related Party Transactions 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.

4. EFFECTS OF THE PROPOSED SHAREHOLDERS' MANDATE

The Proposed Shareholders' Mandate should not have any impact on the share capital, net tangible assets, earnings, dividends and shareholding structure of BKB.

5. CONDITION 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/or 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/or persons connected with them in BKB as at 9 December 2008 are as follows:-

	Direct		Indirect	
	<u>No. of Shares</u>	<u>%</u>	<u>No. of Shares</u>	<u>%</u>
Directors				
Dato' Seri Lee Oi Hian	853,500	0.20	216,015,129 ¹	50.65
Dato' Lee Hau Hian	624,375	0.15	214,857,504 ²	50.38
Dato' Lee Soon Hian	-	-	6,128,600 ³	1.44
Mr Yeoh Eng Khoon	315,000	0.07	15,326,500 ⁴	3.59
Major Shareholders				
Wan Hin Investments Sdn Berhad	17,108,387	4.01	197,463,367 ⁶	46.30
Arusha Enterprise Sdn Bhd	190,554,667	44.64	6,908,700 ⁵	1.62

Notes:

- ¹ Indirectly interested by virtue of his deemed interests in Arusha Enterprise Sdn Bhd, Di-Yi Sdn Bhd, Kampar Rubber and Tin Co. Sdn Bhd, Wan Yuen Mining Kongsu Sdn Bhd, Malay Rubber Plantations (Malaysia) Sdn Bhd, Wan Hin Investments Sdn Berhad, Malay-Sino Formic Acid Sdn Bhd and Congleton Holdings Sdn Bhd.
- ² Indirectly interested by virtue of his deemed interests in Arusha Enterprise Sdn Bhd, Kampar Rubber and Tin Co. Sdn Bhd, Wan Yuen Mining Kongsu Sdn Bhd, Malay Rubber Plantations (Malaysia) Sdn Bhd, Wan Hin Investments Sdn Berhad, High Quest Holdings Sdn Bhd, Malay-Sino Formic Acid Sdn Bhd and Cengal Emas Sdn Bhd.
- ³ Indirectly interested by virtue of his deemed interest in Elionai Sdn Bhd and Malay Rubber Plantations (Malaysia) Sdn Bhd.
- ⁴ Indirectly interested by virtue of his deemed interest in Yeoh Chin Hin Investments Sdn Bhd and spouse's shareholding.
- ⁵ Indirectly interested by virtue of its deemed interests in Malay Rubber Plantations (Malaysia) Sdn Bhd, Wan Yuen Mining Kongsu Sdn Bhd, Malay-Sino Formic Acid Sdn Bhd and Kampar Rubber and Tin Co. Sdn Bhd.
- ⁶ Indirectly interested by virtue of its deemed interests in Arusha Enterprise Sdn Bhd, Malay Rubber Plantations (Malaysia) Sdn Bhd, Wan Yuen Mining Kongsu Sdn Bhd, Malay-Sino Formic Acid Sdn Bhd and Kampar Rubber and Tin Co. Sdn Bhd.

The interested Directors namely, Dato' Seri Lee Oi Hian, Dato' Lee Hau Hian, Dato' Lee Soon Hian and Yeoh Eng Khoon ("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 namely, Arusha Enterprise Sdn Bhd and Wan Hin Investments Sdn Berhad, will also abstain from voting in respect of their direct and indirect interests, if any, in the Company on the Proposed Shareholders' Mandate at the forthcoming AGM. In addition, the Interested Directors and major shareholders will undertake to use their best endeavour to ensure that persons connected with them will abstain from voting on the Proposed Shareholders' Mandate at the forthcoming AGM.

7. DIRECTORS' RECOMMENDATION

Your Director (with the Interested Directors abstaining), having considered all aspects of the Proposed Shareholders' Mandate, is of the opinion that the Proposed Shareholders' Mandate are in the best interests of the Company. Accordingly, your Director (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 2008 Annual Report and Financial Statements which is sent to you together with this Circular. The AGM will be held at Wisma Taiko, 1, Jalan S.P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan, Malaysia on Wednesday, 18 February 2009 at 2.15 p.m.

If you are unable to attend the AGM in person, kindly complete and return the enclosed Form of Proxy in accordance with the instructions printed therein to the Registered Office of BKB, Wisma Taiko, 1, Jalan S.P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan, Malaysia not less than 48 hours before the time fixed for the AGM. The completion, signing and returning of the Form of Proxy 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 Appendix II for further information.

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

YM TENGKU ROBERT HAMZAH
Senior Independent Director

ACTIVITIES OF THE BKB GROUP AS AT 9 DECEMBER 2008

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

The activities of its subsidiary companies are as follows:-

Name of subsidiary companies	Effective % held	Principal activities
See Sen Chemical Berhad	61	Chemicals manufacturing
See Sen Bulking Installation Sdn Bhd	61	Provision of bulking services
Malay-Sino Chemical Industries Sdn Bhd	84	Chemicals manufacturing
Malay-Sino Agro-Chemical Products Sdn Bhd	84	Manufacture and sale of methyl chloride
Circular Agency Sdn Bhd	84	General transport and haulage services
North-South Transport Sdn Bhd	84	General transport and haulage services
Malay-Sino Properties Sdn Bhd	84	Letting of storage warehouse facilities
Malay-Sino Chemical Holdings Berhad	84	Dormant
Omega Network Sdn Bhd	84	Under Members' Voluntary Liquidation
Batu Kawan Holdings Sdn Bhd	100	Investment holding
Caruso Enterprises Sdn Bhd	100	Money lending
Whitmore Holdings Sdn Bhd	100	Investment holding
Enternal Edge Sdn Bhd	100	Investment holding
Forever Green Venture Limited (Incorporated in Mauritius)	100	Investment holding
PT Satu Sembilan Delapan	92	Plantation

FURTHER INFORMATION**1. RESPONSIBILITY**

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 material facts, the omission of which will make any statement herein misleading.

2. MATERIAL LITIGATION

The BKB Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant and the Directors of BKB 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 and its subsidiary companies have 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 during normal business hours on Mondays to Saturdays (except public holidays) from the date of this Circular up to and including the date of the AGM:

- a) Memorandum and Articles of Association of BKB; and
- b) the Audited Financial Statements of BKB for each of the past two (2) financial years ended 30 September 2007 and 2008.