BATU KAWAN BERHAD (6292-U)

Annual Report 2017

BATU KAWAN BERHAD (6292-U)

ANNUAL REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2017

BATU KAWAN BERHAD

Contents

BATU KAWAN BERHAD

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fifty-Third ANNUAL GENERAL MEETING of Batu Kawan Berhad ("BKB" or "Company") will be held at its Registered Office, Wisma Taiko, No. 1, Jalan S. P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan, Malaysia on Tuesday, 13 February 2018 at 2.30 p.m. for the following purposes:

AGENDA

1. To receive the Audited Financial Statements for the year ended 30 September 2017 and the Directors' and Auditors' Reports thereon. (*Please refer Note 1)*

2. To approve the payment of a final single tier dividend of 45 sen per share for the year ended 30 September 2017. (Ordinary Resolution 1)

3. To re-elect the following Directors who retire in accordance with the Company's Articles of Association:

   Dato' Lee Hau Hian (Ordinary Resolution 2)
   Dato' Yeoh Eng Khoon (Ordinary Resolution 3)
   Tan Sri Rastam bin Mohd Isa (Ordinary Resolution 4)

4. To re-appoint the following Director whose term of office shall be expiring at the conclusion of this Annual General Meeting, as a Director of the Company:

   R. M. Alias *(Please refer Note 2)* (Ordinary Resolution 5)

5. To approve the Directors' fees for the year ended 30 September 2017 amounting to RM704,808 (2016: RM720,000). (Ordinary Resolution 6)

6. To approve the payment of Directors' benefits (other than Directors' fees) to Non-Executive Directors for the period from 31 January 2017 until the next Annual General Meeting to be held in 2019. *(Please refer Note 3)* (Ordinary Resolution 7)

7. To re-appoint Auditors and authorise the Directors to fix their remuneration. (Ordinary Resolution 8)

8. As SPECIAL BUSINESS, to consider and, if thought fit, pass the following resolutions:

   (a) **PROPOSED RENEWAL OF AUTHORITY TO BUY BACK ITS OWN SHARES BY THE COMPANY** (Ordinary Resolution 9)

   "THAT authority be given to the Company to buy back an aggregate number of shares in the Company ("Authority to Buy Back Shares") as may be determined by the Directors from time to time through Bursa Malaysia Securities Berhad upon such terms and conditions as the Directors may deem fit and expedient in the best interests of the Company provided that at the time of purchase, the aggregate number of shares purchased pursuant to this resolution does not exceed ten percent (10%) of the total issued and paid-up share capital of the Company and that the maximum funds to be allocated for the Authority to Buy Back Shares shall not exceed the latest audited retained profits of the Company;

THAT the shares purchased by the Company pursuant to Authority to Buy Back Shares may be dealt with by the Directors in all or any of the following manner:

(i) distribute the shares as share dividends to the shareholders; or
(ii) resell the shares or any of the shares on Bursa Malaysia Securities Berhad; or
(iii) transfer the shares or any of the shares for the purposes of or under an employees' share scheme; or
(iv) transfer the shares or any of the shares as purchase consideration; or
(v) cancel the shares or any of the shares; or
(vi) sell, transfer or otherwise use the shares for such other purposes as allowed by the Companies Act 2016.

AND THAT the Directors be and are hereby empowered to do all such acts and things to give full effect to the Authority to Buy Back Shares with full powers to assent to any conditions, modifications, revaluations, variations and/or amendment (if any) as may be imposed by the relevant authorities AND THAT such authority shall commence upon passing of this ordinary resolution and will expire at the conclusion of the next Annual General Meeting ("AGM") of the Company following the passing of this ordinary resolution or the expiry of the period within which the next AGM is required by law to be held (unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting) but not so as to prejudice the completion of a purchase by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the guidelines issued by Bursa Malaysia Securities Berhad or any other relevant authority."

(b) **PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE** (Ordinary Resolution 10)

"THAT subject to the Companies Act 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into all arrangements and/or transactions as set out in Appendix II of the Circular to Shareholders dated 29 December 2017 involving the interests of Directors, major shareholders or persons connected with Directors or major shareholders ("Related Parties") of the Company and/or its subsidiaries provided that such arrangements and/or transactions are:

(i) recurrent transactions of a revenue or trading nature;
(ii) necessary for the Group's day-to-day operations;
(iii) carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public; and
(iv) are not to the detriment of minority shareholders

("the Mandate").

THAT such authority shall commence upon the passing of this ordinary resolution and shall continue to be in force until:

(i) the conclusion of the next Annual General Meeting of the Company following the Annual General Meeting at which such Mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or
(ii) the expiration of the period within which the next Annual General Meeting after the date it is required to be held pursuant to Section 340(1) of the Companies Act 2016 but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016; or
(iii) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is earlier.

AND THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Mandate."

(c) **PROPOSED ESTABLISHMENT OF A DIVIDEND REINVESTMENT PLAN THAT PROVIDES THE SHAREHOLDERS OF BATU KAWAN BERHAD ("BKB" OR "COMPANY") WITH AN OPTION TO ELECT TO REINVEST THEIR CASH DIVIDEND(S) DECLARED BY BKB IN NEW ORDINARY SHARES OF BKB ("BKB SHARES") ("PROPOSED DRP")** (Ordinary Resolution 11)

"THAT subject to the approvals of the relevant regulatory authorities for the Proposed DRP being obtained and to the extent permitted by law, the Proposed DRP be and is hereby approved, and that the Board of Directors of the Company ("Board") be and is hereby authorised:

(i) to establish and implement the Proposed DRP;
(ii) to determine, in their sole and absolute discretion, whether the Proposed DRP will apply to any cash dividend(s) (whether interim, final, special or any other cash dividend) declared and/or approved by the Company ("Dividend") and the portion of such Dividend to which the option to reinvest such Dividend in new BKB Shares applies;
(iii) to allot and issue such number of new BKB Shares from time to time as may be required to be allotted and issued pursuant to the Proposed DRP ("New Shares") upon such terms and conditions as the Board may, in its absolute discretion deem fit and in the best interest of the Company, including but not limited to determining the issue price of the New Shares ("Issue Price") and the extent of discount to be applied in relation to the Issue Price; and
(iv) to do all such acts and enter into all such transactions, arrangements and agreements and to execute, sign and deliver for and on behalf of the Company, all such documents and impose such terms and conditions or delegate all or any part of its powers as may be necessary or expedient in order to give full effect to the Proposed DRP, with full power to assent to any conditions, modifications, variations and/or amendments including amendments, modification, suspension and termination of the Proposed DRP as the Board may, in its absolute discretion, deem fit and in the best interest of the Company and/or may be imposed or agreed to by any relevant authorities;

AND THAT the New Shares shall, upon allotment and issue, rank equally in all respects with the existing BKB Shares, save and except that the holders of the New Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which are declared, made or paid, in respect of which the entitlement date is before the allotment of the New Shares issued pursuant to the Proposed DRP."

(d) **PROPOSED ISSUANCE OF NEW SHARES IN RELATION TO THE PROPOSED DIVIDEND REINVESTMENT PLAN ("PROPOSED ISSUANCE OF NEW SHARES")** (Ordinary Resolution 12)

"THAT subject to the passing of Ordinary Resolution 11 above, and the approvals of all relevant regulatory authorities being obtained, where required, approval be and is hereby given to the Board to allot and issue such number of new ordinary shares of the Company ("New Shares") pursuant to the proposed Dividend Reinvestment Plan until the conclusion of the next Annual General Meeting of the Company, upon such terms and conditions as the Board may, in their sole and absolute discretion, deem fit and in the best interest of the Company;

PROVIDED THAT, the issue price of the New Shares which will be determined by the Board on the price fixing date to be determined, shall be the adjusted volume weighted average price ("VWAMP") for the five (5) market days immediately prior to the price fixing date after applying a discount of not more than ten percent (10%). The VWAMP shall be adjusted ex-dividend before applying the aforementioned discount in fixing the issue price.

AND THAT the Board be and is hereby authorised to do all such acts and enter into all such transactions, arrangements and agreements and to execute, sign and deliver for and on behalf of the Company, all such documents and impose any terms and conditions or delegate all or any part of its powers as may be necessary or expedient in order to give full effect to the Proposed Issuance of New Shares, with full power to assent to any conditions, modifications, variations and/or amendments, as the Board may, in its absolute discretion, deem fit and in the best interest of the Company and/or as may be imposed or agreed to by any relevant authorities."

9. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016.

By Order of the Board
CHONG SEE TECK
YAP MIOW KIEN
CHIEW CINDY
(Company Secretaries)

Ipoh,
Perak Darul Ridzuan,
Malaysia.

29 December 2017

NOTES:

(1) **Audited Financial Statements**
This item is meant for discussion only as under Section 340(1) of the Companies Act 2016, the Audited Financial Statements are to be laid at the Annual General Meeting and do not require a formal approval of the shareholders. Hence, this matter will not be put forward for voting.

(2) **Re-appointment of Director**
The proposed Ordinary Resolution 5 is to seek shareholders' approval on the re-appointment of R. M. Alias who was re-appointed as a Director of the Company at the last Annual General Meeting held on 15 February 2017 pursuant to Section 129 of the repealed Companies Act, 1965 to hold office until the conclusion of this Annual General Meeting. The Companies Act 2016 (which repealed the Companies Act, 1965) no longer requires the continuation in office by a director over 70 years of age to be subject to shareholders' approval at an annual general meeting. Therefore, the proposed Ordinary Resolution 5, if passed, will enable him to continue his office as a Director of the Company following the conclusion of this Annual General Meeting and his continuation in office will thereafter be subject to retirement by rotation in accordance with the Company's Articles of Association.

(3) **Payment of Directors' benefits (excluding Directors' fees)**
The Company is seeking shareholders' approval for the following payment of benefits to its Non-Executive Directors pursuant to Section 230 of the Companies Act 2016, which came into effect on 31 January 2017, commencing 31 January 2017 until the conclusion of the next Annual General Meeting of the Company in 2019:

Type of Benefit/Allowance	**Amount**
Meeting Allowance (Board and Committees)	RM1,000 per meeting
Overseas Travelling Allowance	RM1,000 per day
Other Benefits	Business travel, insurance coverage, and other claimables and reimbursables for the purpose of enabling the Directors to perform their duties.

(4) **Voting by Poll**
Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in this Notice shall be put to vote by poll.

(5) **Appointment of Proxy**
(a) A member of the Company (other than an exempt authorised nominee) is entitled to appoint only one proxy to vote in his stead. The proxy may, but need not be a member of the Company.

(b) Where a member of the Company is an exempt authorised nominee, as defined under the Securities Industry (Central Depositories) Act 1991, which holds shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(c) The instrument appointing a proxy, to be valid, must be deposited at the Registered Office of the Company at Wisma Taiko, No. 1, Jalan S. P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan, not less than twenty-four (24) hours before the time set for holding the meeting.

(6) **Members Entitled to Attend**
Only members whose names appear on the Record of Depositors or Register of Members as at 7 February 2018 shall be entitled to attend or appoint proxies in his stead or in the case of a corporation, a duly authorised representative to attend and vote in his stead.

(7) **Final Single Tier Dividend**
The final single tier dividend, if approved, will be paid to the shareholders on 15 March 2018. The entitlement date for the dividend shall be 21 February 2018.

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

(a) securities deposited into the Depositor's Securities Account before 12.30 p.m. on 19 February 2018 in respect of securities which are exempted from mandatory deposit;
(b) securities transferred into the Depositor's Securities Account before 4.00 p.m. on 21 February 2018 in respect of transfers; and
(c) securities bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

(8) **Proposed Renewal of Authority to Buy Back Shares**
Ordinary Resolution 9 proposed under Item 8(a) of the Agenda, if passed, will empower the Directors to buy back the Company's own shares. This authority will expire at the next Annual General Meeting of the Company unless earlier revoked or varied by ordinary resolution of the Company at a general meeting.

(9) **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transaction of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")**
Ordinary Resolution 10 proposed under Item 8(b) of the Agenda, if passed, will allow the Group to enter into Recurrent Related Party Transactions of a Revenue or Trading Nature in the ordinary course of business made on normal commercial terms not more favourable to the related parties than those generally available to the public, and are not to the detriment of the minority shareholders.

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

(10) **Proposed Dividend Reinvestment Plan**
Ordinary Resolution 11 proposed under Item 8(c) of the Agenda, if passed, will provide shareholders with an opportunity to reinvest their cash dividends, which includes any interim, final, special or other cash dividend ("Dividend"), in new ordinary shares of the Company ("New Shares") instead of receiving it in cash. The Board may, at its absolute discretion determine whether to offer shareholders an option to reinvest such Dividends in New Shares ("Reinvestment Option") and where applicable, the portion of such Dividend to which the Reinvestment Option applies ("Electable Portion"). In this respect, the Electable Portion may encompass the whole Dividend declared or only a portion of the Dividend. In the event the Electable Portion is not applicable for the whole Dividend declared, the remaining portion of the Dividend ("Non-Electable Portion") will be paid in cash.

Shareholders shall have the following options in respect of the Reinvestment Option announced by the Board under the proposed Dividend Reinvestment Plan:

(a) to elect to participate in the Reinvestment Option by reinvesting the entire Electable Portion in New Shares at an issue price to be determined on a price fixing date to be announced later and to receive the Non-Electable Portion in cash;
(b) to elect to participate in the Reinvestment Option by reinvesting part of the Electable Portion in New Shares at the issue price and to receive the balance of the Electable Portion and Non-Electable Portion in cash; or
(c) to elect not to participate in the Reinvestment Option and thereby receive the entire Dividend entitlement (both Electable Portion and Non-Electable Portion) in cash.

(11) **Proposed Issuance of New Shares**
Ordinary Resolution 12 proposed under Item 8(d) of the Agenda, if passed, will give authority to the Directors to issue new shares of the Company in respect of the dividends to be declared, if any, under the Dividend Reinvestment Plan, until the conclusion of the next Annual General Meeting. A renewal of this authority will be sought at subsequent Annual General Meeting.

For Ordinary Resolutions 9, 10, 11 and 12 mentioned above, further information is set out in the Circular to Shareholders of the Company which is despatched together with the Company's 2017 Annual Report.

NOTIS DENGAN INI DIBERIKAN bahawa MESYUARAT AGUNG TAHUNAN Kelima Puluh Tiga Batu Kawan Berhad (“BKB” atau “Syarikat”) akan diadakan di Pejabat Berdaftar di Wisma Taiko, No. 1, Jalan S. P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan, Malaysia pada hari Selasa, 13 Februari 2018 pada pukul 2.30 petang untuk tujuan-tujuan berikut:

AGENDA

1. Untuk menerima Penyata Kewangan yang telah diaudit bagi tahun berakhir 30 September 2017 berserta Laporan Pengarah dan Juruaudit yang berkaitan dengannya. *(Sila Rujuk Nota 1)*

2. Untuk meluluskan bayaran dividen akhir setingkat sebanyak 45 sen sesaham bagi tahun berakhir 30 September 2017. (Resolusi Biasa 1)

3. Untuk memilih semula para Pengarah berikut yang akan bersara menurut Tataurusan Syarikat:

   Dato’ Lee Hau Hian (Resolusi Biasa 2)
   Dato’ Yeoh Eng Khoon (Resolusi Biasa 3)
   Tan Sri Rastam bin Mohd Isa (Resolusi Biasa 4)

4. Untuk melantik semula Pengarah berikut di mana tempoh jawatannya sebagai Pengarah Syarikat akan tamat pada akhir Mesyuarat Agung Tahunan ini:

   R. M. Alias *(Sila Rujuk Nota 2)* (Resolusi Biasa 5)

5. Untuk meluluskan bayaran yuran para Pengarah berjumlah RM704,808 bagi tahun berakhir 30 September 2017 (2016: RM720,000). (Resolusi Biasa 6)

6. Untuk meluluskan bayaran imbuhan para Pengarah (tidak termasuk yuran para Pengarah) kepada Pengarah Bukan Eksekutif bagi tempoh dari 31 Januari 2017 sehingga Mesyuarat Agung Tahunan Syarikat yang akan diadakan pada tahun 2019. *(Sila Rujuk Nota 3)* (Resolusi Biasa 7)

7. Untuk melantik semula Juruaudit dan memberi kuasa kepada para Pengarah untuk menetapkan imbuhan Juruaudit. (Resolusi Biasa 8)

8. Sebagai URUSAN KHAS, untuk mempertimbangkan dan sekiranya bersesuaian meluluskan resolusi-resolusi berikut:

   (a) **CADANGAN PEMBAHARUAN KUASA MEMBELI BALIK SAHAM SENDIRI OLEH SYARIKAT** (Resolusi Biasa 9)

   “BAHAWA kuasa diberi kepada Syarikat untuk membeli balik agregat saham Syarikat (“Cadangan Memberi Kuasa Membeli Balik Saham”) dengan jumlah saham ditentukan oleh para Pengarah dari semasa ke semasa melalui Bursa Malaysia Securities Berhad mengikut syarat-syarat yang dianggap sesuai dan wajar oleh para Pengarah demi kepentingan Syarikat tertakluk kepada jumlah saham yang dibeli melalui resolusi ini tidak melebihi sepuluh peratus (10%) dari jumlah modal saham terbitan dan berbayar Syarikat dan amaun maksima yang diperuntukkan untuk Cadangan Memberi Kuasa Membeli Balik Saham tidak melebihi jumlah keuntungan terkumpul Syarikat yang terkini dan diaudit;

BAHAWA saham yang dibeli oleh Syarikat menurut Cadangan Memberi Kuasa Membeli Balik Saham boleh diuruskan oleh para Pengarah dalam semua atau mana-mana cara yang berikut:

(i) membahagikan saham tersebut sebagai dividen kepada pemegang saham; atau
(ii) menjual semula saham tersebut atau mana-mana bahagian daripada saham itu mengikut kaedah-kaedah yang berkaitan dengan bursa saham; atau
(iii) memindah milik saham itu, atau mana-mana bahagian daripada saham itu bagi maksud atau di bawah suatu skim saham pekerja; atau
(iv) memindah milik saham itu, atau mana-mana bahagian daripada saham sebagai balasan pembelian; atau
(v) membatalkan saham itu atau mana-mana bahagian daripada saham itu; atau
(vi) menjual, memindah milik atau selainnya menggunakan saham itu bagi apa-apa maksud lain sebagaimana yang dibenarkan oleh Akta Syarikat 2016.

DAN BAHAWA para Pengarah dengan ini diberi kuasa untuk membuat segala tindakan dan perkara yang perlu untuk melaksanakan dengan penuh Cadangan Memberi Kuasa Membeli Balik Saham dengan penuh kuasa untuk menyetujui sebarang syarat, ubahsuaian, nilaian semula, perubahan dan/atau pindaan (jika ada) yang dikuatkuasakan oleh pihak berkuasa berkenaan; DAN BAHAWA kuasa tersebut akan bermula apabila resolusi ini diluluskan dan akan tamat pada penghabisan Mesyuarat Agung Tahunan Syarikat tahun hadapan berikutan dengan kelulusan resolusi biasa ini atau penamatan jangkamasa dalam tempoh di mana Mesyuarat Agung Tahunan hadapan yang dikehendaki oleh undang-undang perlu diadakan (kecuali dibatalkan atau diubahsuai melalui resolusi biasa para pemegang saham Syarikat dalam Mesyuarat Agung) tetapi tidak menjejaskan penyempurnaan pembelian oleh Syarikat sebelum tarikh tamat dan, dalam keadaan apa pun, seharusnya mengikut peruntukan dalam garis panduan yang dikeluarkan oleh Bursa Malaysia Securites Berhad atau mana-mana pihak berkuasa berkenaan."

(b) **CADANGAN PARA PEMEGANG SAHAM MEMBERI MANDAT UNTUK MELULUSKAN TRANSAKSI DAGANGAN SERING BERULANG DENGAN PIHAK-PIHAK YANG BERKAITAN** (Resolusi Biasa 10)

"BAHAWA, tertakluk kepada Akta Syarikat 2016 dan Keperluan Penyenaraian Pasaran Utama Bursa Malaysia Securities Berhad, kelulusan diberikan kepada Syarikat dan/atau subsidiari-subsidiarinya untuk mementerai perjanjian bagi transaksi dengan pihak-pihak yang berkaitan seperti yang tertera di Appendik II dalam Surat Pekeliling kepada para pemegang saham bertarikh 29 Disember 2017 yang melibatkan kepentingan para Pengarah atau pemegang saham utama atau pihak-pihak yang berkaitan dengan para Pengarah atau para pemegang saham utama ("Pihak-pihak Berkaitan") Syarikat dan/atau subsidiari-subsidiarinya sekiranya transaksi-transaksi tersebut adalah:

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

("Mandat").

DAN BAHAWA, Mandat tersebut akan berkuatkuasa sebaik sahaja resolusi ini diluluskan dan terus berkuatkuasa sehingga:

(i) penamatan Mesyuarat Agung Tahunan Syarikat selepas Mesyuarat Agung Tahunan pada mana Mandat tersebut diluluskan bila mana ia akan luput, melainkan resolusi diluluskan untuk memperbaharui Mandat, diperolehi dalam mesyuarat tersebut; atau
(ii) tamatnya tempoh bilamasa Mesyuarat Agung Tahunan perlu diadakan mengikut Seksyen 340(1) Akta Syarikat 2016 tetapi tidak dilanjutkan kepada lanjutan yang dibenarkan dibawah Seksyen 340(4) Akta Syarikat 2016 tersebut; atau
(iii) dimansuhkan atau diubah oleh suatu resolusi yang diluluskan oleh para pemegang saham dalam mesyuarat agung;

yang mana lebih terdahulu.

DAN BAHAWA, para Pengarah Syarikat dengan ini diberi kuasa untuk melengkapkan dan melaksanakan apa jua (termasuk menyempurnakan dokumen yang diperlukan) untuk membolehkan Mandat tersebut dikuatkuasakan."

(c) **CADANGAN PENUBUHAN PELAN PELABURAN SEMULA DIVIDEN SYARIKAT YANG MEMBERIKAN OPSYEN KEPADA PEMEGANG SAHAM BATU KAWAN BERHAD ("BKB") UNTUK MELABUR SEMULA DIVIDEN TUNAI MEREKA KE DALAM SAHAM BIASA BARU BKB ("SAHAM BKB") ("CADANGAN PELAN PELABURAN SEMULA DIVIDEN")** (Resolusi Biasa 11)

"BAHAWA tertakluk kepada kelulusan daripada pihak-pihak berkuasa berkenaan bagi Cadangan Pelan Pelaburan Semula Dividen dan terhad kepada kuasa yang dibenarkan oleh undang-undang berkenaan, Cadangan Pelan Pelaburan Semula Dividen dengan ini diluluskan dan Lembaga Pengarah Syarikat diberikan kuasa:

(i) untuk menubuhkan dan melaksanakan Cadangan Pelan Pelaburan Semula Dividen;
(ii) untuk menentukan, di dalam pertimbangan mutlak para Pengarah, sama ada Cadangan Pelan Pelaburan Semula Dividen tersebut akan digunakan pada mana-mana dividen tunai (sama ada interim, akhir, khas atau dividen tunai yang lain) yang diisytiharkan atau diluluskan oleh Syarikat ("Dividen") dan bahagian Dividen yang akan digunakan dalam opsyen untuk pelaburan terhadap Saham BKB baru;
(iii) untuk memperuntukkan dan menerbitkan Saham BKB baru dari semasa ke semasa, sebagaimana diperlukan bagi tujuan Cadangan Pelan Pelaburan Semula Dividen ("Saham Baru") menurut terma dan syarat dan mengikut budi bicara mutlak Lembaga Pengarah yang dianggap wajar dan demi kepentingan terbaik Syarikat, termasuk menetapkan harga terbitan Saham Baru ("Harga Terbitan") dan peratusan diskaun yang digunakan bagi Harga Terbitan; dan
(iv) untuk melakukan segala tindakan berkenaan dan melaksanakan semua urus niaga, pengaturan dan perjanjian berkenaan dan bagi melaksanakan, memeterai dan menyerahkan untuk dan bagi pihak Syarikat, segala dokumen berkenaan dan mengenakan mana-mana terma dan syarat atau mewakilkan semua atau mana-mana bahagian kuasanya sebagaimana perlu atau wajar untuk menguatkuasakan sepenuhnya Cadangan Pelan Pelaburan Semula Dividen, dengan kuasa penuh untuk menerima sebarang syarat, pengubahsuaian, variasi dan/atau pindaan (jika ada) termasuk pindaan, pengubahsuaian, penggantungan dan penamatan Cadangan Pelan Pelaburan Semula Dividen sebagaimana yang Lembaga Pengarah boleh, mengikut budi bicara mutlak mereka, anggap wajar dan demi kepentingan terbaik Syarikat dan/atau sebagaimana yang dikenakan atau dipersetujui oleh mana-mana pihak berkuasa yang berkaitan.

DAN BAHAWA Saham Baru akan, selepas ia diperuntukkan dan diterbit, akan berdarjat sama dengan Saham BKB yang sedia ada, kecuali bahawa pemegang Saham Baru tidak berhak kepada sebarang dividen, hak-hak, peruntukan dan/atau agihan yang telah diisytiharkan atau dibayar, pada tarikh sebelum peruntukan Saham Baru tersebut diterbitkan selaras dengan Cadangan Pelan Pelaburan Semula Dividen."

(d) **CADANGAN UNTUK MENERBITKAN SAHAM-SAHAM BARU UNTUK TUJUAN PELAN PELABURAN SEMULA DIVIDEN SYARIKAT ("CADANGAN TERBITAN SAHAM BARU")** (Resolusi Biasa 12)

"BAHAWA tertakluk kepada kelulusan Resolusi Biasa 11 di atas, dan kelulusan oleh pihak-pihak berkuasa yang berkaitan, jika diperlukan, Lembaga Pengarah dengan ini diberi kuasa untuk memperuntukkan dan menerbitkan sejumlah saham biasa baru Syarikat ("Saham Baru") untuk tujuan cadangan Pelan Pelaburan Semula Dividen sehingga tamatnya Mesyuarat Agung Tahunan berikutnya, menurut terma-terma dan syarat-syarat, mengikut budi bicara mutlak Lembaga Pengarah yang dianggap wajar dan demi kepentingan terbaik Syarikat;

DENGAN SYARAT harga terbitan Saham Baru yang akan ditetapkan oleh Lembaga Pengarah tidak melebihi sepuluh peratus (10%) diskaun dari nilai harga pasaran purata wajaran lima (5) hari ("NHPPW") yang diselaraskan bagi Saham Baru sejurus sebelum tarikh penetapan harga, yang mana NHPPW hendaklah diselaraskan ex-dividen sebelum menerapkan diskaun yang tersebut dalam penentuan harga terbitan;

DAN BAHAWA Lembaga Pengarah dengan ini diberi kuasa untuk melakukan segala tindakan berkenaan dan melaksanakan semua urus niaga, pengaturan dan perjanjian berkenaan dan bagi melaksanakan, memeterai dan menyerahkan untuk dan bagi pihak Syarikat, segala dokumen berkenaan dan mengenakan mana-mana terma dan syarat atau mewakilkan semua atau mana-mana bahagian kuasanya sebagaimana perlu atau wajar untuk menguatkuasakan sepenuhnya Cadangan Terbitan Saham Baru, dengan kuasa penuh untuk menerima sebarang syarat, pengubahsuaian, variasi dan/atau pindaan (jika ada) sebagaimana yang Lembaga Pengarah boleh, mengikut budi bicara mutlak mereka, anggap wajar dan demi kepentingan terbaik Syarikat dan/atau sebagaimana yang dikenakan atau dipersetujui oleh mana-mana pihak berkuasa yang berkaitan.

9. Untuk melaksanakan sebarang urusan lain yang mana notis akan diberikan menurut dengan Akta Syarikat 2016.

Dengan Perintah Lembaga Pengarah
CHONG SEE TECK
YAP MIOW KIEN
CHIEW CINDY
(Setiausaha-setiausaha Syarikat)

Ipoh,
Perak Darul Ridzuan,
Malaysia.

29 Disember 2017

NOTA:

(1) **Penyata Kewangan yang telah Diaudit**
Perkara ini bertujuan sebagai perbincangan sahaja. Menurut Seksyen 340(1) Akta Syarikat 2016, Penyata Kewangan ini hanyalah dibentangkan di mesyuarat agung dan tidak memerlukan kelulusan rasmi daripada pemegang saham. Oleh itu, Agenda ini tidak akan dikemukakan untuk pengundian.

(2) **Pelantikan semula Pengarah**
Cadangan Resolusi Biasa 5 adalah untuk mendapatkan kelulusan daripada pemegang saham bagi pelantikan R. M. Alias yang telah dilantik semula sebagai Pengarah Syarikat pada Mesyuarat Agung Tahunan yang diadakan pada 15 Februari 2017 menurut Seksyen 129 Akta Syarikat, 1965 yang telah dimansuhkan, untuk memegang jawatan sebagai Pengarah Syarikat sehingga tamatnya Mesyuarat Agung Tahunan ini. Peruntukan Akta Syarikat 2016 (yang telah memansuhkan Akta Syarikat, 1965) tidak memerlukan persaraan seseorang pengarah yang berumur 70 tahun dan ke atas pada setiap Mesyuarat Agung Tahunan dan perlantikan semula pengarah tersebut diluluskan oleh para pemegang saham. Oleh itu, Resolusi Biasa 5, jika diluluskan, akan membolehkan R. M. Alias untuk meneruskan tempoh jawatannya sebagai Pengarah Syarikat berikutan penamatan Mesyuarat Agung Tahunan ini dan tempoh jawatannya yang seterus akan diperuntukkan mengikut persaraan bergilir dalam Tataurusan Syarikat.

(3) **Pembayaran imbuhan Pengarah (tidak termasuk yuran Pengarah)**
Syarikat telah mengemukakan cadangan pembayaran imbuhan yang terdiri daripada elaun dan faedah berikut, kepada para Pengarah Bukan Eksekutif menurut Seksyen 230 Akta Syarikat 2016 (berkuatkuasa pada 31 Januari 2017) bagi tempoh dari 31 Januari 2017 sehingga tamat Mesyuarat Agung Tahunan Syarikat 2019, untuk kelulusan pemegang saham:

Jenis faedah/elaun	**Amaun**
Elaun Mesyuarat (Lembaga Pengarah dan Jawatankuasa lain)	RM1,000 setiap mesyuarat
Elaun Perjalanan Luar Negara	RM1,000 setiap hari
Faedah lain	Perjalanan perniagaan, insuran, dan segala bayaran balik dan tuntutan bagi para Pengarah menjalankan tugasnya

(4) **Pengundian**
Menurut Perenggan 8.29A(1) Keperluan Penyenaraian Pasaran Utama Bursa Malaysia Securities Berhad, semua resolusi yang terkandung di dalam Notis harus dilaksanakan dengan pengundian.

(5) **Perlantikan proksi**

(a) Seorang pemegang saham Syarikat (selain daripada nomini yang sah berkecualian sebagai ahli Syarikat) adalah berhak melantik seorang proksi sahaja untuk menghadiri dan mengundi bagi pihaknya. Proksi tersebut boleh, tetapi tidak semestinya merupakan pemegang saham Syarikat.

(b) Bagi nomini yang sah berkecualian sebagai ahli Syarikat sepertimana yang didefinisikan dalam Akta Industri Sekuriti (Pendeposit Pusat) 1991, yang memegang saham biasa dalam Syarikat bagi beberapa pihak pemilik benefisial dalam satu akaun sekuriti ("akaun omnibus"), tiada had proksi yang boleh dilantik bagi setiap akaun omnibus yang dipegang.

(c) Suratcara pelantikan proksi, supaya ianya sah, hendaklah diserahkan ke Pejabat Berdaftar Syarikat di Wisma Taiko, No. 1, Jalan S. P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan, tidak kurang dari dua puluh empat (24) jam sebelum masa yang ditetapkan untuk mesyuarat ini diadakan.

(6) **Kelayakan pemegang saham menghadiri mesyuarat**
Hanya pemegang saham yang namanya terkandung di dalam Rekod Pendeposit atau Rekod Pendaftaran Ahli pada 7 Februari 2018 adalah layak untuk menghadiri mesyuarat ini atau melantik proksi untuk hadir dan mengundi bagi pihaknya.

(7) **Pengisytiharan Dividen Akhir Setingkat**
Dividen akhir setingkat, jika diluluskan, akan dibayar pada 15 Mac 2018 kepada para pemegang saham. Tarikh kelayakan untuk menerima dividen tersebut adalah pada 21 Februari 2018.

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

(a) saham-saham yang didepositkan ke dalam Akaun Sekuriti Pendeposit sebelum pukul 12.30 petang pada 19 Februari 2018 bagi saham yang dikecualikan daripada deposit mandatori;
(b) saham-saham yang dipindahkan ke dalam Akaun Sekuriti Pendeposit sebelum pukul 4.00 petang pada 21 Februari 2018 bagi pemindahan; dan
(c) saham-saham yang dibeli di Bursa Malaysia Securities Berhad atas dasar kelayakan menurut Peraturan Bursa Malaysia Securities Berhad.

(8) **Cadangan Pembaharuan Kuasa Membeli Balik Saham Sendiri oleh Syarikat**
Resolusi Biasa 9 yang dicadangkan di bawah Agenda 8(a), jika diluluskan, akan memberi kuasa kepada para Pengarah untuk membeli balik saham Syarikat. Kuasa ini, melainkan dibatalkan atau diubahkan oleh Syarikat dalam mesyuarat agung, akan tamat dalam Mesyuarat Agung Tahunan Syarikat berikutnya.

(9) **Cadangan para Pemegang Saham memberi Mandat untuk meluluskan Transaksi Dagangan Sering Berulang dengan Pihak-pihak yang Berkaitan**
Resolusi Biasa 10 yang dicadangkan di bawah Agenda 8(b), jika diluluskan, akan membenarkan Kumpulan menjalankan transaksi-transaksi sering berulang bersifat hasil atau dagangan dengan pihak-pihak berkaitan untuk operasi harian Kumpulan dengan syarat urus niaga berkenaan dilaksanakan dalam urusan lazim perniagaan dengan terma-terma yang tidak berat sebelah berbanding dengan yang tersedia kepada pihak awam dan tidak menjejaskan para pemegang saham minoriti Syarikat.

Dengan mendapatkan mandat para pemegang saham dan memperbaharuinya setiap tahun, keperluan untuk mengadakan mesyuarat-mesyuarat yang berasingan dari masa ke semasa untuk mendapatkan kelulusan para pemegang saham bila mana berlakunya transaksi demikian, akan dapat dielakkan. Dengan memperolehi mandat ini, masa pentadbiran, kesulitan dan perbelanjaan berkaitan dengan mengadakan mesyuarat akan dijimatkan tanpa menjejaskan objektif Korporat Kumpulan dan peluang perniagaan yang sedia ada kepada Kumpulan.

(10) **Cadangan Pelan Pelaburan Semula Dividen**
Resolusi Biasa 11 yang dicadangkan di bawah Agenda 8(c), jika diluluskan, akan memberi peluang kepada para pemegang saham untuk membuat pelaburan semula terhadap dividen tunai mereka (sama ada interim, akhir, khas atau dividen tunai yang lain) sebagai saham biasa baru Syarikat ("Saham Baru") sebagai ganti untuk menerima dividen dalam tunai. Lembaga Pengarah boleh, dengan ini diberi kuasa sama ada untuk menawarkan opsyen kepada para pemegang saham untuk membuat pelaburan semula terhadap dividen tunai tersebut ke dalam Saham Baru ("Opsyen Pelaburan Semula") dan di mana sesuai digunakan, bahagian kepada dividen tersebut di mana Opsyen Pelaburan Semula digunakan ("Bahagian Dipilih"). Bahagian Dipilih boleh merangkumi seluruh dividen yang diisytiharkan. Apabila Bahagian Dipilih tidak digunakan pada seluruh dividen yang diisytiharkan, bahagian dividen yang tidak digunakan ("Bahagian Tidak Dipilih") akan dibayar secara tunai.

Para pemegang saham akan mempunyai opsyen-opsyen berikut yang selaras dengan Opsyen Pelaburan Semula yang telah diumumkan oleh Lembaga Pengarah di bawah Cadangan Pelan Pelaburan Semula Dividen:

(a) pilih untuk menyertai dalam Opsyen Pelaburan Semula dengan melabur semula seluruh Bahagian Dipilih dalam Saham Baru pada harga terbitan yang ditentukan pada tarikh penetapan harga dan menerima Bahagian Tidak Dipilih secara tunai;

(b) pilih untuk menyertai dalam Opsyen Pelaburan Semula dengan melabur sebahagian Bahagian Dipilih dalam Saham Baru pada harga terbitan, dan menerima sebahagian Bahagian Dipilih dan Bahagian Tidak Dipilih secara tunai; atau

(c) pilih untuk tidak menyertai dalam Opsyen Pelaburan Semula dan menerima seluruh dividen yang dilayak (kedua-dua Bahagian Dipilih dan Bahagian Tidak Dipilih) secara tunai.

(11) **Cadangan Terbitan Saham Baru**

Resolusi Biasa 12 yang dicadangkan di bawah Agenda 8(d), jika diluluskan, akan memberikan kuasa kepada para Pengarah untuk menerbitkan saham baru Syarikat selaras dengan dividen yang akan diisytiharkan, (jika ada) di bawah Pelan Pelaburan Semula Dividen sehingga tamat Mesyuarat Agung Tahunan yang berikutnya. Pembaharuan kuasa ini akan dikemukakan di Mesyuarat Agung Tahunan yang berikutnya.

Untuk Resolusi Biasa 9, 10, 11 dan 12 tersebut di atas, penerangan lanjut berkenaan dengan perkara-perkara tersebut di atas adalah terkandung di dalam Surat Pekeliling kepada Pemegang Saham yang telah disertakan bersama dengan Laporan Tahunan Syarikat 2017.

BATU KAWAN BERHAD

Corporate Information

BOARD OF DIRECTORS

Tan Sri Dato' Seri Lee Oi Hian	-	Non-Independent Non-Executive Chairman
Dato' Lee Hau Hian	-	Managing Director
Dato' Yeoh Eng Khoon	-	Senior Independent Non-Executive Director
R. M. Alias	-	Independent Non-Executive Director
Quah Chek Tin	-	Independent Non-Executive Director
Tan Sri Rastam bin Mohd Isa *(appointed on 20 March 2017)*	-	Independent Non-Executive Director

COMPANY SECRETARIES
Chong See Teck
Yap Miow Kien
Chiew Cindy

REGISTERED OFFICE / PRINCIPAL PLACE OF BUSINESS
Wisma Taiko
No. 1, Jalan S. P. Seenivasagam
30000 Ipoh
Perak Darul Ridzuan, Malaysia
Tel : 605-240 8000
Fax : 605-240 8117
Email : cosec@bkawan.com.my
Website : www.bkawan.com.my

SHARE REGISTRAR
Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel : 603 - 7849 0777
Fax : 603 - 7841 8151
Email : ssr.helpdesk@symphony.com.my

PLACE OF INCORPORATION AND DOMICILE
In Malaysia as a public limited liability company

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

AUDITORS
KPMG PLT
Chartered Accountants

PRINCIPAL BANKERS
Australia and New Zealand Banking Group Limited
CIMB Bank Berhad
HSBC Bank Malaysia Berhad
Malayan Banking Berhad
OCBC Al-Amin Bank (Malaysia) Berhad
OCBC Bank (Malaysia) Berhad
Oversea-Chinese Banking Corporation Limited
Standard Chartered Bank Malaysia Berhad

TAN SRI DATO' SERI LEE OI HIAN

Non-Independent Non-Executive Chairman

Member of Nomination and Remuneration Committees

Aged 66, Male, Malaysian

Tan Sri Lee joined the Board on 1 June 1979. He graduated with a Bachelor of Agricultural Science (Honours) degree from University of Malaya and obtained his Master in Business Administration from Harvard Business School.

Tan Sri Lee is also the Chief Executive Officer of Kuala Lumpur Kepong Berhad ("KLK") and trustee of Yayasan Tuanku Bainun, Perdana Leadership Foundation, Yayasan KLK, UTAR Education Foundation and Yayasan Wesley respectively as well as a director of Equatorial Palm Oil Plc. He was formerly the Chairman of the Malaysian Palm Oil Council.

He is the brother of Dato' Lee Hau Hian who is also a Director of Batu Kawan Berhad ("BKB"). He is deemed connected with Wan Hin Investments Sdn Berhad which is the holding company of Arusha Enterprise Sdn Bhd, a substantial shareholder of BKB. He is deemed interested in various related party transactions with the BKB Group.

DATO' LEE HAU HIAN

Managing Director

Aged 64, Male, Malaysian

Dato' Lee joined the Board on 20 December 1993. He graduated with a Bachelor of Science (Economics) degree from the London School of Economics and Political Science and has a Master in Business Administration from Stanford University.

Dato' Lee is a director of KLK, See Sen Chemical Berhad ("See Sen") and Synthomer plc, a company listed on the London Stock Exchange. He is also the President of the Perak Chinese Maternity Association.

He also serves as a trustee of Yayasan De La Salle, Yayasan KLK and Tan Sri Lee Loy Seng Foundation.

He is the brother of Tan Sri Dato' Seri Lee Oi Hian who is the Chairman of BKB. He is deemed connected with Wan Hin Investments Sdn Berhad which is the holding company of Arusha Enterprise Sdn Bhd, a substantial shareholder of BKB. He is deemed interested in various related party transactions with the BKB Group.

DATO' YEOH ENG KHOON

Senior Independent Non-Executive Director
Chairman of Audit and Nomination Committees
Aged 70, Male, Malaysian

Dato' Yeoh joined the Board on 24 February 2005. He obtained a degree of Bachelor of Arts (Honours) in Economics (Business Administration) from University of Malaya in 1968 and was called to the Bar of England and Wales at Lincoln's Inn in 1979. He has previous work experience in banking, manufacturing and retail business.

He is also a director of KLK and See Sen and is a trustee of Yayasan KLK.

He has no family relationship with any Director/major shareholder of BKB.

R. M. ALIAS

Independent Non-Executive Director
Chairman of Remuneration Committee
Member of Nomination Committee
Aged 85, Male, Malaysian

He joined the Board on 1 December 1979. He holds a Bachelor of Arts (Honours) degree from University of Malaya, Singapore, a Certificate in Public Administration from the Royal Institute of Public Administration, London and has attended the Advanced Management Program at Harvard Business School.

He is currently the Independent Non-Executive Chairman of KLK and also a trustee of Yayasan KLK and Tan Sri Lee Loy Seng Foundation.

He has no family relationship with any Director/major shareholder of BKB.

QUAH CHEK TIN

Independent Non-Executive Director

Member of Audit and Remuneration Committees

Aged 66, Male, Malaysian

He was appointed to the Board on 4 March 2010. He holds a Bachelor of Science (Honours) Degree in Economics from the London School of Economics and Political Science and is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Malaysian Institute of Accountants.

He began his career with Coopers & Lybrand London, before returning to Malaysia. He joined the Genting Group in 1979 and has served in various positions within the Group. He was the Executive Director of Genting Berhad as well as the Executive Director and Chief Operating Officer of Genting Malaysia Berhad prior to his retirement on 8 October 2006.

He sits on the Boards of Genting Malaysia Berhad, Genting Plantations Berhad and Paramount Corporation Berhad.

He has no family relationship with any Director/major shareholder of BKB.

TAN SRI RASTAM BIN MOHD ISA

Independent Non-Executive Director

Member of Audit Committee

Aged 66, Male, Malaysian

Tan Sri Rastam joined the Board on 20 March 2017. He holds a Bachelor of Social Science (Honours) degree from Universiti Sains Malaysia, a Master of Arts degree in International Relations and Strategic Studies from University of Lancaster and a Certificate of Diplomacy from University of Oxford.

Tan Sri Rastam retired as Secretary General of the Ministry of Foreign Affairs on 2 September 2010. Prior to that, he was High Commissioner of Malaysia to Pakistan, Ambassador of Malaysia to Bosnia Herzegovina, Ambassador of Malaysia to the Republic of Indonesia and Permanent Representative of Malaysia to the United Nations in New York.

He is Chairman of the Malaysian National Committee for the Pacific Economic Cooperation Council, Chairman of the Malaysian National Committee of the Council for Security Cooperation in the Asia Pacific (CSCAP), ASEAN-ISIS Chair (2016 - 2017) and CSCAP Co-Chair (2015 - 2017). He is also a Malaysian member of the Asia-Pacific Economic Cooperation Business Advisory Council - ABAC.

He has no family relationship with any Director/major shareholder of BKB.

Additional Information:

- Save for Tan Sri Dato' Seri Lee Oi Hian and Dato' Lee Hau Hian, none of the other Directors has any conflict of interest with BKB Group.
- None of the Directors of BKB has been convicted of any offence within the past five (5) years and there was no public sanction and penalty imposed by the relevant regulatory bodies during the financial year.

Profile of Key Senior Management

TAN SRI DATO' SERI LEE OI HIAN
Non-Independent Non-Executive Chairman of Batu Kawan Berhad ("BKB")
Chief Executive Officer of Subsidiary of BKB, Kuala Lumpur Kepong Berhad ("KLK")
Aged 66, Male, Malaysian

Tan Sri Lee was appointed as the Chairman/Chief Executive Officer of KLK Group in 1993 and held the position until 2008. On 1 May 2008, he relinquished his role as Chairman but has retained his position as Executive Director and Chief Executive Officer of KLK Group. The detailed profile of Tan Sri Lee is shown in the Profile of Directors.

DATO' LEE HAU HIAN
Managing Director of BKB
Aged 64, Male, Malaysian

Dato' Lee is the Managing Director of BKB since 20 December 1993. The detailed profile of Dato' Lee is shown in the Profile of Directors.

PATRICK KEE CHUAN PENG
Group Plantations Director of Subsidiary of BKB, KLK
Aged 58, Male, Malaysian

Mr. Patrick Kee was appointed as the Group Plantations Director of KLK Group on 1 October 2017. Prior to his appointment, he was the President Director of KLK's subsidiaries in Indonesia.

He is a holder of AISP (Associate of the Incorporated Society of Planters). He joined KLK on 1 February 1982 and has served KLK's subsidiaries in various capacities from Assistant, Manager, General Manager to Regional Director (both in West Malaysia and Sabah) prior to his posting to Indonesia.

He has attended the Senior Management Development Program conducted by Harvard Business School and Advance Management Program of INSEAD.

He has no family relationship with any Director/major shareholder of BKB.

TAN CHEE HENG
Managing Director of Subsidiaries of BKB
Aged 46, Male, Malaysian

Mr. Tan joined BKB's subsidiaries, Malay-Sino Chemical Industries Sendirian Berhad and See Sen Chemical Berhad as a Managing Director on 3 July 2012. He possesses a Chemical Engineering degree from University of Sheffield, United Kingdom.

He has worked in the chemical, gloves and food industries for over 21 years in various areas including supply chain, production, and operation management, both locally and regionally. Prior to joining the BKB Group, he was the Associate Director - Global Sourcing of Ansell Services (Asia) Sendirian Berhad.

He is a Director of BASF See Sen Sdn Bhd, an associate of See Sen Chemical Berhad.

He has no family relationship with any Director/major shareholder of BKB.

Profile of Key Senior Management (Continued)

YEOW AH KOW
Managing Director, Oleochemicals Division of Subsidiary of BKB, KLK
Aged 63, Male, Malaysian

Mr. Yeow holds a Bachelor of Science in Chemistry from Nanyang University Singapore and a Master of Science in Petro-Chemicals and Hydrocarbon Chemistry from University of Manchester, Institute of Science & Technology, United Kingdom.

Mr. Yeow has been the Managing Director of subsidiary of KLK, KL-Kepong Oleomas Sdn Bhd since March 1998. He has been with KLK Group for the past 26 years and was instrumental in setting up the cocoa manufacturing business. He started his career as an industrial chemist with Sime Darby Edible Oil Pte Ltd and Sime Darby Oleochemicals Pte Ltd, Singapore. Prior to joining KLK, he was with Behn Meyer & Co (M) Sdn Bhd where he was the Group Manager of the Techno-Chemical Division, in charge of specialty chemicals and equipment trading business.

He has no family relationship with any Director/major shareholder of BKB.

DATO' DAVID TAN THEAN THYE
Executive Director, Property Division of Subsidiary of BKB, KLK
Aged 63, Male, Malaysian

Dato' David Tan is the Executive Director of subsidiary of KLK, KLK Land Sdn Bhd. He joined the KLK Group on 1 January 2013 and is responsible for overseeing the business development, planning and implementation of KLK property projects.

Dato' David Tan holds a BSc (Hons) in Housing, Building & Planning and MSc in Planning from Universiti Sains Malaysia. He is a Corporate Member of the Malaysian Institute of Planners and a Registered Planner with the Board of Town Planners, Malaysia.

He has more than 36 years of experience in the property industry with 22 years as Head of Property in IOI Group where he was also an Executive Director of IOI Properties Berhad.

He has no family relationship with any Director/major shareholder of BKB.

CHONG SEE TECK
Group Financial Controller and Joint Company Secretary of BKB
Aged 52, Male, Malaysian

Mr. Chong joined BKB as a Group Financial Controller since September 2007 and was appointed as Joint Company Secretary of BKB on 21 November 2007. He holds a MBA (Finance) degree from University of Hull, United Kingdom and a Diploma in Commerce (Business Management) from TAR College. He is a fellow member of the Association of Chartered Certified Accountants United Kingdom, an associate member of the Institute of Chartered Secretaries and Administrators UK and a member of the Malaysian Institute of Accountants.

Prior to joining BKB, he was with Transocean Holdings Berhad for eight (8) years where he last held the position of an Executive Director (Finance).

He has no family relationship with any Director/major shareholder of BKB.

Additional Information:

- Save for Tan Sri Dato' Seri Lee Oi Hian and Dato' Lee Hau Hian, none of the above Key Senior Management has any conflict of interest with BKB Group.
- Save for Tan Sri Dato' Seri Lee Oi Hian and Dato' Lee Hau Hian, none of the above Key Senior Management has any directorship in public companies and/or listed issuers.
- None of the above Key Senior Management of BKB has been convicted of any offence within the past five (5) years and there was no public sanction and penalty imposed by the relevant regulatory bodies during the financial year.

For the financial year ended 30 September 2017, the Batu Kawan Berhad ("Company" or "BKB") Group, including the results of its main subsidiary - Kuala Lumpur Kepong Berhad ("KLK"), reported revenue of RM21.55 billion (RM16.97 billion last year). Your Group's pre-tax profit was RM1.62 billion, or 11% lower than the RM1.82 billion reported last year. This comparative decline was due to last year's higher pre-tax profit which had included a RM489.33 million capital gain surplus from the sale of plantation land by KLK to an associate. Excluding this last year's capital gain surplus, your Group pre-tax profit would have been 22% higher.

Net profit (after tax and non-controlling interest) attributable to BKB shareholders was RM586.65 million, 29% lower than last year's RM825.17 million. Last year's net profit, in addition to the capital gain surplus, had also benefited from a one-time recognition of a RM223.43 million deferred taxation asset arising from the revaluation surplus of the Group's Indonesian companies' biological assets.

Earnings per share ("EPS") achieved was 145.2 sen, 29% lower than last year's 203.4 sen. However, for comparative purpose, on excluding last year's gains on land sale surplus and deferred taxation asset recognition, this year's EPS of the Group would be 21% higher than last year's adjusted EPS of 120.1 sen.

Accordingly, your Board has decided to recommend an increased final dividend of 45 sen per share for this financial year, making a total payout of 60 sen (55 sen last year) for the full year, an increase of 9%. This year's total dividends are equivalent to a payout of some 41% of EPS.

Under the share buyback mandate, a total of 2,287,300 (2016: 1,185,200) shares in the Company were bought back this financial year at an average price of RM18.91 per share (2016: RM17.70 per share), thus increasing the number of shares held as Treasury shares to 33,078,231.

MAIN SUBSIDIARY – KLK

As overall average palm product and rubber prices were higher and with an increase in FFB production during the year, KLK's revenues increased significantly to RM21.00 billion from RM16.51 billion last year.

Pre-tax profit was however 15% lower at RM1.45 billion against RM1.71 billion last year, as last year's higher results had included the capital gain of some RM489.33 million from the sale of 2,500 acres land in Fraser Estate to an associate. Excluding the capital gain surplus, KLK's pre-tax profit this year would be 19% higher, reflecting the better commodity prices achieved.

Net profit was RM1.01 billion compared to RM1.59 billion last year. Included in last year's net profit, in addition to the capital gain surplus, was a RM210.21 million net deferred tax asset from revaluation of its Indonesian plantations' biological assets. EPS for this year was 94.4 sen (2016: 149.5 sen). However, excluding last year's capital gain surplus and net deferred tax asset recognition, KLK FY 2017's EPS would be 13% higher than the adjusted EPS of 83.8 sen for last year.

With higher commodities prices and higher FFB production, Plantations achieved a pre-tax profit of RM1.29 billion, 56% higher than last year's RM826.37 million. Following from the adverse effects of El Niño in 2016 on crop production, the subsequent recovery in yields was slower than expected, with an average FFB yield of 21.4 mt/ha (2016: 19.8 mt/ha) achieved for the year. Oil extraction rate was also affected at 21.7%, a decline from last year.

Average CPO price of RM2,735/mt achieved was 20% better than the RM2,270/mt achieved last year. Due to weather-induced tight supply and strong demand from expanded oleochemical capacities, palm kernel price was strong with an average price of RM2,534/mt which significantly exceeded that of last year by 35%. Realised rubber prices was also higher at 895 sen/kg or some 34% higher than last year's 667 sen/kg, on reduced production.

Manufacturing segment reported a disappointing pre-tax profit of RM134.04 million (2016: RM323.22 million) with lower profits from both Oleochemicals (RM115.54 million versus RM299.40 million last year) and non-oleo manufacturing (RM12.98 million versus RM17.25 million last year). Oleochemicals' result was affected by the high raw materials prices, an untimely build-up in raw material stock at high cost which triggered a RM60.33 million stock value write-down in the third quarter of the financial year when palm kernel oil prices reverted from unexpected highs, and a RM30.94 million impairment on its sulphonated methyl ester plant. Non-oleo manufacturing was impacted by lower revenue and lower margins from the gloves business, off-setting the higher profit from parquet flooring products.

Property profit was higher at RM40.50 million (2016: RM28.63 million) and reflected the higher percentage of phased housing completions and thus subsequently the sales revenue recognition on the Bandar Seri Coalfields township development at Sungai Buloh. Moving forward, the rate of new development willl be moderated in line with the weaker outlook for the property industry.

INDUSTRIAL CHEMICAL OPERATIONS

Malay-Sino Chemical Industries Sendirian Berhad (“Malay-Sino”) reported a record pre-tax profit of RM133.37 million, 24% higher than the RM107.94 million achieved last year; benefitting from cyclical higher product prices and increased off-take volumes from a major customer.

The phased reduction of electricity and (of lesser importance) natural gas subsidies has increased production costs and since such trends are expected to continue, cost containment and production efficiency remains a focus. At the individual plants‘ level, improvement projects have been launched to enhance safety and productivity as well as to foster skill and people development.

With the increased sales of our chemical products, our transport subsidiaries had a 7% increase in total volume transported (to 591,779 mt) but reported a 22% lower pre-tax profit of RM5.85 million, due to higher diesel prices and repairs and maintenance costs. Their on-going multi-year vehicle replacement programs will phase out aging trucks and with time, bring overall repair and maintenance costs back in line.

The production capacity restructuring of our sulphuric acid manufacturing subsidiary, See Sen Chemical Berhad was completed smoothly earlier in the financial year. This enabled the company to regain profitability, recording a pre-tax profit of RM4.11 million compared to last year’s pre-tax loss of RM815,000. The restructured business is more sustainable for the future due to its significantly lower capacity, and will be anchored by a long term oleum supply contract to an associate which produces high purity acid for the electronics industry.

PLANTATION SUBSIDIARIES

At year-end, your Company has spent some RM134.57 million on our PT Satu Sembilan Delapan (“SSD”) plantation, which has 5,297 ha oil palm, with 3,795 ha matured. Recovering from last year’s El Niño, crop production this year increased 25% with an encouraging FFB yield of 23.3 mt/ha (2016: 18.6 mt/ha), reflecting the improving maturity of its plantings. Due to prolonged wet weather and increased proportion of young crop processed, oil extraction rate dropped to 23.8% (2016: 24.7%). SSD contributed a higher pre-tax profit of RM37.21 million compared to last year’s pre-tax profit of RM14.27 million due to better CPO prices and higher crop volumes.

Following a High Carbon Stock Conservation study to ensure sustainability, a land permit has been granted to plant up an intial 1,500 ha in our other 90% Indonesian subsidiary, PT Tekukur Indah, which owns 2,030 ha of undeveloped land, adjacent to SSD’s plantation.

INVESTMENT PROPERTY

The Menara KLK building achieved a 38% lower profit contribution of RM2.66 million due to vacancies after some tenants exited upon completion of their tenancies. Replacement tenants are being sought but there has been a slow down due to tepid demand and over-hang of new office buildings.

OVERSEAS PROPERTY INVESTMENTS

For the four property development projects in Melbourne, Victoria, which the Group has interests in, satisfactory progress in planning, applying for approvals and (in some cases) development continues. The Greenvale project is already profitable and this year, has contributed RM9.36 million to the Group. Another project, Mickleham, was just launched end of September 2017. Both projects involve development and sale of residential lots in areas along the development path of greater Melbourne. The property market in Victoria continues to be strong with sustained local and foreign demand interests and as a result, the valuations of the land in our invested projects there have appreciated.

For our two projects in Perth, the Western Australian property outlook has slowed following the downturn in the natural resources sector but the view is that the decline is bottoming. Only one project, Forrestfield, has commenced sales this year while the Brookside project is at planning approval stage with actual development remaining several years out.

Our project partners continue to explore alternative options for developing the various land owned with a view towards value enhancement and to capitalise on new opportunities.

OUTLOOK

Following a slower than expected recovery in FFB production post-El Niño, the expectation is that such production will resume to normal this year. With rising crop production, CPO prices are currently subdued but are expected to improve going forward. The rising crop and profitability trends for our Indonesian plantations should continue to augur well for the Group.

The unusually volatile palm kernel oil price experienced last financial year which resulted in write-downs of our oleochemical raw material inventories is unlikely to be repeated. While the oleochemical industry still remains challenging due to industry over-capacity, a better performance from this sector is expected as supported by improved results in the last quarter.

For the Industrial Chemicals division, where our Malay-Sino chlor-alkali business provides the bulk of its contribution, current high product prices will likely moderate while projected higher energy costs will continue to impact somewhat the business. However, sales volumes should be maintained and management has implemented on-going intiatives to control costs and improve productivity.

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

Lastly, please join me to welcome Tan Sri Rastam bin Mohd Isa, a retired Secretary General of the Ministry of Foreign Affairs and former country Ambassador, who joined your Board on 20 March 2017. With his extensive overseas diplomatic experience, he will be a valuable asset to the Company.

Tan Sri Dato' Seri Lee Oi Hian
Chairman
8 December 2017

Untuk tahun kewangan yang berakhir 30 September 2017, Kumpulan Batu Kawan Berhad ("Syarikat" atau "BKB"), yang turut merangkumi anak syarikat utamanya – Kuala Lumpur Kepong Berhad ("KLK"), melaporkan hasil sebanyak RM21.55 bilion (RM16.97 bilion tahun lepas). Keuntungan sebelum cukai Kumpulan anda ialah RM1.62 bilion, atau 11% lebih rendah daripada RM1.82 bilion yang dilaporkan tahun lalu. Penurunan ini adalah kerana keuntungan sebelum cukai tahun lepas yang lebih tinggi merangkumi RM489.33 juta lebihan laba modal dari jualan tanah ladang oleh KLK kepada syarikat sekutu. Jika lebihan laba modal tahun lalu ini tidak diambil kira, keuntungan sebelum cukai Kumpulan anda adalah 22% lebih tinggi.

Keuntungan selepas cukai yang boleh diagihkan kepada pemegang-pemegang saham ialah RM586.65 juta, menurun 29% daripada RM825.17 juta tahun lepas. Keuntungan selepas cukai tahun lalu, selain daripada lebihan laba modal, juga termasuk pengiktirafan satu kali aset cukai tertunda sejumlah RM223.43 juta ekoran daripada lebihan penilaian semula aset-aset biologi syarikat-syarikat Kumpulan di Indonesia.

Perolehan sesaham ("EPS") yang dicapai ialah 145.2 sen, 29% lebih rendah daripada 203.4 sen untuk tahun lepas. Bagaimanapun, untuk tujuan perbandingan, jika laba tahun lepas yang berasal daripada lebihan jualan tanah dan pengiktirafan aset cukai tertunda tidak diambil kira, EPS Kumpulan tahun ini adalah 21% lebih tinggi daripada EPS terlaras 120.1 sen bagi tahun lepas.

Oleh yang demikian, Lembaga Pengarah anda telah mengesyorkan dividen akhir yang lebih lumayan iaitu 45 sen sesaham untuk tahun kewangan ini, menjadikan jumlah pembayaran tahun ini 60 sen (55 sen tahun lepas), iaitu peningkatan 9%. Jumlah dividen tahun ini bersamaan dengan pembayaran 41% daripada EPS.

Dibawah program pembelian balik saham, sejumlah 2,287,300 (2016: 1,185,200) saham Syarikat telah dibelibalik pada tahun kewangan ini pada harga purata RM18.91 sesaham (2016: RM17.70 sesaham). Ini meningkatkan jumlah pegangan saham Perbendaharaan kepada 33,078,231.

ANAK SYARIKAT UTAMA – KLK

Dengan harga purata keseluruhan hasil sawit dan getah yang lebih tinggi serta peningkatan pengeluaran Buah Tandan Segar ("BTS") tahun ini, hasil KLK meningkat nyata kepada RM21.00 bilion berbanding RM16.51 bilion tahun lepas.

Sebelumnya keuntungan sebelum cukai, bagaimanapun, adalah 15% lebih rendah iaitu RM1.45 bilion berbanding RM1.71 bilion tahun lepas, kerana hasil-hasil lebih tinggi tahun sebelumnya merangkumi laba modal sejumlah RM489.33 juta dari jualan tanah 2,500 ekar di Ladang Fraser kepada syarikat sekutu. Jika tidak mengambil kira lebihan laba modal itu, untung sebelum cukai KLK tahun ini adalah 19% lebih tinggi, mencerminkan pencapaian harga-harga komoditi yang lebih baik.

Untung bersih (selepas cukai dan kepentingan tanpa kawalan) adalah RM1.01 bilion berbanding RM1.59 bilion tahun lepas. Terkandung dalam keuntungan selepas cukai tahun lalu, selain daripada lebihan laba modal, adalah RM210.21 juta aset cukai tertunda bersih daripada penilaian semula aset biologi ladang-ladangnya di Indonesia. EPS tahun ini adalah 94.4 sen (2016: 149.5 sen). Namun, jika tidak termasuk lebihan laba modal dan pengiktirafan aset cukai tertunda bersih tahun lalu, EPS tahun kewangan 2017 KLK adalah 13% lebih tinggi daripada EPS terselaras 83.8 sen untuk tahun sebelumnya.

Dengan harga-harga komoditi yang lebih tinggi dan peningkatan pengeluaran BTS, sektor Perladangan mencapai keuntungan sebelum cukai berjumlah RM1.29 bilion, iaitu 56% lebih tinggi daripada RM826.36 juta bagi tahun lepas. Ekoran dari kesan mudarat cuaca buruk El Niño dalam tahun 2016 ke atas pengeluaran tanaman, pemulihan hasil susulan adalah lebih perlahan daripada jangkaan, dengan pencapaian hasil purata BTS tahun ini sebanyak 21.4 tm/ha (2016: 19.8 tm/ha). Kadar penyarian minyak juga terjejas iaitu hanya mencapai tahap 21.7%, suatu penurunan dari tahun sebelumnya.

Harga purata Minyak Sawit Mentah ("MSM") mencapai RM2,735/tm iaitu 20% lebih baik dari RM2,270/tm yang dicapai pada tahun lepas. Disebabkan bekalan yang ketat berikutan cuaca buruk serta permintaan yang kukuh daripada penambahan kapasiti oleokimia, harga isirung sawit turut kukuh dengan puratanya mencapai RM2,534/tm, secara nyata melebihi harga tahun lalu sebanyak 35%. Harga jualan realisasi getah juga meningkat pada 895 sen/kg atau 34% lebih tinggi daripada 667 sen/kg bagi tahun lepas, atas hasil pengeluaran yang berkurangan.

Segmen pembuatan melaporkan keuntungan sebelum cukai yang mengecewakan iaitu RM134.04 juta (2016: RM323.22 juta) dengan keuntungan yang lebih rendah daripada kedua-dua bahagian Oleokimia (RM115.54 juta berbanding RM299.40 juta tahun lepas) dan bahagian perkilangan bukan-oleo (RM12.98 juta berbanding RM17.25 juta tahun lepas). Hasil oleokimia telah terjejas oleh harga bahan-bahan mentah yang tinggi, tokokan yang tidak kena masanya untuk stok bahan mentah pada kos tinggi, yang mencetuskan pengiktirafan susutnilai stok sebanyak RM60.33 juta dalam suku ketiga tahun kewangan bila harga-harga minyak isirung sawit menjunam dari ketinggian yang tidak dijangka, dan susutnilai sebanyak RM30.94 juta pada kilang-kilang sulfonated metil esternya. Pembuatan bukan-oleo telah terjejas oleh hasil dan margin yang lebih rendah daripada perniagaan sarung tangan, walaupun keuntungan yang lebih tinggi dari produk-produk lantai parket dicapai.

Keuntungan hartanah adalah lebih tinggi iaitu RM40.50 juta (2016: RM28.63 juta) dan mencerminkan peratusan lebih besar penyiapan perumahan berfasa dan pengiktirafan hasil jualan daripada projek Bandar Seri Coalfields di Sungai Buloh. Pada masa akan datang, kadar pembangunan baru akan disederhanakan selaras dengan jangkaan industri hartanah yang lemah.

OPERASI PERINDUSTRIAN KIMIA

Malay-Sino Chemical Industries Sendirian Berhad ("Malay-Sino") melaporkan rekod tertinggi dalam keuntungan sebelum cukai berjumlah RM133.37 juta, 24% lebih tinggi dari RM107.94 juta yang dicapai tahun lepas; berikutan harga-harga kitaran produk yang lebih tinggi serta peningkatan volum jualan kepada satu pelanggan utama.

Pengurangan berfasa subsidi elektrik dan gas asli (kurang penting) telah meningkatkan kos-kos pengeluaran dan oleh sebab trend sebegini dijangka berterusan, kawalan kos dan kecekapan pengeluaran terus menjadi fokus. Di peringkat kilang, projek-projek penambahbaikan telah dilancarkan untuk meningkatkan keselamatan dan pengeluaran juga untuk memupuk peningkatan kemahiran dan pembangunan manusia.

Dengan peningkatan jualan produk-produk kimia, anak-anak syarikat pengangkutan kita telah mencapai kenaikan 7% dalam jumlah volum yang diangkut (kepada 591,779 tm) tetapi melaporkan pengurangan 22% dalam keuntungan sebelum cukai yang berjumlah RM5.85 juta, disebabkan harga diesel serta kos-kos pembaikan dan penyelenggaraan yang lebih tinggi. Program penggantian kenderaan berbilang tahun mereka yang berterusan akan menggantikan secara berperingkat trak-trak lama yang sudah uzur dan seterusnya akan menjajarkan semula keseluruhan kos-kos pembaikan dan penyelenggaraan.

Penyusunan semula keupayaan pengeluaran anak syarikat pembuatan asid sulfurik kita, Sen Sen Chemical Berhad, telah diselesaikan dengan lancar pada awal tahun kewangan ini. Ianya telah membolehkan syarikat kembali mencapai keuntungan, dengan mencatat keuntungan sebelum cukai berjumlah RM4.11 juta berbanding kerugian sebelum cukai berjumlah RM815,000 pada tahun lepas. Perniagaan yang disusun semula itu adalah lebih mampan untuk masa depan kerana kapasitinya yang jauh lebih rendah, dan akan ditambat kukuh oleh kontrak jangka panjang bekalan oleum kepada syarikat sekutu yang mengeluarkan asid ketulenan tinggi untuk industri elektronik.

ANAK-ANAK SYARIKAT PERLADANGAN

Sehingga akhir tahun ini, Syarikat anda telah membelanjakan RM134.57 juta untuk membangunkan ladang PT Satu Sembilan Delapan ("SSD") dengan 5,297 ha tanaman kelapa sawit dalam mana 3,795 ha daripadanya telah pun matang. Kian pulih dari kesan El Niño tahun lalu, pengeluaran tanaman tahun ini bertambah 25% dengan hasil BTS yang menggalakkan berjumlah 23.3 tm/ha (2016: 18.6 tm/ha), yang mencerminkan kematangan penanamannya yang meningkat. Disebabkan cuaca basah yang berpanjangan serta bahagian tanaman muda yang diproses meningkat, kadar penyarian minyak telah merosot kepada 23.8% (2016: 24.7%). SSD telah menyumbangkan keuntungan sebelum cukai yang lebih tinggi berjumlah RM37.21 juta berbanding RM14.27 juta bagi tahun lepas kerana harga-harga MSM yang lebih baik dan volum hasil tanaman yang lebih tinggi.

Ekoran dari kajian Pemuliharaan Stok Karbon Tinggi bagi memastikan kemampanan, satu permit tanah telah diterima untuk penanaman permulaan di atas 1,500 ha oleh PT Tekukur Indah, anak syarikat pegangan 90% kami di Indonesia, yang mempunyai 2,030 ha tanah yang belum dibangunkan, terletak bersebelahan dengan ladang SSD.

PELABURAN HARTANAH

Bangunan Menara KLK mencapai sumbangan keuntungan yang menyusut 38% iaitu RM2.66 juta, disebabkan kekosongan ruang sewa selepas penyewa berpindah keluar setelah tamat tempoh sewaan mereka. Penyewa-penyewa baru sedang dicari tetapi terdapat kelembapan kerana permintaan yang sedikit lemah serta keadaan lebihan bangunan-bangunan pejabat baru.

PELABURAN HARTANAH LUAR NEGARA

Berkenaan empat projek pembangunan hartanah di Melbourne, Victoria, dalam mana Kumpulan mempunyai kepentingan, kemajuan yang memuaskan terus dicapai dalam perancangan, kelulusan perancangan dan (dalam sesetengah kes) pembangunan. Projek Greenvale sudahpun menguntungkan dan dalam tahun tinjauan, menyumbang sejumlah RM9.36 juta kepada Kumpulan. Satu lagi projek, Mickleham, baru saja dilancarkan pada hujung September 2017. Kedua-dua projek ini melibatkan pembangunan dan jualan lot-lot kediaman di kawasan-kawasan sejajar dengan jalur pembangunan Melbourne Raya. Pasaran hartanah di Victoria terus kukuh dengan minat serta permintaan tempatan dan luar yang berterusan, dan angka-angka penilaian tanah dalam projek-projek pelaburan kami telah meningkat.

Untuk dua projek kita di Perth, unjuran hartanah di Australia Barat telah menurun ekoran dari kelembapan dalam sektor sumber galian semula jadi tetapi pendapat pasaran mengatakan penurunan telah menghampiri ke pengalas. Hanya satu projek, Forrestfield, telah memulakan jualan tahun ini sementara projek Brookside berada ditahap kelulusan perancangan dengan pembangunan sebenar masih berada di beberapa tahun kehadapan.

Rakan-rakan projek kita terus meninjau pilihan-pilihan alternatif untuk membangunkan pelbagai tanah yang dipunyai dengan tujuan untuk menambah nilai dan menrealisasikan peluang-peluang baru.

TINJAUAN

Berikutan dari pemulihan pengeluaran BTS yang lebih lembab dari yang dijangka selepas El Niño, jangkaannya adalah pengeluaran akan kembali pulih seperti biasa tahun ini. Dengan pengeluaran tanaman yang meningkat, harga-harga MSM adalah lemah sekarang tetapi dijangka akan bertambah baik pada masa akan datang. Aliran peningkatan tanaman dan keuntungan bagi ladang-ladang kita di Indonesia dijangka akan terus menyumbang secara positif kepada Kumpulan.

Harga tidak menentu minyak isirung sawit luar biasa yang dialami pada tahun kewangan lepas, yang telah menyebabkan penyusutan nilai kepada inventori bahan mentah oleokimia kami, berkemungkinan rendah akan berulang. Walaupun keadaan industri oleokimia akan terus mencabar disebabkan kapasiti industri yang berlebihan, prestasi yang lebih baik daripada sektor ini adalah dijangkakan yang dibayangi oleh keputusan yang lebih baik pada suku tahun yang lepas.

Untuk bahagian Kimia, dimana perniagaan chlor-alkali Malay-Sino kita merupakan penyumbang terbesar, harga-harga yang tinggi sekarang berkemungkinan besar akan stabil sementara kos-kos tenaga yang lebih tinggi diunjurkan akan terus sedikit sebanyak membawa impak kepada perniagaan. Namun, volum jualan harus boleh dikekalkan dan pihak pengurusan telah melaksanakan initiatif berterusan untuk mengawal kos serta meningkatkan produktiviti.

Bagi pihak anda, saya mengucapkan terima kasih kepada rakan pengarah saya dan semua kakitangan Kumpulan atas sumbangan dan usaha mereka sepanjang tahun ini.

Akhir kata, marilah kita sama-sama menyambut kedatangan Tan Sri Rastam bin Mohd Isa, seorang bekas Setiausaha Agung Kementerian Luar Negeri dan bekas Duta negara, yang menyertai Lembaga Pengarah anda pada 20 Mac 2017. Dengan pengalaman beliau yang luas di luar negara sebagai duta, beliau akan menjadi aset yang tidak ternilai kepada Syarikat.

Tan Sri Dato' Seri Lee Oi Hian
Pengerusi
8 Disember 2017

OVERVIEW

Batu Kawan Berhad ("the Company" or "BKB") is an investment holding company with the following main subsidiaries and their business segments:

- Kuala Lumpur Kepong Berhad Group ("KLK"), principally involved in Plantations, Oleochemicals manufacturing, Property Development and Investment Holding/Others;
- Malay-Sino Chemical Industries Sdn Bhd Group, involved in the manufacture of Industrial Chemicals and related Logistics transport services;
- PT Satu Sembilan Delapan (Plantations); and
- See Sen Chemical Berhad Group (Industrial Chemicals).

KLK is a major plantation company listed on the Main Market of Bursa Malaysia Securities Berhad and has a market capitalisation of approximately RM26.16 billion at the end of September 2017.

Overall, the BKB Group achieved a set of satisfactory results for the financial year ended 30 September 2017. Pre-tax profit was RM1.62 billion (2016: RM1.82 billion) with Plantations contributing RM1.33 billion (82%) followed by the Manufacturing segment which comprises of Oleochemicals, other resource-based manufacturing and Industrial Chemicals contributing RM271.58 million. Pre-tax profits have declined compared to FY 2016, as the previous year's results had a RM489.33 million exceptional gain from the sale of a plantation land. Excluding this exceptional gain, the Group's pre-tax profit would be 22% higher.

Plantations' higher profits benefited from higher commodity prices and higher crop production while the higher Industrial Chemical profits were largely due to cyclical higher selling prices of Chlor-Alkali products.

FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS

	2017 RM'000	**2016 RM'000**	**2015 RM'000**	**2014 RM'000**	**2013 RM'000 (Restated)**
Revenue	**21,548,322**	16,969,251	14,055,308	11,499,664	9,466,245
Profit before taxation	**1,622,131**	1,822,586	1,241,522	1,417,281	1,285,791
Profit attributable to equity holders of the Company	**586,646**	825,168	484,840	521,546	483,709
Total assets	**21,031,155**	19,815,216	18,620,360	14,164,100	13,069,472
Share capital	**498,760**	435,951	435,951	435,951	435,951
Treasury shares	**(446,671)**	(403,272)	(382,208)	(330,723)	(223,387)
Reserves	**6,645,684**	6,047,130	5,554,449	4,531,773	4,354,928
Total equity attributable to equity holders of the Company	**6,697,773**	6,079,809	5,608,192	4,637,001	4,567,492
Non-controlling interests	**6,672,039**	6,090,872	5,289,444	4,234,248	4,094,649
Total equity	**13,369,812**	12,170,681	10,897,636	8,871,249	8,662,141
Total liabilities	**7,661,343**	7,644,535	7,722,724	5,292,851	4,407,331
Total equity and liabilities	**21,031,155**	19,815,216	18,620,360	14,164,100	13,069,472

FINANCIAL STATISTICS

	2017	2016	2015	2014	2013 (Restated)
Basic earnings per share (sen)	**145.2**	203.4	119.0	126.9	116.5
Dividend per share (sen)	**60.0**	55.0	50.0	60.0	55.0
Share price as at 30 September (RM)	**19.12**	18.18	16.78	19.10	18.50
Historical price earnings ratio (times)	**13.2**	8.9	14.1	15.1	15.9
Dividend yield (%)[1]	**3.1**	3.0	3.0	3.1	3.0
Dividend cover (times)[2]	**2.4**	3.7	2.4	2.1	2.1
Dividend payout ratio (%)[3]	**41.3**	27.0	42.0	47.3	47.2
Net assets per share attributable to equity holders of the Company (RM)	**16.63**	15.01	13.80	11.33	11.01
Return on shareholders' equity (%)[4]	**8.8**	13.6	8.6	11.2	10.6
Return on total assets (%)[5]	**2.8**	4.2	2.6	3.7	3.7
Net debt-to-equity ratio (%)[6]	**19.5**	19.9	22.0	17.0	4.8

[1] Based on Dividend per Share expressed as a percentage of BKB's Share Price as at 30 September
[2] Calculated as Basic Earnings per Share divided by Dividend per Share
[3] Based on Dividend per Share expressed as a percentage of Basic Earnings per Share
[4] Based on Profit Attributable to Equity Holders expressed as a percentage of Total Equity Attributable to Equity Holders
[5] Based on Profit Attributable to Equity Holders expressed as a percentage of Total Assets
[6] Based on Net Debt (being Total Borrowings less Short Term Funds and Cash and Cash Equivalent) expressed as a percentage of Total Equity

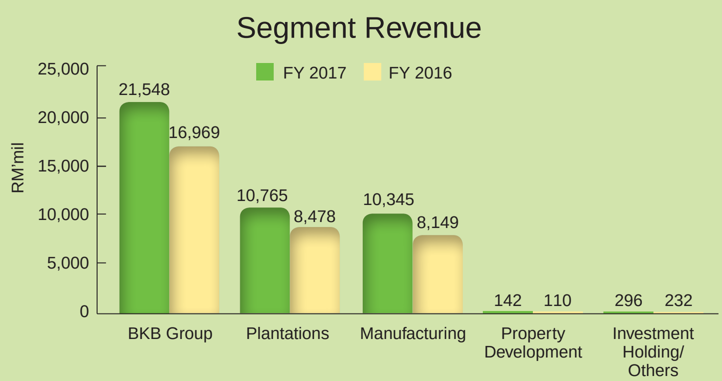
The comparative figures were restated following the adoption of FRS 10 *Consolidated Financial Statements*, in financial year 2014.

QUARTERLY FINANCIAL HIGHLIGHTS

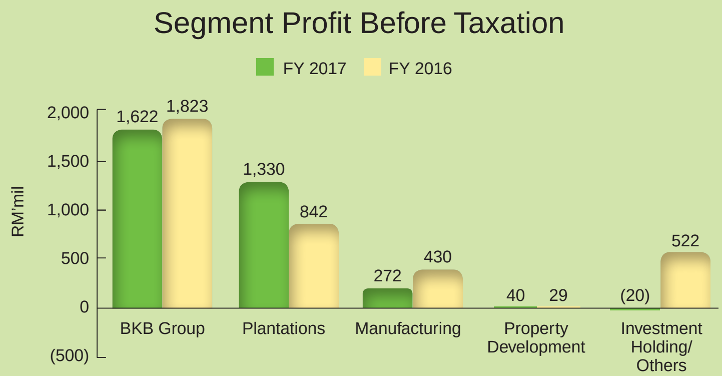
	Year 2017 RM'000	Fourth Quarter RM'000	Third Quarter RM'000	Second Quarter RM'000	First Quarter RM'000
Revenue	**21,548,322**	5,301,592	5,012,875	5,603,935	5,629,920
Profit before taxation	**1,622,131**	422,597	248,030	437,701	513,803
Profit attributable to equity holders of the Company	**586,646**	145,009	80,779	163,315	197,543
Basic earnings per share (sen)	**145.2**	35.9	20.0	40.3	48.8
Net dividends per share (sen)	**60.0**	45.0	-	15.0	-

GROUP FINANCIAL REVIEW

For the financial year ended 30 September 2017, the Group achieved its highest ever revenue of RM21.55 billion, which is 27% higher than RM16.97 billion reported last year. All segments reported higher revenue in the current financial year.

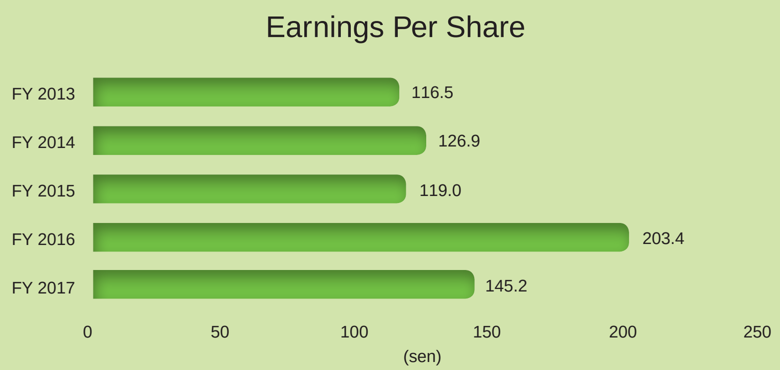


However, the Group's profit before taxation - at RM1.62 billion was 11% lower when compared to last financial year's RM1.82 billion, as included in last financial year's profit before taxation was a RM489.33 million exceptional gain from the sale of plantation land by KLK to an associate. Excluding last year's plantation land sale, the Group's y-o-y profit before taxation would be 22% higher.



The net profit attributable to equity holders of the Company is RM586.65 million (2016: RM825.17 million). Included in last year's net profit, in addition to the exceptional gain from plantation land sale, was a RM223.43 million deferred taxation asset recognised on the revaluation surplus of the Group's Indonesian companies' biological assets. Excluding the plantation land sale and deferred taxation assets, the Group's profit attributable to equity holders would be 20% higher.

Earnings per share is 145.2 sen, 29% lower than last financial year's 203.4 sen. However, excluding the plantation land sale and the deferred taxation assets, the Group's earnings per share would be 21% higher.



Plantations

The Plantations Division reported a 27% higher revenue of RM10.77 billion and a 58% higher profit before taxation of RM1.33 billion for the financial year under review. As comparison, last financial year's revenue and profit before taxation was RM8.48 billion and RM841.58 million respectively.

The reported higher revenue was due to:

- Higher realised commodity prices:
  - o Crude Palm Oil ("CPO") (ex-mill) at RM2,733/mt (2016: RM2,256/mt);
  - o Palm Kernel ("PK") (ex-mill) at RM2,526/mt (2016: RM1,866/mt);
  - o Refined palm products (ex-refinery) at RM2,884/mt (2016: RM2,392/mt); and

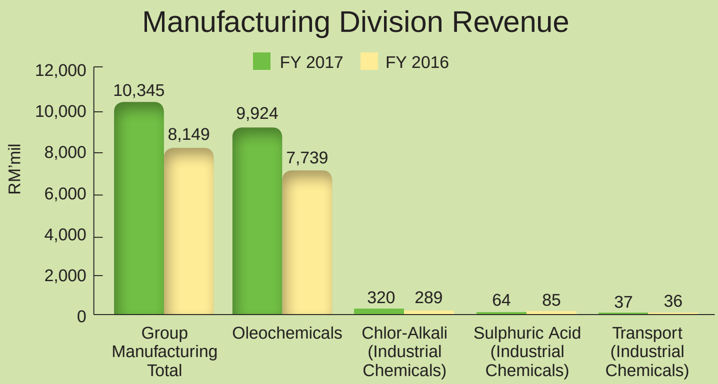
- Higher FFB production at 3,962,038 mt (2016: 3,566,642 mt).

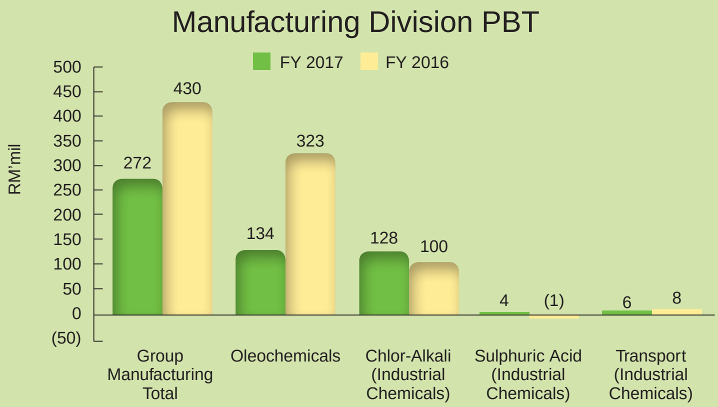
The higher Plantations profit before taxation was achieved on the back of higher revenue from the estate operations. However, the refineries and kernel crushing plants operations reported a significant lower profit of RM44.59 million (2016: RM105.43 million) as the kernel crushing plants' profits from high palm kernel oil price was pulled down by refineries' losses due to impact of high raw material prices.

Manufacturing

The Manufacturing Division reported a 27% higher revenue of RM10.35 billion from RM8.15 billion last year. However, profit before taxation was 37% lower at RM271.58 million from RM430.40 million.

This division consists of the Oleochemicals and Industrial Chemicals businesses, where the latter comprises of Chlor-Alkali business, Sulphuric Acid business, and Transport business.





The Oleochemicals reported a 28% higher revenue of RM9.92 billion for the financial year under review as compared to RM7.74 billion in the last financial year. The increase in sales volume and higher selling prices of its products led to the increase in revenue.

However, profit before taxation was lower at RM134.04 million (2016: RM323.22 million) as the Oleochemicals' result was affected by high palm oil prices, shortage of RBD palm stearin and an untimely holding of high cost raw materials inventories which resulted in a RM60.33 million stock value write-down when raw material prices reverted in the third quarter of the financial year and a RM30.94 million impairment of its sulphonated methyl ester plant.

Revenue from the Industrial Chemicals business was 3% higher at RM421.53 million mainly due to a 4% increase in total sales volume for Chlor-Alkali products (469,170 mt versus 452,338 mt previously). In addition, selling prices were higher for all Chlor-Alkali products during the year except for liquid chlorine. However, the Sulphuric Acid business reported a decreased revenue of RM64.16 million as compared to last financial year's RM85.11 million as the business was scaled down to better position the business to meet the competition from cheaper imported smelter acid.

The Industrial Chemicals business reported an overall 28% higher profit before taxation of RM137.48 million compared to last financial year's RM107.12 profit. The higher profits were achieved mainly from the increase in Chlor-Alkali's revenue and higher margins from the Sulphuric Acid business.

Property Development

The Property Development Division's profit was higher at RM40.50 million (2016: RM28.63 million) due to a sharp rise in revenue from sales of new houses and profit recognition of houses completed and sold in Bandar Seri Coalfields.

Investment Holdings and Others

Included in this segment are interest and dividend income, rental income from Menara KLK, as well as finance costs and corporate expenditure. Higher revenue of RM296.01 million was achieved for this segment as compared to last financial year's RM232.09 million. However, a loss before taxation of RM19.78 million was reported in this financial year as compared to previous year's profit of RM521.97 million which included the exceptional gain from sale of a plantation land. Excluding this exceptional item, current year's results is still lower mainly due to impairment of investments.

Share Buy-back

During the financial year under review, BKB has bought back 2,287,300 (2016: 1,185,200) of its own shares at a cost of RM43.40 million (2016: RM21.06 million) at an average price of RM18.91 per share (2016: RM17.70 per share). The shares were purchased on the open market and are retained as Treasury shares.

As at 30 September 2017, the Company holds 33,078,231 Treasury shares purchased at a total cost of RM446.67 million or an average price of RM13.46 per share, which is equivalent to some 8% of the Company's issued share capital of 435,951,000 shares.

Gearing

The Group's net debt-to-equity at 19.5% was 2% lower than last year's 19.9% due to an increase in shareholders' equity and a full redemption of the RM300.00 million Islamic Medium-Term Notes by KLK during the year.

Capital Expenditure

The Group has budgeted a total sum of some RM695.00 million for FY 2018 amongst others, allocated to the following main segments:

- Plantations – RM534.00 million
- Manufacturing:
    - Oleochemicals - RM111.00 million
    - Industrial Chemicals – RM23.00 million

Dividends

The following were dividends paid or final dividend being proposed:

- 15 sen (2016: 15 sen) per share interim single tier dividend for financial year ended 30 September 2017 amounting to RM60.49 million; and
- 45 sen (2016: 40 sen) per share final single tier dividend for financial year ended 30 September 2017.

The dividend payout ratio for the financial year under review was some 41% (2016: 27% or 46% excluding the plantation land sale and the deferred taxation assets) of its basic earnings per share.

PLANTATIONS – OPERATIONAL REVIEW & OUTLOOK

Plantations is the BKB Group's principal business activity as it contributes to 82% of the Group's profits.

As of 30 September 2017, BKB owns a total plantation landbank of 274,266 ha across Malaysia, Indonesia and Liberia. The Group also operates 26 palm oil mills, four (4) refineries which process CPO into refined palm products, and three (3) kernel crushing plants which produces palm kernel oil ("PKO") and palm kernel expellers.

5-YEAR PLANTATIONS STATISTICS		**2017**	**2016**	**2015**	**2014**	**2013**
OIL PALM						**(Restated)**
FFB Production						
- Own estates	(mt)	3,962,038	3,566,642	3,882,487	3,823,787	3,687,225
- Sold	(mt)	86,929	58,461	36,373	150,375	240,840
- Purchased	(mt)	861,508	764,749	936,140	1,084,985	960,987
- Total processed	(mt)	4,736,617	4,272,930	4,782,254	4,758,397	4,407,372
Weighted Average Hectarage						
- Mature	(ha)	184,934	180,186	176,730	170,204	163,751
- Immature	(ha)	35,188	36,685	37,816	39,880	37,989
Total Planted	(ha)	220,122	216,871	214,546	210,084	201,740
FFB Yield per Mature Hectare	(mt/ha)	21.42	19.79	21.97	22.47	22.52
CPO Yield per Mature Hectare	(mt/ha)	4.65	4.42	4.92	4.93	4.83
Mill Production						
- CPO	(mt)	1,029,990	955,198	1,071,527	1,047,142	945,693
- PK	(mt)	205,241	192,995	222,203	219,387	203,886
Oil Extraction Rate						
- CPO	(%)	21.75	22.35	22.41	22.01	21.46
- PK	(%)	4.33	4.52	4.65	4.61	4.63
Cost of Production						
- FFB	(RM/mt ex-estate)	240	244	223	208	230
- CPO (exclude windfall profit levy and Sabah sales tax)	(RM/mt ex-mill)	1,387	1,381	1,271	1,197	1,301
Average Selling Prices						
- Refined palm products	(RM/mt ex-refinery)	2,884	2,392	2,227	2,519	2,460
- CPO	(RM/mt ex-mill)	2,733	2,256	2,102	2,396	2,275
- PKO	(RM/mt ex-mill)	5,985	4,191	3,205	3,294	2,225
- Palm kernel cakes	(RM/mt ex-mill)	323	277	262	430	401
- PK	(RM/mt ex-mill)	2,526	1,866	1,417	1,576	1,105
- FFB	(RM/mt)	578	575	462	519	353
Average Profit per Mature Hectare (after replanting expenditure)	(RM)	6,793	3,977	4,360	5,946	4,156

		2017	2016	2015	2014	2013 (Restated)
RUBBER						
Production						
- Own estates	('000 kg)	12,975	16,007	15,224	16,547	17,531
- Sold	('000 kg)	-	-	-	70	189
- Purchased	('000 kg)	1,803	1,282	1,314	1,726	2,104
- Total processed	('000 kg)	14,778	17,289	16,538	18,203	19,446
Weighted Average Hectarage						
- Mature	(ha)	9,746	10,305	10,777	12,456	15,029
- Immature	(ha)	3,309	3,364	3,500	3,678	3,670
Total Planted	(ha)	13,055	13,669	14,277	16,134	18,699
Yield per Mature Hectare	(kg/ha)	1,331	1,553	1,413	1,328	1,166
Cost of Production						
- Rubber	(sen/kg ex-estate)	420	382	409	426	441
Average Selling Prices (net of cess)	(sen/kg)	895	667	681	800	942
Average Profit per Mature Hectare (after replanting expenditure)	(RM)	3,256	974	404	1,602	3,021

The comparative figures were restated following the adoption of FRS 10 *Consolidated Financial Statements,* in financial year 2014.

FFB production increased by 11% y-o-y to 3.96 million mt, with Indonesia contributing to approximately half of the total. The Group's FFB and CPO yield per mature hectare also improved to 21.42 mt/ha (2016: 19.79 mt/ha) and 4.65 mt/ha (2016: 4.42 mt/ha) respectively.

Both the Group's FFB and CPO cost remained almost unchanged at RM240/mt ex-estate and RM1,387/mt ex-mill exclusive of windfall tax and Sabah sales tax.

PLANTATIONS AREA STATEMENT

		2017			2016		
	Age In Years	**Hectares**	**% Under Crop**	**% of Total Planted Area**	**Hectares**	**% Under Crop**	**% of Total Planted Area**
OIL PALM	4 to 9	**60,511**	**28**		60,741	29	
	10 to 18	**68,751**	**32**		69,596	33	
	19 and above	**55,808**	**26**		49,188	23	
	Mature	**185,070**	**86**	**81**	179,525	85	80
	Immature	**31,268**	**14**	**14**	31,244	15	14
	Total	**216,338**	**100**	**95**	210,769	100	94
RUBBER	6 to 10	**890**	**7**		1,373	11	
	11 to 15	**2,336**	**19**		2,203	17	
	16 to 20	**3,165**	**26**		2,897	22	
	21 and above	**3,165**	**26**		3,932	30	
	Mature	**9,556**	**78**	4	10,405	80	5
	Immature	**2,699**	**22**	1	2,657	20	1
	Total	**12,255**	**100**	5	13,062	100	6
TOTAL PLANTED		**228,593**		**100**	223,831		100
Plantable Reserves		**17,512**			27,440		
Conservation Areas		**17,908**			12,789		
Building sites, etc		**10,253**			10,033		
GRAND TOTAL		**274,266**			274,093		

Although a strong recovery in yields is expected for the new financial year, this situation could also negatively impact profits as ample supply of oil seeds may then put pressure on CPO prices. Other factors which may implicate CPO prices include the higher import tax introduced by India, the possibility of an import ban on palm-based biodiesel into the EU and its new certification standards which will be made mandatory soon. On top of that, the country is currently experiencing a shortage of foreign workers, especially in labour-intensive industries such as plantations. This inadequacy in workforce may severely affect harvesting and production if not properly managed.

In view of these circumstances, efforts will be focused on driving productivity in terms of both production and labour. The Group will also continue to closely monitor its replanting standards and work towards realising the target of 20 mt/ha for the first year of harvest and 6 mt/ha of CPO.

MANUFACTURING – OPERATIONAL REVIEW & OUTLOOK

Oleochemicals

Results for the year were negatively impacted by the high cost of raw materials, especially its major feedstock, crude palm kernel oil ("CPKO") during the first half of the year, and further compounded by its subsequent sharp price drop in the middle of the year, which resulted in subsequent stock write-downs of RM60.33 million. At the end of the year, the division also took an asset impairment adjustment to reflect the under-performance of a specialised oleochemical plant due to slow demand.

The Oleochemicals division anticipates that the tough business condition and overcapacity situation will persist into the new financial year. However, with feedstock prices trending down from the current financial year's near record high, there will be increased fresh demand supported by market correction to restock depleting inventory levels, leading to a stronger delivery in the new financial year.

Industrial Chemicals

The Chlor-Alkali business achieved satisfactory results due to increase in off-take from a major customer and higher caustic prices from higher regional tightness of caustic supply. Capacity utilisation rose and plants are operating near rated capacity. However, production cost was impacted due to the removal of subsidies for electricity and looking ahead, electricity cost as a key component for the Chlor-Alkali operations will likely continue to rise. While focus will continue to contain escalating cost and maintain high capacity utilisation, safe and sustainable plant operations remains a top priority.

Meanwhile, the restructuring of the Sulphuric Acid business was completed during the year with the closing of the larger capacity plant in Kemaman and successful commissioning of the smaller relocated acid plant. The business has since turned profitable with the commencement of oleum supply to a long-term customer and acid supply to a smaller but more stable portfolio of customers. The outlook of the Sulphuric Acid business is more positive after the restructuring as competition with smelter acid is reduced and the business is more sustainable.

The Transport subsidiaries' business saw poorer results despite transported volumes rose. This was mainly due to higher cost of fuel consumed during the year. Vehicle availability was also poorer due to untimely vehicle breakdowns which coincided with higher demand. A multi-year fleet replacement program and enhanced maintenance program of the fleet is on-going. The cargo volumes for the transport division is unlikely to reduce and the division's performance is expected to improve with these on-going initiatives.

The Industrial Chemicals business is cautiously optimistic in projecting a satisfactory profit for the next financial year despite expectations of softening product prices due to likely correction in regional caustic prices, competition for market share and cheaper imports. Production cost is likely to be impacted by higher energy cost following the progressive increase in special electricity tariff rates and the scheduled natural gas tariff hikes. The Chlor-Alkali operations will continue to emphasize on improving its energy usage and efficiency amongst other cost improving initiatives. The Sulphuric Acid business should improve its modest profit through anticipated higher sales volume but will likely be subjected to rising raw materials and increase in natural gas tariff.

PROPERTY – OUTLOOK

The Property segment is embarking to develop a sustainable township with an array of amenities, enhancing landscaping and providing a secure and conducive living environment in Bandar Seri Coalfields. Security is continuously being upgraded within the township with the Auxiliary Police Force providing security 24-hours daily. Other projects include the construction of a Methodist Private School and Clubhouse situated next to the 50-acre central park within the township.

The property market remained soft throughout FY 2017 with landed residential market faring slightly better as these cater for the owner occupant market. However, with the rising cost of living, continued cooling measures and weak buyer sentiments, the industry is projected to remain weak in the coming financial year.

Planned new launches are exclusive higher ground residential enclave with large lot sizes superlink and semi-detached houses.

The Board of Directors ("Board") recognises corporate governance as a form of self-regulation intended to ensure that the operations and objectives within the Batu Kawan Berhad ("BKB") Group are implemented and conducted with a view towards enhancing corporate accountability, sustainability and long term business prosperity to safeguard the interests of stakeholders.

The Board is pleased to present the statement on the Company's Corporate Governance practices which is made in compliance with Paragraphs 15.25 and 15.08A of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad. The Board is satisfied that for the financial year ended 30 September 2017, the Company has complied with the principles and recommendations of the Malaysian Code of Corporate Governance 2012 ("the Code") unless stated otherwise.

The Board took cognizance of the new Malaysian Code on Corporate Governance 2017 published on 26 April 2017 which requires disclosure on the state of its application in annual reports issued for financial year ending on or after 31 December 2017. The Board will take further steps to strengthen the corporate governance and internal controls of the Group to ensure that a higher standard of corporate governance is adopted throughout the Group.

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT

Clear Functions of the Board and Management

The Board is led by an experienced and effective Board who provides oversight, strategic direction and entrepreneurial leadership. The Directors collectively, have wide and varied technical, financial and commercial experience which facilitates effective, thorough and considered discharge of the Board's statutory and fiduciary duties and responsibilities.

It is the role of Management to manage the Company in accordance with the direction of and delegation by the Board and the responsibility of the Board is focused on the Group's overall governance. The Board will ensure the implementation of strategic plans and that accountability to the Group and its stakeholders is monitored effectively. They will oversee the activities of Management in carrying out these delegated duties.

Clear Roles and Responsibilities of the Board

The principal functions and responsibilities of the Board (which have been set out in the Board Charter) include, but are not limited to the following:

(a) overseeing the development and implementation of corporate strategies and control systems of the Group;
(b) ensuring corporate accountability to the shareholders by maintaining effective shareholders communications strategy;
(c) ensuring effective risk management, compliance and control systems (including legal compliance) are in place;
(d) annual review of succession planning for business continuity;
(e) delegation of day-to-day management of the business to the Managing Director and Management;
(f) embedding sustainability and corporate responsibility practices as part of Group strategy.

The Board delegates certain of its governance responsibilities to Board Committees, which operate under their clearly defined terms of reference. The Chairmen of the respective Committees report to the Board the outcome of deliberations of the Committee meetings.

Code of Conduct of Directors

The Board has formalised a Code of Conduct for the Directors which governs the underlying core ethical values and commitment to high standards of integrity, transparency, accountability and corporate social responsibility. The Code of Conduct provides commitment to ethical values through the key requirements relating to conflict of interest, public representation, insider trading, confidentiality of information and compliance with law and regulations.

The Code of Conduct is made available on the Company's website, ***www.bkawan.com.my.***

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT (cont'd)

Sustainability Strategies

The Group is committed to operate its business in accordance with environmental, social and economic responsibilities. These include working within the law in order to be innovative and demonstrate initiative to meet the requirements of various stakeholders.

The Sustainability Statement of the Group is disclosed on pages 48 to 50 of this Annual Report.

Supply of and Access to Information and Advice

The Directors have direct and unrestricted access to all information relating to the affairs of the Group, whether as a full Board or in their individual capacity and have authority to seek external professional advice should they so require.

All Directors are provided with an agenda and a set of Board papers to Board meetings at least seven (7) days prior to the meetings. This would give sufficient time to the Directors to obtain further explanation/ clarification, where necessary, in order to be properly briefed before the meeting. The Board papers include, among others, the following:

- quarterly financial report and a report on the Group's cash and borrowings position;
- a current review of the operations of the Group; and
- minutes of meetings of all Board Committees.

Monthly reports on the financial performance of the Company and the Group are also provided to the Directors for their information. All proceedings of meetings are properly minuted and filed in the statutory records of the Company, which is accessible by the Directors at all times. Notices on the closed periods for dealings in the shares of the Company are circulated to all Directors and principal officers of the Company in order for them to make necessary disclosure to the Company in advance of whenever the closed period is applicable.

Senior Management is requested to attend Board meetings to present and provide additional information on matters being discussed and to respond to any queries that the Directors may have. All Directors have access to the advices and services of the suitably qualified and competent Company Secretaries, who are all members of the Malaysian Institute of Chartered Secretaries & Administration. The Company Secretaries are responsible for ensuring the Group's adherence and compliance with the relevant statutory and regulatory requirements. They ensure that deliberations at Board and Board Committees are properly documented and subsequently communicated to the relevant Management for their further actions.

Board Charter

The Board Charter sets out the roles and responsibilities of the Board and Board Committees and the processes and procedures for their meetings. It further elaborates the division of responsibilities for the Board, Board Committees, Management, Chairman, Managing Director as well as the Independent Directors. The Charter is reviewed periodically to ensure it complies with legislation and best practices, and remains relevant and effective for good governance policies and processes.

The Board Charter is published on the Company's website, ***www.bkawan.com.my***.

2. STRENGTHEN COMPOSITION

The Board delegates certain of its governance responsibilities to the Board Committees, namely the Audit Committee, Nomination Committee and Remuneration Committee. The Chairmen of the respective Committees report to the Board the outcome of deliberations of the Committee meetings.

2. STRENGTHEN COMPOSITION (cont'd)

Nomination Committee

The Nomination Committee comprises exclusively of Non-Executive Directors, the majority of whom are independent, as follows:

Dato' Yeoh Eng Khoon (Chairman) – Senior Independent Non-Executive Director
Tan Sri Dato' Seri Lee Oi Hian – Non-Independent Non-Executive Director
Dato' Mustafa bin Mohd Ali – Independent Non-Executive Director
(ceased as a Nomination Committee member upon his retirement as a Director on 15 February 2017)
R. M. Alias – Independent Non-Executive Director
(appointed as a Nomination Committee member on 8 May 2017)

The Nomination Committee's key function is to establish formal and transparent policies and procedures to recruit, retain, train and develop the best available directors, and manage board renewal and succession effectively.

The Nomination Committee meets at least once a year, with additional meetings convened as and when necessary. During the financial year under review, a total of two (2) Nomination Committee meetings were held and the attendance of the members for the meetings held are as detailed below:

Name of Directors	**Number of Meetings**	
	Held[1]	**Attended**
Dato' Yeoh Eng Khoon	2	2
Tan Sri Dato' Seri Lee Oi Hian	2	2
Dato' Mustafa bin Mohd Ali	1	1
R. M. Alias	1	1

[1] reflects the number of meetings held during the period the Directors held office

A summary of the activities of Nomination Committee in discharging its duties during the year under review is as follows:

(1) Reviewed and assessed the suitability of Tan Sri Rastam bin Mohd Isa, and recommended to the Board his appointment as an Independent Non-Executive Director, taking into consideration his experience, skills and personal attributes;
(2) Reviewed and assessed the composition of the Audit and Nomination Committees, and recommended to the Board the appointment of Tan Sri Rastam bin Mohd Isa to the Audit Committee and R. M. Alias to the Nomination Committee;
(3) Reviewed and assessed the performance, and made recommendations to the Board for its approval in relation to the re-appointment and re-election of Directors at the forthcoming Annual General Meeting ("AGM");
(4) Reviewed the composition of the Board based on its required mix of skills, experience and other qualities which are considered important by the Board;
(5) Reviewed and assessed the board balance of its size, structure and composition on their compliances with the provisions of the relevant guidelines and regulations;
(6) Assessed the individual Director, overall Board and its Committees' performance and effectiveness as a whole;
(7) Reviewed and assessed the independence of Independent Directors and their tenure of service;
(8) Reviewed the succession plans of the Board and Senior Management;
(9) Assessed Directors' training needs to ensure all Directors receive appropriate continuous training; and
(10) Reviewed and assessed the term of office and performance, and duties carried out by the Audit Committee and each of its member.

2. STRENGTHEN COMPOSITION (cont'd)

Recruitment Process and Annual Assessment of Directors

The Nomination Committee is responsible to assess the contribution of each individual Director and overall effectiveness of the Board on an on-going basis. Having conducted a detailed review of each Director's personal/professional profile, attendance record, training activities, character and attitude, and participation in Board meetings as well as Group functions for the year, the Nomination Committee concluded that each Director has the requisite competence to serve on the Board and had sufficiently demonstrated their commitment to the Group in terms of time, participation and dialogue during the year under review.

In accordance with the Company's Articles of Association ("Articles"), all Directors who are appointed by the Board are subject to re-election by shareholders at the next AGM immediately after their appointment. In accordance with the Articles, one-third (1/3) of the Directors, including the Managing Director, is required to submit themselves for re-election by rotation at each AGM. All the Directors are subject to retirement at an interval of at least once in every three (3) years. The Directors who are standing for re-election and re-appointment at the forthcoming AGM are disclosed in the notice of AGM.

At the last AGM held in February 2017, R. M. Alias who is over the age of 70 years had sought annual re-appointment in accordance with Section 129 of the Companies Act, 1965, to hold office until the forthcoming AGM of the Company. As such section has now been repealed, R. M. Alias will seek re-appointment at the forthcoming AGM to enable him to continue his office as a Director of the Company and his continuation in office will thereafter be subject to retirement in accordance with the Articles.

The Nomination Committee continually reviews and evaluates its requirements for an appropriate mix of skills and experience to ensure the Board's composition remains relevant and optimal.

The Nomination Committee practices a clear and transparent nomination process which includes the identification of candidates, evaluation of suitability of candidates, meeting up with candidates, deliberation by Nomination Committee and recommendation to the Board. The appointment of Tan Sri Rastam bin Mohd Isa had followed the aforesaid process accordingly.

The Nomination Committee also provides an orientation and education programme for new recruits to the Board as an integral element of the process of appointing new Directors.

The Nomination Committee, upon its annual assessment, confirms that the present size and composition of the Board has the requisite competencies and capacity to effectively oversee the overall businesses and handle all matters pertaining to the Group.

The Nomination Committee and Board acknowledges the importance of boardroom diversity and is supportive of the recommendation of the Code pertaining to the establishment of a gender diversity policy. The Board recognises the need to enhance boardroom diversity which is not only about diversification in terms of gender, but in terms of age, ethnicity and social backgrounds. Hence, the Board had always been in support of a policy of non-discrimination on the basis of race, religion and gender.

The Board will strive to encourage a dynamic and diverse composition of the Board by nurturing suitable and potential candidates equipped with the competency, skills, experience, character, time commitment, integrity and other qualities in meeting the future needs of the Company. Action is being taken by the Board to identify suitably qualified women candidates for appointment to the Board.

2. STRENGTHEN COMPOSITION (cont'd)

Remuneration Committee

The Remuneration Committee comprises exclusively of Non-Executive Directors, the majority of whom are independent, as follows:

R. M. Alias (Chairman) – Independent Non-Executive Director
Tan Sri Dato' Seri Lee Oi Hian – Non-Independent Non-Executive Director
Quah Chek Tin – Independent Non-Executive Director

The Remuneration Committee is responsible for setting the policy framework and for making recommendations to the Board on remuneration and other terms of employment for the Board and senior management.

The Remuneration Committee meets at least once a year, with additional meetings convened as and when necessary. During the financial year under review, one (1) Committee meeting was held and the attendance of the members for the meeting held is as detailed below:

Name of Directors	Number of Meetings	
	Held	Attended
R. M. Alias	1	1
Tan Sri Dato' Seri Lee Oi Hian	1	1
Quah Chek Tin	1	1

The Remuneration Committee carries out the function established by the Board to have formal and transparent remuneration policies and procedures in order to retain Directors. In the case of the Executive Director, the various components of the remuneration are structured so as to link rewards to corporate and individual performance. The Remuneration Committee's remuneration package for the Managing Director is subject to the approval of the Board. In the case of Non-Executive Directors, the level of remuneration reflects the expertise, experience and level of responsibilities undertaken by a particular Non-Executive Director concerned. The Non-Executive Directors are paid a meeting allowance for each Board meeting they attend. Similarly, members to Board Committees are also paid a meeting allowance for each Committee meeting they attend. The Directors are also reimbursed reasonable expenses incurred by them in the course of carrying out their duties on behalf of the Company.

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

Company

Category	Fees	Salaries	Incentive	Other Emoluments
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Executive Director	-	2,057	2,082	772
Non-Executive Directors	705	-	-	39

Group

Category	Fees	Salaries	Incentive	Other Emoluments
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Executive Director	252	2,056	2,082	783
Non-Executive Directors	1,430	3,780	3,835	1,565

2. STRENGTHEN COMPOSITION (cont'd)

Remuneration Committee (cont'd)

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

Range of Remuneration	Executive Director	Non-Executive Directors
RM50,000 to RM100,000	-	2
RM100,001 to RM150,000	-	1
RM400,000 to RM450,000	-	1
RM600,000 to RM650,000	-	1
RM5,150,000 to RM5,200,000	1	-
RM9,250,000 to RM9,300,000	-	1

The proposed Directors' fees for the year ended 30 September 2017 and proposed payment of Directors' benefits for the period from 31 January 2017 until the next AGM to be held in 2019 will be tabled at the forthcoming AGM.

3. REINFORCE INDEPENDENCE

Annual Assessment of Independent Directors

The Board recognises the importance of independence and objectivity in the decision-making process. The Board and its Nomination Committee have upon their annual assessment, concluded that each of the four (4) Independent Non-Executive Directors continues to demonstrate conduct and behaviour that are essential indicators of independence, and that each of them continues to fulfil the definition and criteria of independence as set out in the Listing Requirements.

Tenure of Independent Directors

The Board further noted the Code recommendation that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. The Nomination Committee and the Board have deliberated on the said recommendation and hold the view that a Director's independence cannot be determined solely with reference to tenure of service. Board composition should reflect a balance between effectiveness on one hand, and the need for renewal and fresh perspectives on the other.

The Nomination Committee and the Board have also determined that R. M. Alias and Dato' Yeoh Eng Khoon, who have served on the Board as Independent Directors, each exceeding a cumulative term of nine (9) years, remain unbiased, objective and independent in expressing their opinions and in participating in decision-making of the Board. The length of their service on the Board has not in any way interfered with their objective and independent judgement in carrying out their roles as members of the Board and Committees. Furthermore, their pertinent expertise, skills and detailed knowledge of the Group's businesses and operations enable them to make significant contributions actively and effectively to the Company's decision-making during deliberations or discussions.

In this respect, the Board has approved the continuation of R. M. Alias and Dato' Yeoh Eng Khoon as Independent Directors of the Company. The Board believes that it is in the best position to identify, evaluate and determine whether any Independent Director can continue acting in the best interests of the Company and bringing independent and professional judgement to board deliberations.

3. REINFORCE INDEPENDENCE (cont'd)

Separation of Positions of the Chairman and Managing Director

The respective roles of the Chairman and the Managing Director are clearly defined, so as to promote accountability and facilitate division of responsibilities between them. The Chairman is responsible for ensuring Board effectiveness and conduct, whilst the Managing Director has overall responsibility for the operating units, organisational effectiveness and implementation of Board policies and decisions.

Although the Chairman of the Board is a Non-Independent Non-Executive Director, the Independent Directors who account for a majority of the Board ensure a good balance of power and authority on the Board. Their presence further fulfills a pivotal role in corporate accountability. Although all the Directors have an equal responsibility for the Group's operations, the role of these Independent Non-Executive Directors is particularly important as they provide unbiased and independent views, advice and judgement.

Composition of the Board

The Board currently has six (6) members, comprising five (5) Non-Executive Directors (including the Chairman) and one (1) Executive Director, with four (4) of the six (6) Directors being Independent Directors, met the Listing Requirements of at least one-third (1/3) of the Board being independent. Together, the Directors have a wide range of business, financial and technical experience. This mix of skills and experience is vital for the successful direction of the Group.

4. FOSTER COMMITMENT

Time Commitment

The Board meets at least four (4) times a year, with additional meetings convened as and when necessary. During the financial year ended 30 September 2017, a total of four (4) Board meetings were held. The details of attendance of each Director at the Board meetings are as follows:

Name of Directors	Number of Meetings	
	Held[1]	Attended
Tan Sri Dato' Seri Lee Oi Hian	4	4
Dato' Lee Hau Hian	4	4
R. M. Alias	4	4
Dato' Yeoh Eng Khoon	4	4
Quah Chek Tin	4	4
Dato' Mustafa bin Mohd Ali	2	2
Tan Sri Rastam bin Mohd Isa	2	1

[1] reflects the number of meetings held during the period the Directors held office

The Board is satisfied with the level of commitment given by the Directors in carrying out their responsibilities which is evidenced by the attendance record of the Directors above.

None of the Directors hold more than five (5) directorships each in listed corporations which ensures that they devote sufficient time to their duties as Directors.

Directors' Training

The Directors are mindful that they should continue to update their skills and knowledge to maximise their effectiveness as Directors during their tenure.

4. FOSTER COMMITMENT (cont'd)

Directors' Training (cont'd)

The Directors have also attended various seminars, courses and training to keep abreast with the developments on a variety of areas relevant to the Group's business. The conferences, seminars and training programmes attended by Directors were as follows:

Conference / Seminar / Workshop	Presenter / Organiser
American Oil Chemists' Society – Fabric & Home Care World Conference	American Oil Chemists' Society
Palm Oil Trade Fair and Seminar	Malaysian Palm Oil Council
Oil & Fats International Congress 2016	Malaysian Oil Scientists' & Technologists Association ("MOSTA")
Global Transformation Forum 2017	Performance Management and Delivery Unit
ISP National Seminar 2017	The Incorporated Society of Planters ("ISP")
Invest Malaysia 2017	CIMB Group Holdings Berhad in collaboration with Bursa Malaysia Berhad
National Transformation (TN50) Workshop	Economic Planning Unit
ASIAN Science Camp	University Tunku Abdul Rahman
Oil Palm Best Practices Workshop 2017	MOSTA
Malaysian Code on Corporate Governance 2017	PricewaterhouseCoopers
Fraud Risk Management Workshop	Bursa Malaysia Berhad
Business Leaders Roundtable Meeting – Women on Board	Securities Commission Malaysia
How to Leverage on AGMs for Better Engagement with Shareholders	Bursa Malaysia Berhad and MAICSA
The Velocity of Global Change & Sustainability – The New Business Model	Bursa Malaysia Berhad
Directors Guide to Crisis Management and Leadership during Crisis	Institute of Enterprise Risk Practioners Training Centre
A New Era of Auditor Reporting: Insights for Investors	Malaysian Institute of Accountants and Minority Shareholders Watchdog Group
Audit Committee Institute Breakfast Roundtable 2017	KPMG
4th APEC Business Advisory Council ("ABAC") Meeting and APEC CEO Summit 2016	ABAC Secretariat, Peru
International Investment Fund Forum 2017	Securities Commission Malaysia
Boao Forum for Asia Annual Conference 2017	National Institute for South China Sea Studies & Secretariat of Boao Forum for Asia People's Republic of China
ABAC Meeting II	ABAC Secretariat, Republic of Korea
World Bank Conference on Islamic Finance and Public Private Partnership for Infrastructure Development	Securities Commission Malaysia

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

Compliance with Applicable Financial Reporting Standards

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

The Audit Committee has reviewed the Company's financial statements in the presence of both the External and Internal Auditors prior to recommending them for approval by the Board and issuance to the shareholders of the Company. The Audit Committee considered and addressed the significant issues highlighted by the External Auditors by adherence to the appropriate accounting standards and policies.

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

Assessment of Suitability and Independence of External Auditors

Through the Audit Committee, the Company has established a transparent and professional relationship with the External Auditors. The Audit Committee had a meeting with the External Auditors during the year under review without the presence of the Executive Director and Management to allow the Audit Committee members and the External Auditors to exchange frank and independent views on matters which require the Audit Committee's attention.

The suitability and independence of External Auditors are consistently reviewed by the Audit Committee. The role of the Audit Committee in relation to the assessment of the External Auditors is stated on the summary of activities of the Audit Committee Report of this Annual Report.

6. RECOGNISE AND MANAGE RISKS

Sound Risk Management Framework

The Group Risk Management Committee ("GRMC"), headed by the Managing Director, oversees the risk management efforts within the Group. It includes identifying principal business risks in critical areas, assessing the likelihood and impact of material exposures and determining its corresponding risk mitigation and treatment measures. The Board and Management have formulated and adopted a formal approach towards risk management which is in compliance with the guidance issued by the relevant authorities.

During the financial year under review, a total of two (2) GRMC meetings were held and the following activities were carried out by GRMC:

(a) Reviewed the Group's risk registers and risk consequence rating parameters for the financial year 2017;
(b) Reviewed the Group's risks profile status;
(c) Reviewed the top 20 operating risks by the operating centres;
(d) Reviewed the Group's headline risks and risk changes; and
(e) Reviewed the Group's HSE performance.

6. RECOGNISE AND MANAGE RISKS (cont'd)

Internal Audit Functions

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

The Board is of the view that the current system of internal controls in place throughout the Group is sufficient to safeguard the Group's interests.

Details of the Company's internal control system and framework are set out in the Statement on Risk Management and Internal Control and Audit Committee Report of this Annual Report.

7. TIMELY AND HIGH QUALITY DISCLOSURE

Corporate Disclosure Policies and Procedures

The Company and the Group are committed to a policy which provides accurate, balanced, clear, timely and complete disclosure of corporate information to enable informed and orderly market decisions by investors. Importance is also placed on timely and equal dissemination of material information to the stakeholders, media and regulators. In this respect, the Company has in place a Corporate Disclosure Policy and Procedures to ensure that communications with the investing public regarding the business, operations and financial performance of the Company are accurate, timely, factual, informative, consistent, broadly disseminated and where necessary, information filed with regulators is in accordance with applicable legal and regulatory requirements.

The Corporate Disclosure Policy and Procedures is available on the Company's website, ***www.bkawan.com.my***.

Effective Dissemination of Information

Announcements and release of financial results on a quarterly basis provide the shareholders and the investing public with an overview of the Group's performance and operations. Summaries of the Group's second and fourth quarterly financial results are advertised in a major national daily and copies of the full announcements are provided on request.

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

As there may be instances where investors and shareholders may prefer to express their concerns to an independent director, the Board has appointed Dato' Yeoh Eng Khoon, as the Senior Independent Non-Executive Director to whom concerns may be directed.

8. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

Shareholders' Participation at AGM

The AGM which is held in February each year, provides a means of communication with shareholders. The Company despatches its Annual Report to shareholders at least twenty-one (21) days before the meeting. This allows the shareholders to thoroughly review the Annual Report as well as make necessary arrangements to attend the meeting and participate in person or by corporate representative, proxy or attorney. Shareholders who are unable to attend are allowed to appoint a proxy to attend and vote on their behalf. Members of the Board as well as the Auditors of the Company are present to answer questions raised at the meeting.

8. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS (cont'd)

Shareholders' Participation at AGM (cont'd)

To strengthen transparency and efficiency in the voting process and in line with the Listing Requirements, the Company implemented electronic poll voting at its last AGM. An independent external party was appointed as scrutineers for the electronic poll voting process. The Chairman announced the voting results of all the resolutions tabled before the closure of the AGM and the outcome of the AGM is released to Bursa Malaysia Securities Berhad on the same meeting day. The summary of the AGM proceedings is available on the Company's website, ***www.bkawan.com.my***.

Effective Communication and Proactive Engagements

At the Fifty-Second (52nd) AGM of the Company, all six (6) Directors were present in person to engage directly with the shareholders at the meeting. The proceedings of the meeting included the Questions and Answers sessions during the meeting which invite shareholders to raise questions pertaining to the Company's Financial Statements and other items for adoption at the meeting. The Directors, Management and External Auditors responded to the shareholders' queries. The shareholders were also provided with the Company's responses to questions submitted in advance of the meeting by the Minority Shareholder Watchdog Group before the commencement of the meeting to ensure transparency.

INTRODUCTION

At Batu Kawan Berhad ("BKB") Group, we recognise the importance of sustainability-related issues which can significantly affect the BKB Group's businesses, their risk profiles and their values. This year is the first year the BKB Group is having a formal sustainability statement disclosing our sustainability strategy which is in line with regulatory requirements and best practices.

BKB is an investment holding company. The activities of the BKB Group include oil palm and natural rubber plantations, downstream plantation-related manufacturing, property development, the manufacture and sale of industrial chemicals and chemicals transport services, and investment holding.

MAIN SUBSIDIARY – KUALA LUMPUR KEPONG BERHAD ("KLK")

KLK is a leading listed Malaysian plantations company, with plantations in Malaysia, Indonesia and Liberia. From plantations, the KLK Group has gone downstream into resource based manufacturing, into the oleochemicals and their derivatives industry; and have branched into property development of its land bank in Peninsular Malaysia. With its expanded and diversified businesses, KLK is committed to creating sustainable stakeholder value, integrating environment and societal concerns into its business strategies and performance, based on four (4) core areas of focus, namely the marketplace, environment, workplace and community. KLK is a member of the Roundtable for Sustainable Palm Oil. A Sustainability Steering Committee for KLK was formed in September 2015, chaired by its Chief Executive Officer and members of management as well as representatives from its Sustainability Team. KLK has developed a comprehensive Sustainability Policy to guide its group-wide management in their approaches towards the environment and communities in which they operate.

Further details of the KLK's Sustainability Statement and Reporting are set out in their 2017 Annual Report, which is available on KLK's website, *www.klk.com.my*.

BKB CHEMICAL GROUP OF COMPANIES

The BKB Chemical Group of companies are involved in the manufacturing and supply of industrial chemicals to their customers, through their manufacturing plants and logistics transport operations. We strive to build stakeholders' value by manufacturing and delivering competitively priced quality chemicals to all our customers. We are committed to deliver our products at a consistently high quality level, safely and on a timely basis. We shall remain responsive to our customers' needs and expectations. We recognise that sustainability practices benefit our organisation, customers and the communities which our operating sites and offices are located in.

SUSTAINABILITY GOVERNANCE

Our approach to reporting sustainability in this Sustainability Statement (which excludes details of KLK's sustainability reporting) is guided by *Bursa Malaysia Securities Berhad Main Market Listing Requirements relating to Sustainability Statement in Annual Report of Listed Issuers*.

In BKB Group, we have been reporting a wide range of corporate social responsibility initiatives carried out throughout the years. The introduction of sustainability reporting marks the beginning of a deeper commitment by BKB towards discharging our social responsibility. We embrace this natural progression considering that stakeholders are increasingly interested in understanding a company's approach in managing its environmental, economic and social ("EES") impacts, opportunities and risks. Our management is taking steps to look into every area of our business operations with a view to finding avenues for integrating sustainability elements in the course of conducting our businesses. The Company aims to progressively improve our sustainability practices.

Our sustainabillity efforts are led by our Management Team members and is chaired by our BKB Managing Director. The BKB Group Sustainability Team is responsible for implementing the Group's sustainability initiatives and reports to the BKB Board.

Environment

In our Chemical group of companies, responsible manufacturing is our focus in the use of resources and the management of wastes generated from manufacturing.

We believe in constant improvement to optimise input and minimise wastages in our raw material inputs which includes salt, electrical power and sulphur. We seek to use such inputs efficiently to maximise output of value added goods and avoid unnecessary waste generation.

Waste management forms a key part of our supply chain with the primary objectives to ensure efficient use, to minimise waste generation and to promote recycling, where possible. The recycling of wash water in our aluminium sulphate production back into production is one example of efforts to reduce liquid effluent generation. Seventy percent (70%) of waste water generated is recycled within the process. Waste water treatment facilities were converted and continued to be upgraded in compliance to the Industrial Effluent Treatment System ("IETS") requirements. All scheduled wastes are appropriately treated and stored or disposed off in compliance with law and regulations. We also seek to reduce wastes generation by seeking to improve design and technology employed in the production processes.

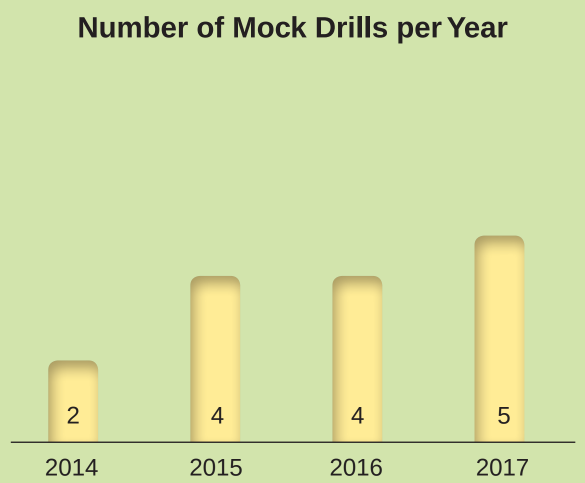
For energy conservation and reduction in the use of fossil fuels, plant equipment designed with inherent waste heat recovery to generate steam is used. We have invested in dual-fuel boiler which burns hydrogen gas (generated in production as a byproduct) for steam generation. Reducing use of fuel and reducing carbon emissions by using cleaner fuels will continue to be a focus.

Economic

Our Chemical companies are major producers of inorganic based chemicals, which includes chemicals for potable water treatment. We are committed to carry the social responsibility to ensure consistent availability of chemicals to ensure potable water supply to majority household nationwide are treated. It takes a reliable operation with clear policies/procedures in our operating units to deliver this commitment.

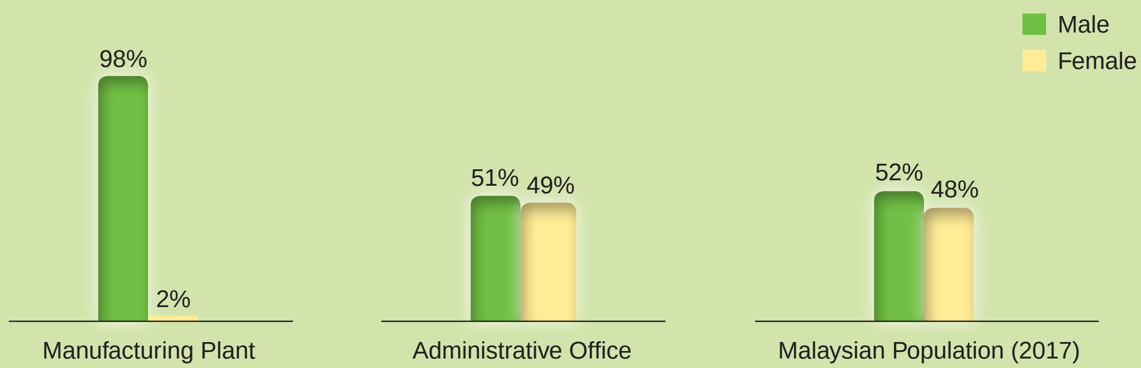
Being the largest chlor-alkali chemical producer in Malaysia, we actively engage our customers to ensure the safe use of these chemicals and their efficient application into their processes. In 2017, we conducted two hundred and twelve (212) mandays of training and audits of our customers' premises for that purpose. We will continue to commit resources for this purpose to refresh and seek safer and more efficient ways to use our chemicals.

We actively engage the communities in which we operate with the aim to create awareness of the products we manufacture and the plant processes. Annual safety events are organised for this purpose to create occupational safety awareness among our employees and an opportunity to engage the public and regulatory bodies via dialogues and plant visits. We work in partnership with local authorities and regulatory bodies which included mock drills exercises on/off-site and product briefings.

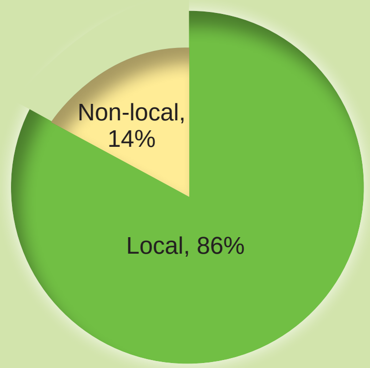


We believe in keeping one of our key stakeholders, i.e our employees engaged with the aim to bring forth their full potential and enabling a satisfying career for each of them. In 2017, we averaged seventeen (17) training hours per employee and are committed to furthering the success of our employees. At the same time, we are inclusive and are mindful to encourage balanced participation of female employees in our chemical manufacturing facilities. We continue to promote and attract talents from the local community or within the same state which we operate in. We are proud to contribute to the local economies by creating employment in the communities in which we operate, with eighty-six percent (86%) of our staff coming from the local communities.

Employees Breakdown by Gender



Employee Locality



Social

A sustainable business is one that enriches its people and the communities which they operate in.

As a caring employer, we strive to create a conducive working environment for all our employees. Sports clubs actively organise sports activities to promote a healthy lifestyle for employees while we celebrate all festivities and foster relationship amongst employees during our annual dinners and families' day events.

We reach out to society via our philanthropic and corporate social responsibility activities, aimed at the less fortunate where we can make a difference and our employees can participate to give back and enrich themselves in the process.

We believe in investing in millennials and to contribute to prepare and cultivate the next generation of workforce via our undergraduate internship programs. We accepted eleven (11) undergraduates in 2017 and a total of fifty-two (52) in the last few years, with the aim to share and better prepare them for the working world when they graduate. The process is mutually beneficial as we also better understand the employment needs of millennials and learnt to more effectively engage the future leaders.

Statement on Risk Management and Internal Control

INTRODUCTION

The Board, in compliance with Paragraph 15.26(b) of Bursa Malaysia Securities Berhad's ("Bursa Malaysia") Main Market Listing Requirements, is pleased to provide the following Statement on Risk Management and Internal Control ("the Statement"). Preparation of the Statement, which outlines the nature and scope of risk management and internal control of the Group during the year, is guided by "Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers" as required by Bursa Malaysia.

BOARD RESPONSIBILITY

The Board affirms its overall responsibility in maintaining a sound risk management and internal control system at BKB to safeguard the interests of shareholders, customers, employees and the Group's assets. The Board also recognizes that such systems are designed to manage the Group's risks within an acceptable level, rather than eliminate the risk of failure to achieve the policies, goals and objectives of the Group. It can therefore only provide reasonable, rather than absolute assurance of effectiveness against material misstatement of management and financial information, financial losses, fraud and breaches of laws or regulations.

CONTROL ENVIRONMENT & ACTIVITIES

- **Risk Management Framework**

  A formal risk management framework has been established with the aim of setting clear guidelines in relation to the level of risks acceptable to the Group. The framework is also designed to ensure proper management of the risks that may impede the achievement of the Group's goals and objectives.

  The Group has in place an ongoing process for identifying, evaluating and managing the principal risks that affect the attainment of the Group's business objectives and goals for the year under review and up to the date of approval of this statement for inclusion in the Annual Report.

  The Board is supported by the Group Risk Management Committee ("GRMC"), headed by the Managing Director in overseeing the risk management efforts within the Group. The risk management process includes identifying principal business risks in critical areas, assessing the likelihood and impact of material exposures and determining its corresponding risk mitigation measures.

  These ongoing processes are co-ordinated by the Internal Audit Department in conjunction with all the business heads within the Group and with periodic reporting to the GRMC.

  The Group's risks relating to the Plantations sector are managed by its main subsidiary, Kuala Lumpur Kepong Berhad's own GRMC. The principal Plantations sector risks include sustainability risks, regulatory risks, market and commodity price risks, and operational risks. These principal risks for the year ended 30 September 2017 have been reviewed by Kuala Lumpur Kepong Berhad's Board of Directors.

- **Board Meetings**

  The Board meets quarterly and has a formal agenda on matters for discussion. The Managing Director leads the presentation of board papers and provides explanations on pertinent issues. In arriving at any decision, the Board undertakes due deliberation and discussion as a prerequisite. In addition, the Board is kept updated on the Group's activities and operations on a timely and regular basis.

- **Organisational Structures with Formally Defined Responsibility Lines and Delegation of Authority**

  Organisational structures with formally defined responsibility lines and authority are in place to facilitate quick response to changes in the business environment, effective supervision of day-to-day business conduct, and accountability for operational performance. Capital and non-capital expenditures and acquisition and disposal of investments are subject to appropriate approval processes.

CONTROL ENVIRONMENT & ACTIVITIES (cont'd)

- **Performance Management Framework**

  Management reports are generated on a regular and consistent basis to facilitate the Board and the Group's management in performing financial and operating reviews on the respective operating units. These reviews encompass areas such as financial and non-financial key performance indicators, variances between budget and operating results and compliance with laws and regulations.

  The Group has in place a well-defined budgeting process that supports the performance management framework.

- **Operational Policies And Procedures**

  Documented policies and procedures form an integral part of the internal control system to safeguard shareholders' investment and Group's assets against material losses and ensure complete and accurate financial information. These documents consist of circulars, the Standard Operating Manuals and the Standard Policy Procedures Manuals that are revised and updated timely to meet operational needs.

- **Group Internal Audit**

  The Internal Audit Department which is headed by the Head of Internal Audit, reports directly to the Audit Committee and conducts reviews on the system of internal control and the effectiveness of the processes to identify, manage and report risks. Routine reviews are conducted on units under the Group's business segments. Appropriate recommendations are made to address issues and weaknesses highlighted and are subsequently followed up to ensure proper implementation.

REVIEW OF STATEMENT BY EXTERNAL AUDITORS

The External Auditors have reviewed this Statement on Risk Management and Internal Control to the scope set out in the "*Recommended Practice Guide ("RPG")* 5 *(Revised), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report"* issued by the Malaysian Institute of Accountants for inclusion in the Annual Report for the Group for the year ended 30 September 2017, and have reported to the Board that nothing has come to their attention that cause them to believe that this statement included in the Annual Report of the Group, in all material respects:

(a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers; or

(b) is factually inaccurate.

RPG 5 (Revised) does not require the External Auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board and Management thereon. The Auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the Annual Report will, in fact, remedy such problems.

ADEQUACY AND EFFECTIVENESS OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board has reviewed the adequacy and effectiveness of the Group's risk management and internal control system for the year under review and up to the date this statement is approved for inclusion in the Annual Report, and is of the view that the risk management and internal control system is operating satisfactorily and no material losses were incurred as a result of internal control weaknesses or adverse compliance events.

The Managing Director and Group Financial Controller have provided written assurance to the Board that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects. The Management will continue to review and take measures to ensure the on-going effectiveness and adequacy of the system of risk management and internal control, so as to safeguard shareholders' investments and the Group's assets.

This Statement was approved by the Board of Directors on 11 December 2017.

The Board of Directors of Batu Kawan Berhad ("BKB") is pleased to present the report of the Audit Committee for the financial year ended 30 September 2017.

The Audit Committee was established in 1993.

COMPOSITION AND MEETINGS

The Audit Committee comprises three (3) members, all of whom are Independent Non-Executive Directors and are appointed by the Board of Directors ("the Board"). The Board of Directors of BKB shall review the terms of office and performance of the Audit Committee and that of each member at least once in every three (3) years to determine whether the Audit Committee and its members have carried out their duties in accordance with their terms of reference.

The Audit Committee convened five (5) meetings during the financial year ended 30 September 2017. The members of the Audit Committee and their attendance at the meetings, are as follows:

Name of Directors	**Number of Meetings**	
	Held[1]	**Attended**
Dato' Yeoh Eng Khoon (Chairman) - *Senior Independent Non-Executive Director*	5	5
Quah Chek Tin - *Independent Non-Executive Director*	5	5
Dato' Mustafa bin Mohd Ali* - *Independent Non-Executive Director*	1	1
Tan Sri Rastam bin Mohd Isa** - *Independent Non-Executive Director*	2	1

[1] reflects the number of meetings held during the period the Audit Committee members held office

* Dato' Mustafa bin Mohd Ali ceased as an Audit Committee member upon his retirement as a Director of the Company on 15 February 2017.

** Tan Sri Rastam bin Mohd Isa was appointed as an Audit Committee member on 8 May 2017.

The Audit Committee meets regularly and the Group Financial Controller, the Head of Internal Audit and occasionally, representatives of the External Auditors, normally attend these meetings. Other members of the Board may attend the meetings upon the invitation of the Audit Committee. The Audit Committee met the External Auditors twice during the year under review without the presence of the Management.

The Company Secretary shall be the Secretary of the Audit Committee. The Secretary shall maintain minutes of the proceedings of the meetings of the Audit Committee and distribute such minutes to each member of the Audit Committee and the Board.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

In line with the key functions in its terms of reference of the Audit Committee, the following activities were carried out by the Audit Committee during the financial year ended 30 September 2017 in the discharge of its functions and duties:

1) Financial Reporting

   (a) Reviewed and reported to the Board the Group's quarterly results prior to the submission to the Board for their consideration and approval.

   (b) Reviewed the audit reports for the Group and the Company prepared by the external and internal auditors and considered the major findings by the auditors and Management's response thereto.

   (c) Reviewed the audit plans for the Group and the Company for the year which were prepared by both the external and internal auditors.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE (cont'd)

2) Risk Management and Internal Control

(a) Reviewed the Group's procedures on internal controls and ensure that appropriate arrangements are in place for matters relating to financial reporting and financial control.
(b) Reviewed and assessed the scope and effectiveness of the systems established by Management to identify, assess, manage and monitor financial and non-financial risks.
(c) Reviewed the annual Statement on Risk Management and Internal Control and Internal Audit Function to be published in the Annual Report for Board's approval.

3) Internal Audit

(a) Reviewed the adequacy of the scope, functions, competency and resources of the internal audit function and ensure that it has the necessary authority to carry out its responsibilities.
(b) Reviewed the internal audit programme and processes, the results of the internal audit programme and processes as well as measures undertaken and ensure that where appropriate, action is taken on the recommendations of the internal audit function.

4) External Audit

(a) Considered and recommended to the Board on the re-appointment of the external auditors, and on their audit fees.
(b) Reviewed with the external auditors their audit plan, the nature and scope of the audit, prior to the commencement of audit and to ensure coordination with the audit firms of subsidiaries.
(c) Reviewed with the external auditors on the following and reported the same to the Board:
   (i) audit report, including the key issues which arose during the course of the audit and subsequently have been resolved and those issues that have been left unresolved;
   (ii) external auditors' management letter and Management's response thereto;
   (iii) evaluations of the system of internal controls;
   (iv) audit approach, including coordination of audit efforts with internal auditors and assistance given by the employees to the external auditors; and
   (v) key significant audit findings reported by the external auditors.

5) Reviewed related party transactions entered into by the Group, including the review and monitoring of recurrent related party transactions for which shareholders' mandate has been granted, to ensure that:

(a) such transactions were carried out on normal commercial terms and were not prejudicial to the interest of the Company or its minority shareholders;
(b) adequate oversight over the internal control procedures with regard to such transactions; and
(c) compliance with the BKB Policy on Related Party Transactions.

6) Reviewed the Audit Committee Report and Internal Audit Function, and Corporate Governance Statement before submitting for Board's approval and inclusion in the Annual Report.

INTERNAL AUDIT FUNCTION

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

- Assist in reviewing the adequacy, integrity and effectiveness of the Group's internal control system for the Board as well as to assist in drafting the Statement on Risk Management and Internal Control in the Annual Report;
- Support the Audit Committee in evaluating the effectiveness of the existing internal control system, identify future requirements and co-develop a prioritised action plan to further enhance the internal control system;
- Identify the key business processes within the Group and the Company that internal audit should focus on;
- Allocate necessary resources to selected areas of audit in order to provide Management and the Audit Committee an effective and efficient level of internal audit coverage; and
- Coordinate risk identification and risk management processes and activities.

An annual internal audit plan is presented to the Audit Committee for approval. The internal audit function adopts a risk-based approach and prepares the plan based on the risk profiles of the business units of the Group.

The activities of the Internal Audit Department that were carried out are as follows:

- Undertook internal audit based on the audit plan that had been reviewed and approved by the Audit Committee which includes the review of operational compliance with established internal control procedures and reliability of financial records.
- Attended budget review meetings held regularly by the Group's Senior Management to keep abreast of strategic and operational planning issues. Discussions relating to principal and significant business risks are recorded and forwarded to the Group Risk Management Committee and Audit Committee.
- Conducted investigations with regards to specific areas of concern as directed by the Audit Committee and the Management.
- Assessed key business risks at each business unit and performed continuous monitoring of those risks via risk validation procedures and reviewing supporting documentations.
- Issued and presented quarterly internal audit report summaries to the Audit Committee during the year, on the Group's operating centres with appropriate audit recommendations.

Great importance is placed on effective and fair communication with auditees and other stakeholders. Open channels of communications are maintained to facilitate this. In striving for continuous improvement, the Internal Audit Department will endeavour to put in place appropriate action plans and carry out necessary assignments to further enhance the Group's systems of internal control. Its resources and manpower requirements are reviewed on a regular basis to ensure the function can carry out its duties effectively. The costs incurred for the Group Internal Audit function for the financial year ended 30 September 2017 were RM5,427,000.

Directors' Responsibility Statement

The Directors are required by the Companies Act 2016 to prepare financial statements for each financial year which give a true and fair view of the financial position of the Group and of the Company as at the financial year end and of the results and the cash flows of the Group and of the Company for that financial year.

The Directors consider that, in preparing the financial statements of Batu Kawan Berhad for the financial year ended 30 September 2017, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Directors also consider that all applicable Financial Reporting Standards in Malaysia have been followed and confirmed that the financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that the Group and the Company keep accounting records which disclose with reasonable accuracy of the financial position of the Group and of the Company at any time and which enable them to ensure that the financial statements comply with the provisions of the Companies Act 2016.

The Directors are also responsible for taking such steps that are reasonably open to them to safeguard the assets of the Group.

UTILISATION OF PROCEEDS

There were no proceeds raised from any corporate proposals during the financial year.

AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees paid to the External Auditors and its affiliates, by the Group during the financial year are as follows:

	Group RM'000	Company RM'000
Audit Fees	2,044	154
Non-Audit Fees	309	4

MATERIAL CONTRACTS

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

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

Pursuant to Practice Note 12/2001 issued by Bursa Malaysia Securities Berhad, the aggregate value of the recurrent transactions of a revenue or trading nature conducted for the financial year under review between the Company and/or its subsidiaries (excluding Kuala Lumpur Kepong Berhad and its subsidiaries where such information is disclosed in its Annual Report) with related parties is set out below, except for types of transaction with nil aggregate value:

Company	Type of Transactions	Related Party and Nature of Relationship	Transactions Aggregate Value RM'000
Malay-Sino Chemical Industries Sendirian Berhad ("Malay-Sino") Group	Sales and purchases of finished goods, raw materials, other products and services including transportation services	Taiko Marketing Sdn. Bhd. Group ("TMK Group") Interested Directors * Tan Sri Dato' Seri Lee Oi Hian ("LOH") Dato' Lee Hau Hian ("LHH") Interested Major Shareholders #	213,953
Malay-Sino Group	Purchases and sales of products and services which relate to core chemical business	Taiko Marketing (Singapore) Pte Ltd ["TMK(S)"] Interested Directors * LOH, LHH Interested Major Shareholders #	24,216
Malay-Sino Group	Purchases and sales of products and services which relate to core chemical business	Chlor-Al Chemical Pte Ltd ("CAC") Interested Directors * LOH, LHH Interested Major Shareholders #	7,139

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE (cont'd)

Company	**Type of Transactions**	**Related Party and Nature of Relationship**	**Transactions Aggregate Value RM'000**
See Sen Chemical Berhad ("See Sen")	Purchases of raw materials, finished goods, other products and services Sales of finished goods and other products and services	TMK Group Interested Directors * LOH, LHH Interested Major Shareholders #	11,280 51,184
See Sen	Purchases and sales of products and services	CAC Interested Directors * LOH, LHH Interested Major Shareholders #	2,095
See Sen	Purchases and sales of products and services	Taiko Chemical Industries Sdn. Bhd. Group ("TCI") Interested Directors * LOH, LHH Interested Major Shareholders #	4.201
See Sen	Sale of electricity and provision of other chemical-based products and services	BASF See Sen Sdn Bhd Interested Directors * LOH, LHH Interested Major Shareholders #	5,846
PT Satu Sembilan Delapan ("PT SSD")	Sales of fresh fruit bunches and palm products	Kuala Lumpur Kepong Berhad ("KLK") Group Interested Directors * LOH, LHH Interested Major Shareholders #	12,902
PT SSD	Purchase of fresh fruit bunches and palm products	KLK Group Interested Directors * LOH, LHH Interested Major Shareholders #	7,053

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

Note:

* *Persons connected to the Interested Directors are also deemed interested in the Recurrent Related Party Transactions.*

\# *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 recurrent related party transactions.*

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

1. See Sen Group

(a) See Sen is a 61% subsidiary of BKB.
(b) WHI, a company in which LOH and LHH have interests, is a substantial shareholder of See Sen. WHI is also a substantial shareholder of BKB.

2. TCI Group

Taiko Chemical Industries Sdn Bhd ("TCI") is a person connected with LOH and LHH, who are Directors of BKB as their brother, Dato' Lee Soon Hian ("LSH"), is a major shareholder of TCI.

3. TMK(S) / CAC

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

4. TMK Group

TMK is a company in which LSH is a major shareholder.

5. Malay-Sino Group

Malay-Sino is a 98% subsidiary of BKB.

6. BASF See Sen Sdn Bhd

BASF See Sen Sdn Bhd is a 30% associate of See Sen.

7. KLK Group

(a) KLK is a 47% subsidiary of BKB, following the adoption of FRS 10 *Consolidated Financial Statements* in financial year 2014.
(b) Certain BKB Directors, LOH and LHH are major shareholders and directors of KLK.
(c) WHI is a major shareholder of KLK.
(d) All BKB Directors are common directors of KLK except Mr. Quah Chek Tin and Tan Sri Rastam bin Mohd Isa.

Reports and Audited Financial Statements

Report of the Directors

The Directors have pleasure in submitting their Report together with the audited financial statements of the Group and of the Company for the financial year ended 30 September 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries, associates and joint ventures are as disclosed in Note 43 to the financial statements.

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The details of the Company's subsidiaries, associates and joint ventures are as disclosed in Note 43 to the financial statements.

SUMMARY OF RESULTS

	Group RM'000	Company RM'000
Profit before taxation	1,622,131	256,106
Taxation	(423,408)	(1,624)
Profit for the year	1,198,723	254,482
Attributable to:		
Equity holders of the Company	586,646	254,482
Non-controlling interests	612,077	-
	1,198,723	254,482

DIVIDENDS

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

(a) a final single tier dividend of 40 sen per share amounting to RM161,889,948 in respect of the financial year ended 30 September 2016 was paid on 16 March 2017; and

(b) an interim single tier dividend of 15 sen per share amounting to RM60,488,065 in respect of the financial year ended 30 September 2017 was paid on 10 August 2017.

The Directors recommend the payment of a final single tier dividend of 45 sen per share amounting to RM180,901,000 for the year ended 30 September 2017 which, subject to shareholders' approval at the forthcoming Annual General Meeting of the Company, will be paid on 15 March 2018. The entitlement date for the dividend shall be 21 February 2018.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year except as disclosed in the statements of changes in equity, Notes 33 and 35 to the financial statements.

TREASURY SHARES

During the financial year, the Company bought back a total of 2,287,300 of its issued shares from the open market for a total cost of RM43,399,171. Details of the shares bought back and retained as treasury shares were as follows:

Month	No. of shares bought back	Highest price paid per share RM	Lowest price paid per share RM	Average price paid per share RM	Total consideration RM
October 2016	40,200	18.10	18.00	18.06	728,860
December 2016	395,000	18.20	18.16	18.19	7,210,823
February 2017	177,100	19.60	19.26	19.43	3,454,263
March 2017	521,700	19.60	19.28	19.38	10,144,815
April 2017	275,900	19.10	18.98	19.00	5,262,086
May 2017	255,700	18.66	18.62	18.65	4,784,666
June 2017	139,700	18.90	18.70	18.83	2,640,388
July 2017	101,000	18.92	18.80	18.90	1,916,154
August 2017	339,700	19.14	18.80	18.97	6,469,419
September 2017	41,300	19.08	18.70	18.99	787,697
	2,287,300				43,399,171

As at 30 September 2017, the Company retained as treasury shares a total of 33,078,231 of its 435,951,000 issued shares. The Company has not made any share cancellation nor resold its treasury shares during the financial year ended 30 September 2017. Such treasury shares are held at a carrying amount of RM446,671,114 and further details are disclosed in Note 32 to the financial statements.

The mandate given by the shareholders at the Annual General Meeting ("AGM") held on 15 February 2017 to approve the Company's plan to repurchase its own shares will expire at the forthcoming AGM and an ordinary resolution will be tabled at the forthcoming AGM for shareholders to renew the mandate for another year.

DIRECTORS OF THE COMPANY

The Directors in office since the beginning of the financial year to the date of this report are shown on page 15.

DIRECTORS' SHAREHOLDINGS

According to the Register of Directors' Shareholdings, the interests of the Directors holding office at the end of the financial year in the Company and its subsidiaries were as follows:

Company: Batu Kawan Berhad	Balance as at 1 October 2016	Additions	(Disposals)	Balance as at 30 September 2017
	← Number of shares of RM1* each →			
Direct interest				
Tan Sri Dato' Seri Lee Oi Hian	854,355	4,950,000	(4,950,000)	854,355
Dato' Lee Hau Hian	1,208,230	217,300	-	1,425,530
Dato' Yeoh Eng Khoon	315,000	-	-	315,000
Deemed interest				
Tan Sri Dato' Seri Lee Oi Hian	207,038,934	7,469,771	(780,000)	213,728,705
Dato' Lee Hau Hian	205,842,209	6,689,771	-	212,531,980
Dato' Yeoh Eng Khoon	15,391,000	-	-	15,391,000

Subsidiary: Kuala Lumpur Kepong Berhad	Balance as at 1 October 2016	Additions	(Disposals)	Balance as at 30 September 2017
	← Number of shares of RM1* each →			
Direct interest				
R. M. Alias	337,500	-	-	337,500
Tan Sri Dato' Seri Lee Oi Hian	72,000	-	-	72,000
Dato' Lee Hau Hian	83,250	-	-	83,250
Dato' Yeoh Eng Khoon	335,000	-	-	335,000
Deemed interest				
R. M. Alias	1,000	-	-	1,000
Tan Sri Dato' Seri Lee Oi Hian	496,350,027	22,000	-	496,372,027
Dato' Lee Hau Hian	496,350,027	22,000	-	496,372,027
Dato' Yeoh Eng Khoon	3,189,850	-	-	3,189,850

* Upon the effective date of the Companies Act 2016 as of 31 January 2017, the shares do not have any par value.

By virtue of their deemed interests in the shares of the Company, Tan Sri Dato' Seri Lee Oi Hian and Dato' Lee Hau Hian are deemed to have an interest in the shares of the other subsidiaries of the Company to the extent of the Company's interest in the respective subsidiaries as disclosed in Note 43 to the financial statements.

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefits (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the Group's financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except for any deemed benefits that may accrue to certain Directors by virtue of the normal trading transactions by the Group and the Company with related parties as disclosed under Note 39 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

INDEMNITY AND INSURANCE COSTS

During the financial year, Directors and officers of the Group are covered under the Directors' and Officers' Liability Insurance Policy in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and officers of the Group subject to the terms of the Policy. The total amount of directors' and officers' liability insurance effected for the Directors and officers of the Group was RM15 million.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

(a) all known bad debts have been written off and adequate provision made for doubtful debts; and

(b) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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

(a) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and the Company inadequate to any substantial extent; or

(b) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

(a) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person; or

(b) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 30 September 2017 have not been substantially affected by any item, transaction or event of a material and unusual nature nor have any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

EVENTS SUBSEQUENT TO REPORTING DATE

Details of events subsequent to reporting date are disclosed in Note 47 to the financial statements.

AUDITORS

The auditors, KPMG PLT (converted from a conventional partnership, KPMG, on 27 December 2016), have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 5 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors, dated 11 December 2017.

DATO' LEE HAU HIAN	**DATO' YEOH ENG KHOON**
(Managing Director)	(Director)

BATU KAWAN BERHAD

Statements of Profit or Loss

For The Year Ended 30 September 2017

		Group		Company	
		2017	2016	**2017**	2016
	Note	**RM'000**	RM'000	**RM'000**	RM'000
Revenue	4	**21,548,322**	16,969,251	**279,503**	268,723
Cost of sales		**(18,625,263)**	(14,686,656)	**-**	-
Gross profit		**2,923,059**	2,282,595	**279,503**	268,723
Other operating income		**185,036**	906,148	**31,245**	20
Distribution costs		**(345,034)**	(330,161)	**-**	-
Administration expenses		**(566,551)**	(553,388)	**(8,113)**	(7,664)
Other operating expenses		**(387,384)**	(310,175)	**(26,249)**	-
Operating profit	5	**1,809,126**	1,995,019	**276,386**	261,079
Finance costs	6	**(190,122)**	(178,152)	**(20,280)**	(20,305)
Share of profits/(losses) of equity accounted associates, net of tax		**12,990**	(2,187)	**-**	-
Share of (losses)/profits of equity accounted joint ventures, net of tax		**(9,863)**	7,906	**-**	-
Profit before taxation		**1,622,131**	1,822,586	**256,106**	240,774
Taxation	9	**(423,408)**	(45,691)	**(1,624)**	93
Profit for the year		**1,198,723**	1,776,895	**254,482**	240,867
Attributable to:					
Equity holders of the Company		**586,646**	825,168	**254,482**	240,867
Non-controlling interests		**612,077**	951,727	**-**	-
		1,198,723	1,776,895	**254,482**	240,867
		Sen	Sen	**Sen**	Sen
Earnings per share	10	**145.2**	203.4	**63.0**	59.4

The accompanying notes form an integral part of the financial statements.

BATU KAWAN BERHAD

Statements of Other Comprehensive Income

For The Year Ended 30 September 2017

	Group		Company	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
Profit for the year	**1,198,723**	1,776,895	**254,482**	240,867
Other comprehensive income/(loss) that will be reclassified subsequently to profit or loss				
Currency translation differences	**114,810**	(76,704)	**-**	-
Net change in fair value of available-for-sale investments	**541,541**	(164,558)	**4,098**	3,818
Realisation on fair value of available-for-sale investments	**(5,560)**	(1,726)	**(323)**	-
	650,791	(242,988)	**3,775**	3,818
Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans (Note 35)	**27,657**	(61,581)	**-**	-
Total other comprehensive income/(loss) for the year	**678,448**	(304,569)	**3,775**	3,818
Total comprehensive income for the year	**1,877,171**	1,472,326	**258,257**	244,685
Attributable to:				
Equity holders of the Company	**913,363**	699,126	**258,257**	244,685
Non-controlling interests	**963,808**	773,200	**-**	-
	1,877,171	1,472,326	**258,257**	244,685

The accompanying notes form an integral part of the financial statements.

BATU KAWAN BERHAD

Statements of Financial Position

As At 30 September 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Assets					
Property, plant and equipment	12	**5,487,466**	5,337,156	**163**	212
Investment property	13	**49,263**	50,191	**-**	-
Prepaid lease payments	14	**321,985**	319,539	**-**	-
Biological assets	15	**2,725,985**	2,644,794	**-**	-
Land held for property development	16	**1,091,471**	1,130,312	**-**	-
Goodwill on consolidation	17	**352,949**	349,930	**-**	-
Intangible assets	18	**15,325**	15,076	**-**	-
Investments in subsidiaries	19	**-**	-	**859,649**	783,048
Investments in associates	20	**177,680**	170,733	**901**	2,132
Investments in joint ventures	21	**251,737**	251,412	**-**	-
Available-for-sale investments	22	**2,400,912**	1,694,341	**26,670**	24,599
Other receivables	23	**237,516**	237,505	**-**	-
Amounts owing by subsidiaries	19	**-**	-	**110,037**	141,341
Deferred tax assets	24	**453,110**	467,715	**-**	-
Total non-current assets		**13,565,399**	12,668,704	**997,420**	951,332
Inventories	25	**1,834,008**	1,950,696	**-**	-
Biological assets	15	**37,806**	43,697	**-**	-
Trade receivables	26	**1,917,691**	1,559,847	**-**	-
Other receivables, deposits and prepayments	27	**709,849**	712,146	**11**	556
Amounts owing by subsidiaries	19	**-**	-	**1,659**	5,477
Tax recoverable		**39,582**	59,588	**-**	-
Property development costs	28	**154,696**	83,463	**-**	-
Available-for-sale investments	22	**327,143**	-	**87,025**	-
Derivative financial assets	29	**110,748**	119,454	**-**	-
Short term funds	30	**578,489**	1,068,716	**-**	-
Cash and cash equivalents	31	**1,755,744**	1,548,905	**158,920**	294,417
Total current assets		**7,465,756**	7,146,512	**247,615**	300,450
Total assets		**21,031,155**	19,815,216	**1,245,035**	1,251,782
Equity					
Share capital	32	**498,760**	435,951	**435,951**	435,951
Reserves	33	**6,645,684**	6,047,130	**744,530**	708,651
		7,144,444	6,483,081	**1,180,481**	1,144,602
Less: Cost of treasury shares	32	**(446,671)**	(403,272)	**(446,671)**	(403,272)
Total equity attributable to equity holders of the Company		**6,697,773**	6,079,809	**733,810**	741,330
Non-controlling interests		**6,672,039**	6,090,872	**-**	-
Total equity		**13,369,812**	12,170,681	**733,810**	741,330
Liabilities					
Deferred tax liabilities	24	**284,561**	281,174	**-**	-
Deferred income	34	**117,365**	118,665	**-**	-
Provision for retirement benefits	35	**488,288**	503,650	**30**	114
Borrowings	36	**3,567,168**	3,467,808	**500,000**	500,000
Total non-current liabilities		**4,457,382**	4,371,297	**500,030**	500,114
Trade payables	37	**809,111**	668,325	**-**	-
Other payables	38	**807,516**	732,476	**10,939**	10,192
Deferred income	34	**7,808**	6,328	**-**	-
Borrowings	36	**1,375,596**	1,572,222	**-**	-
Tax payable		**99,287**	75,101	**256**	146
Derivative financial liabilities	29	**104,643**	218,786	**-**	-
Total current liabilities		**3,203,961**	3,273,238	**11,195**	10,338
Total liabilities		**7,661,343**	7,644,535	**511,225**	510,452
Total equity and liabilities		**21,031,155**	19,815,216	**1,245,035**	1,251,782

The accompanying notes form an integral part of the financial statements.

	Attributable to the equity holders of the Company											
		Non-distributable						Distributable				
	Share Capital RM'000	Treasury Shares RM'000	Revaluation Reserve RM'000	Capital Reserve * RM'000	Capital Redemption Reserve RM'000	Exchange Fluctuation Reserve RM'000	Fair Value Reserve RM'000	General Reserve RM'000	Retained Earnings RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
At 1 October 2015	435,951	(382,208)	4,810	821,732	27,743	233,463	633,402	7,035	3,826,264	5,608,192	5,289,444	10,897,636
Net change in fair value of available-for-sale investments	-	-	-	-	-	-	(71,721)	-	-	(71,721)	(92,837)	(164,558)
Realisation on fair value of available-for-sale investments	-	-	-	-	-	-	(803)	-	-	(803)	(923)	(1,726)
Transfer from retained earnings to reserves	-	-	(159)	1,445	1,010	-	-	-	(2,296)	-	-	-
Remeasurement of defined benefit plans (Note 35)	-	-	-	-	-	-	-	-	(28,335)	(28,335)	(33,246)	(61,581)
Currency translation differences	-	-	71	77	(1)	(25,330)	-	-	-	(25,183)	(51,521)	(76,704)
Total other comprehensive (loss)/income for the year	-	-	(88)	1,522	1,009	(25,330)	(72,524)	-	(30,631)	(126,042)	(178,527)	(304,569)
Profit for the year	-	-	-	-	-	-	-	-	825,168	825,168	951,727	1,776,895
Total comprehensive (loss)/ income for the year	-	-	(88)	1,522	1,009	(25,330)	(72,524)	-	794,537	699,126	773,200	1,472,326
Acquisition through business combination	-	-	-	-	-	-	-	-	(3,622)	(3,622)	(4,156)	(7,778)
Effect of changes in shareholdings in subsidiaries	-	-	-	-	-	-	-	-	-	-	324,800	324,800
Share buy back	-	(21,064)	-	-	-	-	-	-	-	(21,064)	-	(21,064)
Dividends paid - 2015 final	-	-	-	-	-	-	-	-	(142,017)	(142,017)	-	(142,017)
- 2016 interim	-	-	-	-	-	-	-	-	(60,806)	(60,806)	-	(60,806)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(292,416)	(292,416)
Total transactions with owners of the Company	-	(21,064)	-	-	-	-	-	-	(206,445)	(227,509)	28,228	(199,281)
At 30 September 2016	435,951	(403,272)	4,722	823,254	28,752	208,133	560,878	7,035	4,414,356	6,079,809	6,090,872	12,170,681
	Note 32		Note 33									

* *Included in Capital Reserve is RM491,511,000 which is distributable.*

	Share Capital RM'000	Treasury Shares RM'000	Revaluation Reserve RM'000	Capital Reserve * RM'000	Capital Redemption Reserve RM'000	Exchange Fluctuation Reserve RM'000	Fair Value Reserve RM'000	General Reserve RM'000	Retained Earnings RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
	← Attributable to the equity holders of the Company									→		
		← Non-distributable					→	← Distributable →				
At 30 September 2016	435,951	(403,272)	4,722	823,254	28,752	208,133	560,878	7,035	4,414,356	6,079,809	6,090,872	12,170,681
Net change in fair value of available-for-sale investments	-	-	-	-	-	-	263,060	-	-	263,060	278,481	541,541
Realisation on fair value of available-for-sale investments	-	-	-	-	-	-	(2,761)	-	-	(2,761)	(2,799)	(5,560)
Transfer from retained earnings to reserves	-	-	-	2,613	2,430	-	-	-	(5,043)	-	-	-
Remeasurement of defined benefit plans (Note 35)	-	-	-	-	-	-	-	-	13,136	13,136	14,521	27,657
Currency translation differences	-	-	(6)	40	1	53,247	-	-	-	53,282	61,528	114,810
Total other comprehensive (loss)/income for the year	-	-	(6)	2,653	2,431	53,247	260,299	-	8,093	326,717	351,731	678,448
Profit for the year	-	-	-	-	-	-	-	-	586,646	586,646	612,077	1,198,723
Total comprehensive (loss)/income for the year	-	-	(6)	2,653	2,431	53,247	260,299	-	594,739	913,363	963,808	1,877,171
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	-	13,171	13,171
Redemption of redeemable preference shares	31,505	-	-	-	-	-	-	-	(31,505)	-	-	-
Effect of changes in shareholdings in subsidiaries	-	-	-	-	-	-	-	-	(29,743)	(29,743)	(58,390)	(88,133)
Share buy back	-	(43,399)	-	-	-	-	-	-	-	(43,399)	-	(43,399)
Dividends paid - 2016 final	-	-	-	-	-	-	-	-	(161,890)	(161,890)	-	(161,890)
- 2017 interim	-	-	-	-	-	-	-	-	(60,488)	(60,488)	-	(60,488)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(337,301)	(337,301)
Total transactions with owners of the Company	31,505	(43,399)	-	-	-	-	-	-	(283,626)	(295,520)	(382,520)	(678,040)
Reclassification of capital redemption reserve to share capital pursuant to Section 618(2) of the Companies Act 2016	31,304	-	-	-	(31,183)	-	-	-	-	121	(121)	-
At 30 September 2017	498,760	(446,671)	4,716	825,907	-	261,380	821,177	7,035	4,725,469	6,697,773	6,672,039	13,369,812
	← Note 32	→	← Note 33						→			

* *Included in Capital Reserve is RM494,164,000 which is distributable.*

The accompanying notes form an integral part of the financial statements.

BATU KAWAN BERHAD

Statement of Changes in Equity of the Company

For The Year Ended 30 September 2017

	Share Capital RM'000	Treasury Shares RM'000	Revaluation Reserve RM'000	Fair Value Reserve RM'000	Capital Reserve RM'000	General Reserve RM'000	Retained Earnings RM'000	Total RM'000
		← Non-distributable		→	← Distributable		→	
At 1 October 2015	435,951	(382,208)	16	1,544	32,555	6,739	625,935	720,532
Net change in fair value of available-for-sale investments	-	-	-	3,818	-	-	-	3,818
Total other comprehensive income for the year	-	-	-	3,818	-	-	-	3,818
Profit for the year	-	-	-	-	-	-	240,867	240,867
Total comprehensive income for the year	-	-	-	3,818	-	-	240,867	244,685
Share buy back	-	(21,064)	-	-	-	-	-	(21,064)
Dividends paid - 2015 final	-	-	-	-	-	-	(142,017)	(142,017)
- 2016 interim	-	-	-	-	-	-	(60,806)	(60,806)
Total transactions with owners of the Company	-	(21,064)	-	-	-	-	(202,823)	(223,887)
At 30 September 2016	**435,951**	**(403,272)**	**16**	**5,362**	**32,555**	**6,739**	**663,979**	**741,330**
Net change in fair value of available-for-sale investments	**-**	**-**	**-**	**4,098**	**-**	**-**	**-**	**4,098**
Realisation on fair value of available-for-sale investments	**-**	**-**	**-**	**(323)**	**-**	**-**	**-**	**(323)**
Total other comprehensive income for the year	**-**	**-**	**-**	**3,775**	**-**	**-**	**-**	**3,775**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**254,482**	**254,482**
Total comprehensive income for the year	**-**	**-**	**-**	**3,775**	**-**	**-**	**254,482**	**258,257**
Share buy back	**-**	**(43,399)**	**-**	**-**	**-**	**-**	**-**	**(43,399)**
Dividends paid - 2016 final	**-**	**-**	**-**	**-**	**-**	**-**	**(161,890)**	**(161,890)**
- 2017 interim	**-**	**-**	**-**	**-**	**-**	**-**	**(60,488)**	**(60,488)**
Total transactions with owners of the Company	**-**	**(43,399)**	**-**	**-**	**-**	**-**	**(222,378)**	**(265,777)**
At 30 September 2017	**435,951**	**(446,671)**	**16**	**9,137**	**32,555**	**6,739**	**696,083**	**733,810**
	← Note 32	→	←		Note 33		→	

The accompanying notes form an integral part of the financial statements.

BATU KAWAN BERHAD

Consolidated Statement of Cash Flows

For The Year Ended 30 September 2017

	2017 RM'000	2016 RM'000
Cash flows from operating activities		
Profit before taxation	**1,622,131**	1,822,586
Adjustments for:		
Depreciation of property, plant and equipment	**429,748**	411,550
Amortisation of prepaid lease payments	**7,262**	7,068
Depreciation of investment property	**928**	929
Amortisation of biological assets	**71,549**	60,848
Amortisation of intangible assets	**2,163**	4,650
Amortisation of deferred income	**(6,252)**	(6,397)
Impairment of property, plant and equipment	**30,940**	12,164
Impairment of goodwill	**-**	1,369
Impairment loss on investment in an associate	**1,231**	2,021
Impairment in value of available-for-sale investment	**32,625**	1,548
Property, plant and equipment written off	**6,278**	5,669
Biological assets written off	**-**	70
Gain on disposal of property, plant and equipment	**(2,376)**	(2,519)
Surplus on government acquisition of land	**(4,892)**	(40,701)
Surplus on disposal of land	**(5,611)**	(496,542)
Surplus on disposal of available-for-sale investments	**(11,553)**	(7,757)
Impairment/(Reversal of impairment) of prepaid lease payments	**38**	(408)
Retirement benefits provision	**33,020**	40,532
(Reversal)/Provision of retrenchment benefits	**(31)**	1,689
Finance costs	**190,122**	178,152
Dividend income	**(77,462)**	(86,673)
Interest income	**(85,634)**	(62,996)
Exchange loss/(gain)	**11,882**	(19,441)
Net change in fair value of derivatives measured at fair value	**(107,268)**	38,170
Share of (profits)/losses of equity accounted associates, net of tax	**(12,990)**	2,187
Share of losses/(profits) of equity accounted joint ventures, net of tax	**9,863**	(7,906)
Fair value loss on rental deposit received	**70**	1
Operating profit before working capital changes	**2,135,781**	1,859,863
Working capital changes:		
Property development costs	**(9,873)**	(20,396)
Inventories	**151,376**	(314,543)
Biological assets	**7,783**	(10,192)
Trade and other receivables	**(346,182)**	451,048
Trade and other payables	**202,399**	(68,403)
Deferred income	**6,194**	11,741
Cash generated from operations	**2,147,478**	1,909,118
Interest received	**5,549**	1,120
Interest paid	**(194,104)**	(175,796)
Tax paid	**(369,947)**	(303,493)
Retirement benefits paid	**(32,941)**	(32,390)
Net cash generated from operating activities	**1,556,035**	1,398,559

Consolidated Statement of Cash Flows (Continued)
For The Year Ended 30 September 2017

	2017 RM'000	2016 RM'000
Cash flows from investing activities		
Purchase of property, plant and equipment	**(550,918)**	(737,375)
Payments of prepaid lease	**(9,132)**	(27,315)
Plantation development expenditure	**(151,823)**	(174,238)
Property development expenditure	**(17,129)**	(903,959)
Subscription of shares in associates	**-**	(325,055)
Subscription of shares in joint ventures	**(2,068)**	(82,134)
Purchase of shares from non-controlling interests	**(88,133)**	-
Purchase of available-for-sale investments	**(798,932)**	(54,187)
Purchase of intangible assets	**(1,426)**	(5,333)
Proceeds from disposal of property, plant and equipment	**13,564**	8,089
Compensation from government on land acquired	**7,011**	41,553
Proceeds from disposal of available-for-sale investments	**341,493**	21,978
Proceeds from disposal of land	**-**	831,421
Decrease/(Increase) in short term funds	**493,293**	(1,068,716)
Dividends received	**88,157**	91,917
Interest received	**53,956**	41,677
(Advances to)/Repayment from joint ventures	**(4,136)**	17,098
Loan to other receivables	**(20,580)**	(47,170)
Net cash used in investing activities	**(646,803)**	(2,371,749)
Cash flows from financing activities		
Drawdown of term loan	**116,249**	20,943
Issuance of Islamic medium term notes	**-**	500,000
Repayment of term loans	**(91,855)**	(3,784)
Redemption of Islamic medium term notes	**(300,000)**	-
Drawdown/(Repayment) of short term borrowings	**58,510**	(497,700)
Dividends paid to shareholders of the Company	**(222,378)**	(202,823)
Dividends paid to non-controlling interests	**(337,301)**	(292,416)
Redemption of redeemable preference shares	**1,440**	-
Issuance of shares to non-controlling interests	**13,171**	324,800
Decrease/(Increase) in other receivable	**22,864**	(6,488)
Share buy back	**(43,399)**	(21,064)
Net cash used in financing activities	**(782,699)**	(178,532)
Net increase/(decrease) in cash and cash equivalents	**126,533**	(1,151,722)
Effects of exchange rate changes	**(3,108)**	(9,521)
Cash and cash equivalents at beginning of year	**1,508,195**	2,669,438
Cash and cash equivalents at end of year (Note A)	**1,631,620**	1,508,195

Note to the consolidated statement of cash flows

A. Cash and cash equivalents

Cash and cash equivalents consist of:

	2017 RM'000	2016 RM'000
Cash and bank balances (Note 31)	**523,457**	350,738
Deposits with licensed banks (Note 31)	**1,232,287**	549,657
Fixed income trust funds (Note 31)	**-**	648,510
Cash and cash equivalents (Note 31)	**1,755,744**	1,548,905
Bank overdrafts (Note 36)	**(124,124)**	(40,710)
	1,631,620	1,508,195

The accompanying notes form an integral part of the financial statements.

Statement of Cash Flows of the Company

For The Year Ended 30 September 2017

	2017 RM'000	2016 RM'000
Cash flows from operating activities		
Profit before taxation	**256,106**	240,774
Adjustments for:		
Depreciation of property, plant and equipment	**56**	51
(Reversal of provision)/Retirement benefits provision	**(84)**	72
Impairment loss on investment in an associate	**1,231**	2,021
Unrealised foreign exchange gain	**(5,071)**	(1,721)
Finance costs	**20,280**	20,305
Dividend income	**(269,146)**	(263,193)
Interest income	**(10,357)**	(5,530)
Impairment on amount owing by a subsidiary	**3**	-
(Surplus)/Deficit on disposal of an available-for-sale investment	**(271)**	15
Operating loss before working capital changes	**(7,253)**	(7,206)
Working capital changes:		
Receivables	**(877)**	(529)
Payables	**555**	294
Cash used in operations	**(7,575)**	(7,441)
Interest received	**2,311**	1,121
Interest paid	**(20,280)**	(20,195)
Tax (paid)/refund	**(208)**	98
Net cash used in operating activities	**(25,752)**	(26,417)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(7)**	(3)
Purchase of available-for-sale investment	**(265,086)**	-
Purchase of investment in an associate	**-**	(255)
Additional investments in subsidiaries	**(158,680)**	(39,197)
Proceeds from disposal of available-for-sale investments	**178,596**	-
Proceeds from disposal of an unquoted investment	**-**	91
Dividends received	**269,122**	263,193
Loan to subsidiaries	**(83,525)**	(122,009)
Repayment from subsidiaries	**130,516**	29,972
Share application monies utilised	**-**	14,186
Net cash generated from investing activities	**70,936**	145,978
Cash flows from financing activities		
Redemption of redeemable preference shares	**83,520**	-
Dividends paid to shareholders of the Company	**(222,378)**	(202,823)
Share buy back	**(43,399)**	(21,064)
Net cash used in financing activities	**(182,257)**	(223,887)
Net decrease in cash and cash equivalents	**(137,073)**	(104,326)
Effects of exchange rate changes	**1,576**	(3,292)
Cash and cash equivalents at beginning of year	**294,417**	402,035
Cash and cash equivalents at end of year (Note A)	**158,920**	294,417
Note to the statement of cash flows		
A. Cash and cash equivalents (Note 31)		
Cash and cash equivalents consist of:		
Cash and bank balances	**158,887**	95,649
Deposits with licensed banks	**33**	33
Fixed income trust funds	**-**	198,735
	158,920	294,417

The accompanying notes form an integral part of the financial statements.

1. CORPORATE INFORMATION

Batu Kawan Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of the Bursa Malaysia Securities Berhad. The registered office and principal place of business is located at Wisma Taiko, No. 1, Jalan S. P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan.

The consolidated financial statements as at and for the year ended 30 September 2017 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in associates and joint ventures.

The principal activity of the Company is investment holding while the principal activities of the Group entities are shown in Note 43.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Group have been prepared in accordance with Financial Reporting Standards ("FRSs") and the requirements of the Companies Act 2016 in Malaysia. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been applied by the Group.

Amendments to FRSs effective for annual periods beginning on or after 1 January 2017

- Amendments to FRS12 *Disclosure of Interests in Other Entities (Annual Improvements to FRS Standards 2014-2016 Cycle)*
- Amendments to FRS 107 *Statement of Cash Flows – Disclosure Initiative*
- Amendments to FRS 112 *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

FRS, Interpretation and Amendments to FRSs effective for annual periods beginning on or after 1 January 2018

- FRS 9 *Financial Instruments (2014)*
- IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*
- Amendments to FRS 1 *First-time Adoption of Financial Reporting Standards (Annual Improvements to FRS Standards 2014-2016 Cycle)*
- Amendments to FRS 2 *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to FRS 4 *Insurance Contracts – Applying FRS 9 Financial Instruments with FRS 4 Insurance Contracts*
- Amendments to FRS 128 *Investments in Associates and Joint Ventures (Annual Improvements to FRS Standards 2014-2016 Cycle)*
- Amendments to FRS 140 *Investment Property – Transfers of Investment Property*

Interpretation to FRS effective for annual periods beginning on or after 1 January 2019

- IC Interpretation 23 *Uncertainty over Income Tax Treatments*

Amendments to FRSs effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to FRS 10 *Consolidated Financial Statements* and FRS 128 *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group falls within the scope MFRS 141 *Agriculture* and IC Interpretation 15 *Agreements for Construction of Real Estate.* Therefore, the Group is currently exempted from adopting the Malaysian Financial Reporting Standards ("MFRS") and is referred to as a "Transitioning Entity". The Group as a Transitioning Entity will apply the MFRS Framework for the annual period beginning on 1 October 2018. In relation to this, the FRS, interpretation and amendments to FRSs which are effective for annual period beginning on or after 1 January 2018 will not be applicable to the Group.

The Group plans to apply from the annual period beginning on 1 October 2017 for those amendments to FRSs that are effective for annual periods beginning on 1 January 2017.

The initial application of these amendments to FRSs are not expected to have any material financial impacts to the financial statements of the Group for the current period and prior period.

The Group is in the process of assessing the impact on the financial statements arising from the transition from FRSs to MFRSs.

2.2 Basis of measurement

The financial statements have been prepared under the historical cost basis other than as disclosed in Note 3.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

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

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Notes 12, 14, 15 and Notes 17 to 22 - Measurement of the recoverable amounts of cash-generating units
- Note 19 - Impairment on investments in subsidiaries
- Note 24 - Recognition of unutilised tax losses and capital allowances
- Note 25 - Impairment/Write down of inventories
- Note 26 - Impairment on trade receivables
- Notes 35 and 42 - Provision for retirement benefits and contingencies
- Note 41 - Operating lease commitments as lessor

3. SIGNIFICANT ACCOUNTING POLICIES

Summarised below are the significant accounting policies of the Group. The accounting policies have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

3.1 Basis of consolidation

(a) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

(b) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:
- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

(c) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(d) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses.

Goodwill is tested for impairment at least annually or more frequently when there is objective evidence of impairment.

In respect of equity accounted associates and joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted associates and joint ventures.

(e) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(f) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

The Group's share of post-acquisition results and reserves of associates is included in the consolidated financial statements and is based on the latest audited and published interim reports in respect of listed companies and latest audited financial statements and unaudited management financial statements in respect of unlisted companies.

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

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

(g) Joint ventures

Joint ventures are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns and the Group has rights only to the net assets of the arrangements.

The Group accounts for its interest in the joint ventures using the equity method. Investments in joint ventures are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The costs of investments include transaction costs.

(h) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(i) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Foreign currency

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rates at that date. Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting period, except for those that are measured at fair value are retranslated to the functional currency at the exchange rates at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the Exchange Fluctuation Reserve in equity.

(b) Operations denominated in functional currencies other than RM

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 October 2006 which are reported using the exchange rates at the dates of acquisitions. The income and expenses of the foreign operations are translated to RM at the average exchange rates for the year.

Foreign currency differences are recognised in other comprehensive income and accumulated in the Exchange Fluctuation Reserve in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the Exchange Fluctuation Reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

3.3 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation/ amortisation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Freehold land is not depreciated. Leasehold land is amortised over the shorter of the lease term and its useful life unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The principal depreciation/amortisation rates for the current and comparative periods are as follows:

Long term leasehold land	-	Over the lease period ranging from 40 to 931 years
Palm oil mill machinery	-	10% per annum
Plant and machinery	-	$3^1/_3$ % to $33^1/_3$ % per annum
Motor vehicles	-	10% to 50% per annum
Furniture, fittings and equipment	-	5% to 40% per annum
Buildings, factories and mills	-	2% to 25% per annum
Employees' quarters	-	10% per annum
Effluent ponds, roads and bridges	-	10% to 20% per annum

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period and adjusted as appropriate.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other operating income" or "other operating expenses" respectively in profit or loss.

3.4 Investment property

Investment property is initially measured at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at cost less accumulated depreciation and any accumulated impairment losses.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at cost.

Investment property is derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. A transfer from investment property to owner-occupied property is made at the carrying amount as at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 3.3 up to the date of change in use.

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

3.5 Leases

(a) Operating leases

Leases are classified as operating leases when the Group does not assume substantially all the risks and rewards of the ownership and the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease.

(b) Prepaid lease payments

Leasehold land which in substance is an operating lease is classified as prepaid lease payments which are amortised over the lease period ranging from 14 to 88 years.

3.6 Biological assets

(a) Plantation development expenditure

New planting expenditure incurred on land clearing and upkeep of trees to maturity is capitalised as plantation development expenditure under biological assets. Plantation development expenditure is not amortised except for those short land leases held in Indonesia where the plantation development expenditure is amortised using the straight line method over the estimated productive years of 20 years.

(b) Growing crops and livestock

Growing crops are measured at fair value which is based on the costs incurred to the end of the reporting period for these crops. As at the end of the reporting period, the yield of the crops and the future economic benefits which will flow from the crops are not able to be reliably measured due to the level of growth.

Livestock is measured at fair value less point-of-sale cost, with any change therein recognised in profit or loss. Fair value is based on the market price of livestock of similar age, breed and genetic make-up. Point-of-sale costs include all costs that would be necessary to sell the livestock.

3.7 Replanting expenditure

Replanting expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

3.8 Property development

(a) Land held for property development

Land held for property development shall be classified as non-current asset where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle.

The change in the classification of land held for property development to current assets shall be at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

Costs associated with the acquisition of land include the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies.

(b) Property development costs

Property development costs comprise costs associated with the acquisition of land and all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

Property development costs are stated in the statement of financial position at the lower of cost and net realisable value.

The excess of revenue recognised in the statement of profit or loss and other comprehensive income over billings to purchasers is shown as accrued billings and the excess of billings to purchasers over revenue recognised in the statement of profit or loss and other comprehensive income is shown as progress billings.

3.9 Financial assets

Financial assets are recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

Financial assets are recognised initially at their fair values plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial assets.

The Group categorises financial assets as follows:

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination or financial assets that are specifically designated into this category upon initial recognition.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(c) **Available-for-sale financial assets**

Available-for-sale category comprises investments in equity, wholesale funds and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

Investments in wholesale funds are public investment funds which the Group and the Company do not have control over its investment directions. As such, the risk of significant change in the value of the investments is uncertain.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (Note 3.16(a)).

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the market place concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date; and

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

3.10 Embedded derivatives

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

3.11 Intangible assets

These assets consist mainly of trade marks and patent which are stated at cost less accumulated amortisation and any accumulated impairment losses. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Intangible assets are amortised from the date that they are available for use. Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight line basis over the estimated useful lives of intangible assets.

The estimated useful lives for the current and comparative periods are as follows:

Trade marks	-	5 to 15 years
Patent	-	10 to 20 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

3.12 Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale.

Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs of disposal.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment properties, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated. In addition, equity accounting of equity accounted associates and joint ventures ceases once classified as held for sale.

3.13 Inventories

Inventories are measured at the lower of cost and net realisable value. Cost includes cost of materials, direct labour and an appropriate proportion of fixed and variable production overheads, where applicable, and is determined on a weighted average basis.

Stores and materials are valued at the lower of cost and net realisable value. Cost includes cost of purchase plus incidentals in bringing the inventories into store and is determined on the weighted average basis.

Inventories of completed development properties, which are held for sale, are stated at the lower of cost and net realisable value. Cost consists of costs associated with the acquisition of land, direct costs and appropriate proportions of common costs attributable to developing the properties to completion.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

3.14 Short term funds

Short term funds represent funds placed in highly liquid money market instruments which are readily convertible to known amount of cash and have an insignificant risk of changes in fair value with original maturities of more than three months.

3.15 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances and deposits with banks and fixed income trust funds which are readily convertible to known amount of cash and have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group in the management of its short term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

3.16 Impairment

(a) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries and investments in associates and joint ventures) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not be recognised at the date the impairment is reversed. The amount of reversal is recognised in profit or loss.

(b) Other assets

The carrying amounts of other assets (other than inventories, biological assets and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

3.17 Financial liabilities

Financial liabilities are recognised in the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities are recognised initially at their fair values plus, in the case of financial liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the issue of the financial liabilities.

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination or financial liabilities that are specifically designated into this category upon initial recognition.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fair value arising from financial guarantee contracts are classified as deferred income and is amortised to profit or loss using a straight line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3.18 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against which the unutilised tax incentives can be utilised.

3.19 Employee benefits

(a) Defined contribution plans

Obligations for contributions to defined contribution plans are recognised as an expense in profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations.

(b) Unfunded defined benefit plans

(i) The Group provides for retirement benefits for eligible employees in Malaysia on unfunded defined benefit basis in accordance with the terms of the unions' collective agreements. Full provision has been made for retirement benefits payable to all eligible employees based on the last drawn salaries at the end of the reporting period, the length of service to-date and the rates set out in the said agreements.

The present value of these unfunded defined benefit obligations as required by FRS 119 *Employee Benefits* has not been used in arriving at the provision, as the amount involved is insignificant to the Group. Accordingly, no further disclosure as required by the standard is made.

(ii) Subsidiary and sub-subsidiaries in Indonesia provide for retirement benefits for eligible employees on unfunded defined benefit basis in accordance with the Labour Law in Indonesia. The obligations of the defined benefit plans are calculated as the present values of obligations at end of the reporting period using the projected unit credit method which is based on the last drawn salaries at the end of the reporting period, age and the length of service.

Service and interest costs are recognised in profit or loss. Remeasurements of the defined benefit plans which comprise actuarial gains and losses are recognised in other comprehensive income in the year in which they occur.

(iii) A sub-subsidiary in Germany provides for retirement benefits for its eligible employees on unfunded defined benefit basis. The obligations of the defined benefit plans are determined annually by an independent qualified actuary. The discount rate is determined using the yield of first class corporate bonds at the valuation date and in the same currency in which the benefits are expected to be paid.

Service and interest costs are recognised immediately in profit or loss. Remeasurements of the defined benefit plans which comprise actuarial gains and losses are recognised in other comprehensive income.

(c) Funded defined benefit plan

A sub-subsidiary in Switzerland operates a funded defined benefit pension scheme for employees. The assets of the scheme are held separately from those of the sub-subsidiary.

The calculation of the funded defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments.

Net interest expense and other expenses relating to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(d) Short term employee benefits

Short term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

(e) Retrenchment benefit plans
Retrenchment benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises retrenchment benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide retrenchment benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the financial year are discounted to present value.

3.20 Equity instruments
Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(a) Shares
Shares are classified as equity.

(b) Treasury shares
When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

3.21 Contingent liabilities
Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.22 Revenue and other income
(a) Goods sold
Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of discounts and returns. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(b) Services
Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of performance of services at the end of the reporting period.

(c) Property development
Revenue from property development activities is recognised based on the stage of completion measured by reference to the proportion that property development costs incurred for work performed to-date bear to the estimated total property development costs.

Where the financial outcome of a property development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on the development units sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised immediately in profit or loss.

(d) Dividend income
Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

(e) Interest income
Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(f) Rental income
Rental income is recognised based on the accrual basis.

(g) Government grants
Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant; they are then recognised in profit or loss as other operating income on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other operating income on a systematic basis in the same periods in which the expenses are recognised.

In the case of the Group, revenue comprises sales to third parties only.

3.23 Research and development expenditure
All general research and development expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

3.24 Borrowing costs
Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

3.25 Earnings per share

The Group presents basic earnings per share data for its shares.

Basic earnings per share is calculated by dividing the profit or loss attributable to the equity holders of the Company by the weighted average number of shares in issue during the year.

3.26 Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Company and the Chief Executive Officer of KLK Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

3.27 Fair value measurements

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

4. REVENUE

	Group		Company	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
Sale of goods				
Palm products	**10,624,878**	8,367,722	**-**	-
Rubber	**140,673**	109,991	**-**	-
Manufacturing	**10,345,242**	8,148,758	**-**	-
Property development	**141,521**	110,693	**-**	-
Others	**126,212**	74,510	**-**	-
	21,378,526	16,811,674	**-**	-
Rendering of services	**6,700**	7,908	**-**	-
Interest income from financial assets not at fair value through profit or loss	**85,634**	62,996	**10,357**	5,530
Dividend income (Note 8)	**77,462**	86,673	**269,146**	263,193
	21,548,322	16,969,251	**279,503**	268,723

5. OPERATING PROFIT

	Group		Company	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
Operating profit is arrived at after charging and (crediting) the following:				
Auditors' remuneration				
- KPMG				
current year	**983**	950	**135**	120
under-provision in prior year	**5**	-	**-**	-
audit related work	**153**	149	**19**	17
non-audit work	**6**	37	**4**	4
- overseas affiliates of KPMG				
current year	**815**	371	**-**	-
under-provision in prior year	**30**	11	**-**	-
audit related work	**58**	-	**-**	-
non-audit work	**303**	-	**-**	-
- other auditors				
current year	**1,977**	2,253	**-**	-
(over)/under-provision in prior year	**(19)**	9	**-**	-
audit related work	**48**	33	**-**	-
non-audit work	**41**	34	**-**	-
Taxation services paid to KPMG Tax Services	**1,276**	857	**7**	7
Hire of plant and machinery	**30,359**	25,171	**-**	-
Rent on land and buildings/office space	**9,750**	10,138	**96**	96
Operating lease rentals				
- land and buildings	**18,042**	7,084	**-**	-
- plant and machinery	**1,142**	1,303	**-**	-
Depreciation of property, plant and equipment (Note 12)	**429,748**	411,550	**56**	51
Amortisation of prepaid lease payments (Note 14)	**7,262**	7,068	**-**	-
Amortisation of biological assets (Note 15)	**71,549**	60,848	**-**	-
Amortisation of intangible assets (Note 18)	**2,163**	4,650	**-**	-
Depreciation of investment property (Note 13)	**928**	929	**-**	-
Impairment of				
- property, plant and equipment (Note 12)	**30,940**	12,164	**-**	-
- prepaid lease payments (Note 14)	**38**	-	**-**	-
- goodwill (Note 17)	**-**	1,369	**-**	-
- trade receivables (Note 26)	**7,681**	707	**-**	-
- amount owing by a subsidiary (Note 19)	**-**	-	**3**	-
Impairment in value of				
- associate (Note 20)	**1,231**	2,021	**1,231**	2,021
- available-for-sale investments (Note 22)	**32,625**	1,548	**-**	-
Replanting expenditure	**100,547**	64,155	**-**	-
Property, plant and equipment written off	**6,278**	5,669	**-**	-
Biological assets written off (Note 15)	**-**	70	**-**	-
Personnel expenses (excluding key management personnel)				
- salary	**1,121,898**	1,033,010	**1,253**	1,248
- employer's statutory contributions	**110,073**	99,649	**144**	134
- defined contribution plans	**6,038**	6,037	**-**	-
Research and development expenditure	**21,420**	24,026	**-**	-
Provision/(Reversal) of retirement benefits (Note 35)	**33,020**	40,532	**(84)**	72
(Reversal)/Provision of retrenchment benefits	**(31)**	1,689	**-**	-

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Write down of inventories	**23,453**	17,317	**-**	-
Reversal of impairment loss of				
- prepaid lease payments (Note 14)	**-**	(408)	**-**	-
- trade receivables (Note 26)	**(19)**	(2,942)	**-**	-
Write back of inventories	**(1,587)**	(11,086)	**-**	-
Amortisation of deferred income (Note 34)	**(6,252)**	(6,397)	**-**	-
Gain on disposal of property, plant and equipment	**(2,376)**	(2,519)	**-**	-
Surplus on government acquisition of land	**(4,892)**	(40,701)	**-**	-
Surplus on disposal of land	**(5,611)**	(496,542)	**-**	-
(Surplus)/Deficit on disposal of available-for-sale investments	**(11,553)**	(7,757)	**(271)**	14
Net gain in foreign exchange	**(355)**	(12,484)	**(5,565)**	(1,721)
Rental income from land and buildings	**(2,422)**	(2,774)	**-**	-
Rental income from investment property (Note 13)	**(2,480)**	(4,078)	**-**	-
Loss/(Gain) on redemption of short term funds	**1,155**	(205)	**623**	196

6. FINANCE COSTS

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Interest expense/Profit payment of financial liabilities that are not at fair value through profit or loss				
Interest expense				
Term loans	**9,892**	8,499	**-**	-
Advances from a subsidiary	**-**	-	**30**	-
Overdraft and other interest	**46,063**	36,984	**-**	-
	55,955	45,483	**30**	-
Profit payment on Islamic medium term notes	**134,167**	132,669	**20,250**	20,305
	190,122	178,152	**20,280**	20,305

7. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation is as follows:

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Short term benefits				
Directors' remuneration				
Fees provided	**2,505**	2,409	**705**	720
Other emoluments	**19,576**	16,815	**4,927**	4,365
Benefits-in-kind	**255**	209	**23**	23
	22,336	19,433	**5,655**	5,108

Key management personnel comprises Directors of the Group entities, who have authority and responsibility for planning, directing and controlling the activities of the Group entities either directly or indirectly.

8. DIVIDEND INCOME

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Gross dividends from:				
Available-for-sale investments				
Investment in shares quoted in Malaysia	**2,227**	8,716	**-**	2
Investment in shares quoted outside Malaysia	**56,095**	34,763	**2,264**	1,199
Investment in unquoted shares	**1,442**	449	**877**	72
Investment in wholesale funds quoted in Malaysia	**4,072**	-	**1,700**	-
Fixed income trust funds	**13,626**	39,385	**1,829**	8,072
Quoted subsidiaries	**-**	-	**247,951**	223,156
Unquoted subsidiaries	**-**	-	**14,525**	27,332
Unquoted associate	**-**	3,360	**-**	3,360
	77,462	86,673	**269,146**	263,193

9. TAXATION

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Components of tax expense				
Current tax expense				
Malaysian taxation	**225,287**	168,126	**480**	172
Overseas taxation	**183,611**	117,975	**1,306**	-
	408,898	286,101	**1,786**	172
Deferred tax				
Relating to origination and reversal of temporary differences	**9,054**	4,624	**-**	-
Relating to changes in tax rates	**-**	535	**-**	-
Relating to revaluation of biological assets	**-**	(283,157)	**-**	-
Over-provision in respect of previous years	**(3,461)**	(8,751)	**-**	-
	5,593	(286,749)	**-**	-
	414,491	(648)	**1,786**	172
Final tax on revaluation of biological assets	**-**	34,445	**-**	-
Under/(Over)-provision of tax expense in respect of previous years				
Malaysian taxation	**1,493**	212	**(162)**	(265)
Overseas taxation	**7,424**	11,682	**-**	-
	8,917	11,894	**(162)**	(265)
	423,408	45,691	**1,624**	(93)

	Group		Company	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
Reconciliation of effective taxation				
Profit before taxation	**1,622,131**	1,822,586	**256,106**	240,774
Taxation at Malaysian income tax rate of 24% (2016: 24%)	**389,311**	435,189	**61,465**	57,786
Effect of different tax rates	**(6,658)**	(11,402)	**(625)**	-
Withholding tax on foreign dividend and interest income	**36,625**	23,565	**-**	-
Expenses not deductible for tax purposes	**99,296**	63,727	**13,102**	12,098
Tax exempt and non-taxable income	**(102,706)**	(228,052)	**(72,156)**	(69,712)
Tax incentives	**(4,066)**	(7,675)	**-**	-
Effect of reduction in Malaysian income tax rate on incremental chargeable income	**(1,655)**	-	**-**	-
Deferred tax assets not recognised during the year	**23,611**	15,710	**-**	-
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	**(3,797)**	(11,303)	**-**	-
Tax effect on associates' and joint ventures' results	**(731)**	(1,915)	**-**	-
Recognition of deferred tax assets not taken up previously	**(11,436)**	(333)	**-**	-
Recognition of unutilised reinvestment allowance	**(4,153)**	-	**-**	-
Under/(Over)-provision of taxation in respect of previous years	**8,917**	11,894	**(162)**	(265)
Over-provision of deferred tax in respect of previous years	**(3,461)**	(8,751)	**-**	-
Effect of changes in tax rates on deferred tax	**-**	535	**-**	-
Deferred tax assets arising from revaluation of biological assets	**-**	(283,157)	**-**	-
Final tax paid on revaluation of biological assets	**-**	34,445	**-**	-
Tax rate difference on revaluation of biological assets	**-**	9,420	**-**	-
Others	**4,311**	3,794	**-**	-
	423,408	45,691	**1,624**	(93)

The Malaysian corporate tax rate will be reduced to a range of 20% to 24% from the current year's tax rate of 24% for Years of Assessment 2017 and 2018. The reduction in income tax rate is based on the percentage of increase in chargeable income as compared to immediate preceding year of assessment.

In the year 2016, the Indonesian Government issued special tax regulations which allowed entities in Indonesia to revalue their fixed assets for tax purposes and pay special final tax rates ranging 3% to 6% on the excess of the revalued amount over the net book value of the fixed assets.

During the financial year ended 30 September 2016, the Group's certain plantations subsidiary and sub-subsidiaries in Indonesia performed revaluation on their biological assets and paid a final tax of RM34.4 million on the revaluation surplus of these assets. At the same time, the subsidiary and these sub-subsidiaries had also recognised deferred tax benefits amounting to RM283.2 million related to additional future deductible expense arising from the increase in revalued amount of the biological assets for tax computation. The final tax paid of RM34.4 millon and the deferred tax benefit of RM283.2 million had been recognised in tax expense for the financial year ended 30 September 2016.

The Company is able to distribute dividends out of its entire distributable reserves under the single tier company income tax system.

10. EARNINGS PER SHARE

The earnings per share for the Group and the Company are calculated by dividing the profit for the year attributable to equity holders of the Company of RM586,646,000 (2016: RM825,168,000) for the Group and RM254,482,000 (2016: RM240,867,000) for the Company by the weighted average number of 404,102,000 (2016: 405,726,000) shares of the Company in issue during the year.

11. DIVIDENDS

	Group and Company	
	2017	2016
	RM'000	RM'000
Dividends recognised in the current year are:		
Final single tier dividend of 40 sen per share for the financial year ended 30 September 2016 (2016: single tier dividend of 35 sen per share)	**161,890**	142,017
Interim single tier dividend of 15 sen per share for the financial year ended 30 September 2017 (2016: single tier dividend of 15 sen per share)	**60,488**	60,806
	222,378	202,823

A final single tier dividend of 45 sen (2016: 40 sen) per share amounting to RM180,901,000 (2016: RM162,048,000) has been recommended by the Directors in respect of the financial year ended 30 September 2017 and subject to shareholders' approval at the forthcoming Annual General Meeting. This dividend will be recognised in subsequent financial period upon approval by the owners of the Company.

12. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold Land RM'000	Long Term Leasehold Land RM'000	Buildings RM'000	Plant and Machinery RM'000	Vehicles RM'000	Equipment, Fittings, Etc RM'000	Capital Work-in-Progress RM'000	Total RM'000
Cost/Valuation								
At 1 October 2015	811,561	266,748	1,266,497	4,409,082	418,998	398,537	565,440	8,136,863
Reclassification	-	-	79,368	461,216	1,564	5,715	(547,863)	-
Additions	46,591	-	58,429	351,754	23,910	42,724	213,967	737,375
Disposals	(4,214)	-	(1,405)	(18,129)	(6,920)	(1,193)	(366)	(32,227)
Written off	-	-	(3,533)	(40,259)	(10,073)	(1,268)	(1)	(55,134)
Currency translation differences	460	(849)	10,154	(52,314)	6,089	744	(15,186)	(50,902)
At 30 September 2016	**854,398**	**265,899**	**1,409,510**	**5,111,350**	**433,568**	**445,259**	**215,991**	**8,735,975**
Reclassification	**-**	**-**	**62,482**	**146,246**	**2,086**	**10,000**	**(222,515)**	**(1,701)**
Additions	**58,625**	**-**	**38,343**	**185,853**	**23,891**	**34,570**	**209,636**	**550,918**
Disposals	**(1,347)**	**(390)**	**(150)**	**(16,642)**	**(13,194)**	**(3,926)**	**-**	**(35,649)**
Written off	**-**	**-**	**(9,051)**	**(36,937)**	**(7,754)**	**(2,215)**	**(15)**	**(55,972)**
Currency translation differences	**17,056**	**570**	**7,737**	**77,716**	**(676)**	**1,834**	**4,210**	**108,447**
At 30 September 2017	**928,732**	**266,079**	**1,508,871**	**5,467,586**	**437,921**	**485,522**	**207,307**	**9,302,018**
Accumulated depreciation/ amortisation and impairment losses								
At 1 October 2015								
Accumulated depreciation/amortisation	-	63,669	530,354	1,829,101	323,314	240,881	-	2,987,319
Accumulated impairment losses	-	-	3,659	47,369	-	2,698	-	53,726
	-	63,669	534,013	1,876,470	323,314	243,579	-	3,041,045
Reclassification	-	-	11	4,386	281	(4,678)	-	-
Depreciation/Amortisation charge	-	3,297	63,319	277,792	35,226	40,694	-	420,328
Disposals	-	-	(1,203)	(13,748)	(6,124)	(1,161)	-	(22,236)
Impairment loss	-	8,096	1,200	2,868	-	-	-	12,164
Written off	-	-	(2,769)	(35,556)	(10,049)	(1,091)	-	(49,465)
Currency translation differences	-	(118)	4,983	(12,514)	5,732	(1,100)	-	(3,017)
At 30 September 2016								
Accumulated depreciation/amortisation	-	66,929	594,891	2,049,559	348,380	273,491	-	3,333,250
Accumulated impairment losses	-	8,015	4,663	50,139	-	2,752	-	65,569
	-	74,944	599,554	2,099,698	348,380	276,243	-	3,398,819

Group	Freehold Land RM'000	Long Term Leasehold Land RM'000	Buildings RM'000	Plant and Machinery RM'000	Vehicles RM'000	Equipment, Fittings, Etc RM'000	Capital Work-in-Progress RM'000	Total RM'000
At 30 September 2016								
Accumulated depreciation/amortisation	-	66,929	594,891	2,049,559	348,380	273,491	-	3,333,250
Accumulated impairment losses	-	8,015	4,663	50,139	-	2,752	-	65,569
	-	74,944	599,554	2,099,698	348,380	276,243	-	3,398,819
Reclassification	-	-	-	(1,653)	-	(48)	-	(1,701)
Depreciation/Amortisation charge	-	3,273	64,219	296,462	32,219	40,920	-	437,093
Disposals	-	-	-	(9,810)	(10,679)	(1,958)	-	(22,447)
Impairment loss	-	-	-	30,940	-	-	-	30,940
Written off	-	-	(3,975)	(35,893)	(7,690)	(2,136)	-	(49,694)
Currency translation differences	-	56	32	21,721	(1,335)	1,068	-	21,542
At 30 September 2017								
Accumulated depreciation/amortisation	-	70,246	656,325	2,321,440	360,895	311,319	-	3,720,225
Accumulated impairment losses	-	8,027	3,505	80,025	-	2,770	-	94,327
	-	78,273	659,830	2,401,465	360,895	314,089	-	3,814,552
Carrying amounts								
At 30 September 2016	854,398	190,955	809,956	3,011,652	85,188	169,016	215,991	5,337,156
At 30 September 2017	**928,732**	**187,806**	**849,041**	**3,066,121**	**77,026**	**171,433**	**207,307**	**5,487,466**
Property, plant and equipment are included at cost or valuation as follows:								
At 30 September 2016								
Cost	775,194	152,055	1,405,398	5,111,350	433,568	445,259	215,991	8,538,815
Valuation	79,204	113,844	4,112	-	-	-	-	197,160
	854,398	265,899	1,409,510	5,111,350	433,568	445,259	215,991	8,735,975
At 30 September 2017								
Cost	**849,235**	**158,035**	**1,508,789**	**5,467,586**	**437,921**	**485,522**	**207,307**	**9,114,395**
Valuation	**79,497**	**108,044**	**82**	**-**	**-**	**-**	**-**	**187,623**
	928,732	**266,079**	**1,508,871**	**5,467,586**	**437,921**	**485,522**	**207,307**	**9,302,018**

	Group 2017 RM'000	Group 2016 RM'000
Depreciation/Amortisation charge for the year is allocated as follows:		
Recognised in statement of profit or loss (Note 5)		
Depreciation of property, plant and equipment	**429,748**	411,550
Capitalised in biological assets	**7,345**	8,778
	437,093	420,328

Impairment testing

Property, plant and equipment are tested for impairment by comparing the carrying amount with the recoverable amount of the cash-generating unit ("CGU"). The recoverable amount of a CGU is determined based on value in use calculations using cash flow projections from the financial budgets and forecasts approved by management covering a period ranging from five years to fifteen years.

Key assumptions used in the value in use calculations are:

(i) the pre-tax discount rates which are the weighted average cost of capital used ranged from 6.2% to 13.0% (2016: 6.0% to 13.0%);

(ii) the growth rate used for the plantation companies is determined based on the management's estimate of commodity prices, palm yields, oil extraction rates as well as cost of productions whilst growth rates of companies in other segments are determined based on the industry trends and past performances of the respective companies; and

(iii) profit margins are projected based on historical profit margin achieved.

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

Impairment loss

The impairment loss of the Group amounted to RM30,940,000 for financial year ended 30 September 2017 was due to under performance of a specialised oleochemical plant. The impairment loss of the Group amounted to RM8,096,000 for financial year 30 September 2016 was due to cessation of a sub-subsidiary's operation. The impairment losses were included in other operating expenses.

The values assigned to the key assumptions used in the impairment testing of the specialised oleochemical plant represent management's assessment of future trends in the oleochemical industry and are based on internal sources (historical data).

The above estimates are particularly sensitive in the following areas:

(i) an increase of 1 percentage point in the discount rate used would have increased the impairment loss by RM23,437,000.

(ii) a 10% decrease in future planned revenue would have increased the impairment loss by RM21,833,000.

The impairment loss of the Group amounting RM4,068,000 for financial year ended 30 September 2016 was for one of the acid plant of a subsidiary which is no longer in use due to the subsidiary's restructuring of its sulphuric acid manufacturing capacity. The impairment loss was included in other operating expenses.

Company	**Vehicles RM'000**	**Equipment, Fittings, Etc RM'000**	**Total RM'000**
Cost			
At 1 October 2015	798	168	966
Additions	-	3	3
At 30 September 2016	**798**	**171**	**969**
Additions	**-**	**7**	**7**
Written off	**-**	**(2)**	**(2)**
At 30 September 2017	**798**	**176**	**974**
Accumulated depreciation			
At 1 October 2015	582	124	706
Depreciation charge	10	41	51
At 30 September 2016	**592**	**165**	**757**
Depreciation charge	**48**	**8**	**56**
Written off	**-**	**(2)**	**(2)**
At 30 September 2017	**640**	**171**	**811**
Carrying amounts			
At 30 September 2016	206	6	212
At 30 September 2017	**158**	**5**	**163**

Certain freehold land and leasehold land of the Group were revalued by the respective subsidiaries' Directors on 1 October 1980 based on an opinion of value, using the "Investment Method Approach", by a professional firm of Chartered Surveyors on 22 November 1979. Certain freehold land of the Group were revalued by the respective subsidiaries' Directors based on an opinion of value, using "fair market value basis", by a firm of professional valuers on 10 June 1981.

Certain leasehold land and buildings of the Group were revalued by the respective subsidiaries' Directors between 1978 and 1996, based on professional valuation on the open market basis and upon approval by the relevant government authorities.

Freehold land belonging to an overseas sub-subsidiary was revalued by the respective sub-subsidiary's Directors based on existing use and has been incorporated in the financial statements on 30 September 1989. Building of a sub-subsidiary had been revalued by the Directors on 28 February 1966.

It has never been the Group's policy to carry out regular revaluation of its property, plant and equipment.

The Group has availed itself to the transitional provision when the MASB first issued FRS 116_{2004} *Property, Plant and Equipment* in 2000, and accordingly, the carrying amounts of these revalued property, plant and equipment have been retained on the basis of these valuations as though they have never been revalued. The carrying amounts of revalued property, plant and equipment, had these assets been carried at cost less accumulated depreciation/amortisation were as follows:

	Group	
	2017	2016
	RM'000	RM'000
Freehold land	**20,112**	20,025
Leasehold land	**30,410**	30,929
	50,522	50,954

Certain property, plant and equipment of the Group with a total carrying amount of RM150,996,000 (2016: RM116,799,000) as at end of the financial year ended 30 September 2017 were charged to banks as security for borrowings (Note 36).

The ownership of certain property, plant and equipment of subsidiaries with a carrying amount of RM470,269 (2016: RM508,000) are held in trust by third parties.

The details of the properties held by the Group are shown on pages 155 to 164.

13. INVESTMENT PROPERTY

Group	**Freehold Land RM'000**	**Building RM'000**	**Total RM'000**
Cost			
At 1 October 2015, 30 September 2016 and 30 September 2017	**11,149**	**46,428**	**57,577**
Accumulated depreciation			
At 1 October 2015	-	6,457	6,457
Depreciation charge	-	929	929
At 30 September 2016	**-**	**7,386**	**7,386**
Depreciation charge	**-**	**928**	**928**
At 30 September 2017	**-**	**8,314**	**8,314**
Carrying amounts			
At 30 September 2016	11,149	39,042	50,191
At 30 September 2017	**11,149**	**38,114**	**49,263**

	2017 RM'000	2016 RM'000
Fair value of investment property	**88,000**	88,000

Investment property comprises of a commercial property that is leased to third parties and related parties. Each of the lease contains an initial non-cancellable period of 1 to 3 years (Note 41). Subsequent renewals are negotiated with the lessee and on average renewal periods of 1 to 3 years. No contingent rents are charged.

The fair values of investment property above are determined based on comparison of similar properties in the same location and are performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of property being valued. The fair value of the investment property is categorised at Level 3 of the fair value hierarchy and is estimated using unobservable inputs for the investment property.

The following are recognised in profit or loss in respect of investment property:

	Group	
	2017	2016
	RM'000	RM'000
Rental income	**2,480**	4,078
Direct operating expenses	**(4,097)**	(4,135)

14. PREPAID LEASE PAYMENTS

Group	**Long Term Leasehold Land RM'000**	**Short Term Leasehold Land RM'000**	**Total RM'000**
Cost			
At 1 October 2015	31,894	330,827	362,721
Additions	-	12,583	12,583
Acquisition through business combination	14,732	-	14,732
Currency translation differences	-	2,769	2,769
At 30 September 2016	**46,626**	**346,179**	**392,805**
Additions	**-**	**9,132**	**9,132**
Currency translation differences	**1,047**	**(503)**	**544**
At 30 September 2017	**47,673**	**354,808**	**402,481**
Accumulated amortisation and impairment losses			
At 1 October 2015			
Accumulated amortisation	4,024	41,497	45,521
Accumulated impairment losses	-	20,897	20,897
	4,024	62,394	66,418
Amortisation charge	582	6,486	7,068
Reversal of impairment loss	-	(408)	(408)
Currency translation differences	2	186	188
At 30 September 2016			
Accumulated amortisation	**4,608**	**48,169**	**52,777**
Accumulated impairment losses	**-**	**20,489**	**20,489**
	4,608	**68,658**	**73,266**
Amortisation charge	**589**	**6,673**	**7,262**
Impairment loss	**-**	**38**	**38**
Currency translation differences	**19**	**(89)**	**(70)**
At 30 September 2017			
Accumulated amortisation	**5,216**	**54,753**	**59,969**
Accumulated impairment losses	**-**	**20,527**	**20,527**
	5,216	**75,280**	**80,496**
Carrying amounts			
At 30 September 2016	42,018	277,521	319,539
At 30 September 2017	**42,457**	**279,528**	**321,985**

The Memorandum of Transfer of a long term leasehold land in favour of a sub-subsidiary, KLK Bioenergy Sdn Bhd with carrying amount of RM2,910,000 (2016: RM2,961,000), has been presented for registration at the relevant land registry previously. This matter is now pending issuance of the original document of the title from the said relevant land registry. The leasehold land cannot be transferred, charged or mortgaged without prior consent of the relevant authority of the Selangor State Government.

A short term leasehold land of the Group was revalued by the subsidiary's Directors on 1 October 1980 based on an opinion of value, using the "Investment Method Approach", by a professional firm of Chartered Surveyors on 22 November 1979.

The Group has retained the unamortised revalued amount as the surrogate carrying amount of prepaid lease payments in accordance with the transitional provision in FRS 117.67A when it first adopted FRS 117 *Leases* in 2006.

Impairment testing
Impairment testing on prepaid lease payments is similar to that of property, plant and equipment as disclosed in Note 12.

The details of the prepaid lease payments of the Group are shown on pages 155 to 164.

15. BIOLOGICAL ASSETS

	Group	
	2017	2016
	RM'000	RM'000
Plantation development expenditure (included under non-current assets)		
Cost/Valuation		
At beginning of the year	**3,021,453**	2,778,563
Additions	**159,168**	183,016
Disposals	**(232)**	(8,183)
Written off	**-**	(70)
Currency translation differences	**(12,785)**	68,127
At end of the year	**3,167,604**	3,021,453
Accumulated amortisation		
At beginning of the year	**376,659**	298,359
Amortisation charge	**71,549**	60,848
Currency translation differences	**(6,589)**	17,452
At end of the year	**441,619**	376,659
Carrying amounts	**2,725,985**	2,644,794
Biological assets are included at cost or valuation as follows:		
Cost	**2,928,910**	2,782,759
Valuation	**238,694**	238,694
	3,167,604	3,021,453

The biological assets of the Group stated at valuation, previously included in property, plant and equipment, were revalued by the respective subsidiaries' Directors based on independent professional valuations carried out between 1979 and 1991 on the open market value basis. These valuations were for special purposes. It has never been the Group's policy to carry out regular revaluation of its property, plant and equipment.

The Group has availed itself to the transitional provision when the MASB first issued FRS 116_{2004} *Property, Plant and Equipment* in 2000, and accordingly, the carrying amounts of these revalued biological assets have been retained on the basis of these valuations as though they have never been revalued. The carrying amounts of revalued biological assets of the Group, had these assets been carried at cost less accumulated amortisation were RM108,492,000 (2016: RM108,492,000).

	Group	
	2017	2016
	RM'000	RM'000
Biological assets (included under current assets)		
At net realisable value		
Growing crops	**33,510**	40,170
Livestock	**4,296**	3,527
	37,806	43,697

16. LAND HELD FOR PROPERTY DEVELOPMENT

	Group	
	2017	2016
	RM'000	RM'000
Freehold land at cost		
At beginning of the year	**1,073,886**	190,810
Additions	**-**	883,076
Transfer to property development costs	**(6,791)**	-
At end of the year	**1,067,095**	1,073,886
Development expenditure at cost		
At beginning of the year	**56,426**	35,543
Additions	**17,129**	20,883
Transfers to property development costs	**(49,179)**	-
At end of the year	**24,376**	56,426
Total	**1,091,471**	1,130,312

The details of the land held for property development by the Group are shown on pages 162 to 163.

17. GOODWILL ON CONSOLIDATION

	Group	
	2017	2016
	RM'000	RM'000
Cost		
At beginning of the year	**349,930**	359,064
Impairment loss (Note 5)	**-**	(1,369)
Currency translation differences	**3,019**	(7,765)
At end of the year	**352,949**	349,930

During the financial year ended 30 September 2016, impairment of goodwill was due to the cessation of a sub-subsidiary's operations and was included in other operating expenses.

Impairment testing

For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating unit identified according to the Group's business segments.

Goodwill is tested for impairment on an annual basis. Impairment testing on goodwill is similar to that of property, plant and equipment as disclosed in Note 12.

18. INTANGIBLE ASSETS

	Group	
	2017	2016
	RM'000	RM'000
Cost		
At beginning of the year	**61,768**	59,515
Additions	**1,426**	5,333
Currency translation differences	**2,294**	(3,080)
At end of the year	**65,488**	61,768
Accumulated amortisation and impairment losses		
At beginning of the year		
Accumulated amortisation	**39,543**	36,936
Accumulated impairment losses	**7,149**	7,282
	46,692	44,218
Amortisation charge	**2,163**	4,650
Currency translation differences	**1,308**	(2,176)
At end of the year		
Accumulated amortisation	**42,841**	39,543
Accumulated impairment losses	**7,322**	7,149
	50,163	46,692
Carrying amounts	**15,325**	15,076

The amortisation of intangible assets amounting to RM2,163,000 (2016: RM4,650,000) is included in administration expenses.

These assets consist mainly of trade marks and patent.

Impairment testing

Impairment testing on intangible assets is similar to that of property, plant and equipment as disclosed in Note 12.

19. INVESTMENTS IN SUBSIDIARIES AND AMOUNTS OWING BY SUBSIDIARIES

	Company	
	2017	2016
	RM'000	RM'000
Investments in subsidiaries		
Unquoted shares at cost	**419,733**	343,132
Quoted shares at cost	**439,916**	439,916
	859,649	783,048
Market value of shares		
In quoted corporations	**12,179,342**	11,891,719

Impairment testing

Impairment testing on investments in subsidiaries is similar to that of property, plant and equipment as disclosed in Note 12.

Details of the subsidiaries are shown in Note 43.

Amounts owing by subsidiaries

	Company 2017 RM'000	Company 2016 RM'000
Non-current assets	**110,037**	141,341
Current assets	**1,659**	5,477
	111,696	146,818

The management reviewed the expected repayments from subsidiaries and hence classified certain amounts owing by subsidiaries as non-current.

Amounts owing by subsidiaries are trade and non-trade, unsecured with no fixed terms of repayment. These are non-interest bearing except for a total amount of RM110,037,000 (2016: RM141,341,000) under non-current assets which are subject to interest charge ranging from 4.55% to 6.00% (2016: 4.55% to 6.00%) per annum.

	Company 2017 RM'000	Company 2016 RM'000
Impairment in amount owing by a subsidiary		
At beginning of the year	**4,172**	4,172
Impairment loss	**3**	-
At end of the year	**4,175**	4,172

The above amount owing by a subsidiary was impaired in full as the management was of the opinion that the amount cannot be recovered.

20. INVESTMENTS IN ASSOCIATES

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Shares at cost				
In unquoted corporations	**127,382**	116,960	**4,153**	4,153
Impairment in value of investment				
At beginning of the year	**(2,021)**	-	**(2,021)**	-
Impairment loss	**(1,231)**	(2,021)	**(1,231)**	(2,021)
At end of the year	**(3,252)**	(2,021)	**(3,252)**	(2,021)
Post-acquisition reserves	**52,048**	55,384	**-**	-
	176,178	170,323	**901**	2,132
Amount owing by an associate	**1,502**	410	**-**	-
	177,680	170,733	**901**	2,132

An impairment loss amounting to RM3,252,000 (2016: RM2,021,000) was made as the associate was placed under members' voluntary winding up.

The Group does not have any associate which is individually material to the Group as at 30 September 2017 and 30 September 2016.

	Group	
	2017	2016
	RM'000	RM'000
Summary of financial information of associates:		
Non-current assets	**978,301**	1,070,549
Current assets	**540,673**	400,120
Non-current liabilities	**(167,763)**	(145,277)
Current liabilities	**(187,493)**	(186,118)
Revenue	**652,885**	578,481
Profit/(Loss) for the year	**36,523**	(18,142)

Details of the associates are shown in Note 43.

21. INVESTMENTS IN JOINT VENTURES

	Group	
	2017	2016
	RM'000	RM'000
Shares at cost		
In unquoted corporations	**104,574**	100,708
Post-acquisition reserves	**(34,290)**	(22,196)
	70,284	78,512
Amounts owing by joint ventures	**181,453**	172,900
	251,737	251,412

The Group does not have any joint venture which is individually material to the Group as at 30 September 2017 and 30 September 2016.

	Group	
	2017	2016
	RM'000	RM'000
Summary of financial information of joint ventures:		
Non-current assets	**190,472**	398,710
Current assets	**779,412**	458,185
Non-current liabilities	**(270,222)**	(387,116)
Current liabilities	**(467,298)**	(239,082)
Revenue	**1,117,575**	958,616
(Loss)/Profit for the year	**(75,820)**	25,797

The amounts owing by joint ventures are deemed as capital contribution to the joint ventures as the repayments of these amounts are neither fixed nor expected.

The amount owing by another joint venture, denominated in Australian Dollar, was given by a subsidiary which was incorporated in Australia. This amount is non-trade, secured with no fixed term of repayment and is subject to interest charge of 6% (2016: 6%) per annum.

Details of the joint ventures are shown in Note 43.

22. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
Equity Investments				
Shares at cost				
In unquoted corporations	**46,599**	44,718	**12,425**	13,866
Shares at fair value				
In Malaysia quoted corporations	**63,180**	68,117	**-**	-
In overseas quoted corporations	**2,291,906**	1,569,099	**14,245**	10,733
	2,355,086	1,637,216	**14,245**	10,733
	2,401,685	1,681,934	**26,670**	24,599
Impairment in value of investments				
At beginning of the year	**(6,900)**	(5,837)	**-**	-
Impairment loss	**(32,625)**	(1,548)	**-**	-
Reversal of impairment loss	**1,349**	485	**-**	-
Currency translation differences	**(1,186)**	-	**-**	-
At end of the year	**(39,362)**	(6,900)	**-**	-
	2,362,323	1,675,034	**26,670**	24,599
Other investments				
Wholesale funds at fair value				
In Malaysia quoted corporations	**327,143**	-	**87,025**	-
	2,689,466	1,675,034	**113,695**	24,599
Amounts owing by investee companies	**38,589**	19,307	**-**	-
	2,728,055	1,694,341	**113,695**	24,599
Market value				
Shares in quoted corporations	**2,349,028**	1,630,316	**14,245**	10,733
Wholesale funds in quoted corporations	**327,143**	-	**87,025**	-
	2,676,171	1,630,316	**101,270**	10,733
Avaliable-for-sale investments are disclosed under:				
Non-current assets	**2,400,912**	1,694,341	**26,670**	24,599
Current assets	**327,143**	-	**87,025**	-
	2,728,055	1,694,341	**113,695**	24,599

Out of the total impairment loss of RM32.6 million for the financial year ended 30 September 2017, RM32.1 million represented the full impairment on a non-core and non-performing investment in China. The impairment loss was included in other operating expenses.

The management classified wholesale funds under available-for-sale investments as current as these investments are expected to be redeemed within the next 12 months.

23. OTHER RECEIVABLES

Other receivables represent advances to plasma plantation projects.

Plantations subsidiaries in Indonesia have participated in the "Kredit Koperasi Primer untuk Anggotanya" scheme (herein referred to as plasma plantation projects) to provide financing and to assist in the development of oil palm plantations under this scheme for the benefit of the communities in the vicinity of their operations. The advances to plasma plantation projects are subject to interest charge of 8% (2016: 8%) per annum.

24. DEFERRED TAXATION

Recognised deferred tax assets and liabilities are attributable to the following:

	Liabilities		Assets		Net	
	2017 RM'000	2016 RM'000	**2017 RM'000**	2016 RM'000	**2017 RM'000**	2016 RM'000
Group						
Property, plant and equipment						
Capital allowances	**(34,507)**	(44,716)	**(18,572)**	(15,519)	**(53,079)**	(60,235)
Revaluation	**93,428**	94,464	**-**	-	**93,428**	94,464
Unutilised tax losses	**-**	-	**(110,879)**	(132,537)	**(110,879)**	(132,537)
Unutilised reinvestment allowance	**-**	-	**(4,153)**	-	**(4,153)**	-
Derivative financial instruments	**633**	4,031	**(2,663)**	(1,220)	**(2,030)**	2,811
Other items	**11,262**	7,022	**(103,098)**	(98,066)	**(91,836)**	(91,044)
Tax liabilities/(assets)	**70,816**	60,801	**(239,365)**	(247,342)	**(168,549)**	(186,541)
Set off of tax	**213,745**	220,373	**(213,745)**	(220,373)	**-**	-
Net tax liabilities/(assets)	**284,561**	281,174	**(453,110)**	(467,715)	**(168,549)**	(186,541)

Deferred tax liabilities and assets are offset above where there is a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred taxes relate to the same taxation authority.

The components and movements in deferred tax liabilities and deferred tax assets (before offsetting) are as follows:

	Property, Plant and Equipment		Other Taxable Temporary Differences	Unutilised Tax Losses	Unabsorbed Capital Allowances	Unutilised Reinvestment Allowance	Derivative Financial Instruments	Other Deductible Temporary Differences	Total
	Capital Allowance RM'000	Revaluation RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group									
At 1 October 2015	235,346	105,310	4,583	(110,533)	(17,322)	-	(8,531)	(72,283)	136,570
Recognised in profit or loss	11,018	(9,376)	2,145	(7,271)	763	-	11,312	(3,967)	4,624
Recognised in equity	-	-	-	-	-	-	-	(22,737)	(22,737)
Revaluation of biological assets	(283,157)	-	-	-	-	-	-	-	(283,157)
Changes in tax rate	-	-	535	-	-	-	-	-	535
(Over)/Under-provision in respect of previous years	(14)	-	-	(9,976)	1,365	-	-	(126)	(8,751)
Currency translation differences	(7,909)	(1,470)	(241)	(4,757)	(325)	-	30	1,047	(13,625)
At 30 September 2016	**(44,716)**	**94,464**	**7,022**	**(132,537)**	**(15,519)**	**-**	**2,811**	**(98,066)**	**(186,541)**
Recognised in profit or loss	**(1,080)**	**(2,376)**	**4,174**	**23,233**	**(134)**	**(4,153)**	**(571)**	**(10,039)**	**9,054**
Recognised in equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**10,556**	**10,556**
Under/(Over)-provision in respect of previous years	**8,074**	**-**	**-**	**(2,099)**	**(2,992)**	**-**	**(4,225)**	**(2,219)**	**(3,461)**
Currency translation differences	**3,215**	**1,340**	**66**	**524**	**73**	**-**	**(45)**	**(3,330)**	**1,843**
At 30 September 2017	**(34,507)**	**93,428**	**11,262**	**(110,879)**	**(18,572)**	**(4,153)**	**(2,030)**	**(103,098)**	**(168,549)**

	Group 2017 RM'000	2016 RM'000
No deferred tax assets/(liabilities) have been recognised for the following items:		
Unabsorbed capital allowances	**382,791**	297,323
Deductible temporary differences	**357**	357
Unutilised tax losses	**422,203**	277,279
Property, plant and equipment	**(615,866)**	(571,306)
	189,485	3,653

The above unabsorbed capital allowances and deductible temporary differences of the Group do not expire under current tax legislation.

The unutilised tax losses of certain sub-subsidiaries amounting to RM418,647,000 (2016: RM243,079,000) do not expire under current tax legislation.

	Group 2017 RM'000	2016 RM'000
Unutilised tax losses of RM3,556,000 (2016: RM34,200,000) will expire as follows under the respective tax legislation of countries in which certain sub-subsidiaries domicile:		
Year of expiry		
2017	**-**	11,506
2018	**-**	2,192
2019	**3,528**	4,238
2020	**28**	16,264
	3,556	34,200

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group can utilise the benefits therefrom.

Deferred tax liabilities have not been provided by a sub-subsidiary on the taxable temporary differences as the sub-subsidiary is unable to estimate reliably the commencement period of its pioneer status due to current market volatility which renders the achievability of future statutory income uncertain.

The Group has tax losses carried forward of RM867,660,000 (2016: RM808,841,000) which give rise to the recognised and unrecognised deferred tax assets in respect of unutilised tax losses above, which are subject to agreement by the tax authorities.

25. INVENTORIES

	Group 2017 RM'000	2016 RM'000
At cost		
Inventories of produce	**1,040,685**	1,186,552
Developed property held for sale	**7,035**	11,802
Stores and materials	**505,476**	487,231
	1,553,196	1,685,585
At net realisable value		
Inventories of produce	**280,437**	262,866
Developed property held for sale	**209**	-
Stores and materials	**166**	2,245
	1,834,008	1,950,696
Recognised in profit or loss:		
Inventories recognised in profit or loss	**17,825,995**	13,919,874
Write down of inventories	**23,943**	17,381
Write back of inventories	**(1,587)**	(11,085)

26. TRADE RECEIVABLES

	Group 2017 RM'000	Group 2016 RM'000
Trade receivables	**1,945,537**	1,579,689
Allowance for impairment losses	**(27,846)**	(19,842)
	1,917,691	1,559,847

Included in trade receivables are amounts owing by related parties of RM79,467,000 (2016: RM202,571,000).

The ageing of trade receivables as at end of the reporting period was:

	Gross RM'000	Individual Impairment RM'000	Collective Impairment RM'000	Net RM'000
Group				
2017				
Not past due	**1,704,453**	**135**	**-**	**1,704,318**
Past due 1 - 30 days	**110,669**	**18**	**-**	**110,651**
Past due 31 - 60 days	**34,360**	**19**	**-**	**34,341**
Past due 61 - 90 days	**53,469**	**-**	**-**	**53,469**
Past due 91 - 120 days	**2,416**	**4**	**-**	**2,412**
Past due more than 120 days	**40,170**	**27,670**	**-**	**12,500**
	1,945,537	**27,846**	**-**	**1,917,691**
2016				
Not past due	1,406,697	-	-	1,406,697
Past due 1 - 30 days	97,893	-	-	97,893
Past due 31 - 60 days	28,548	-	-	28,548
Past due 61 - 90 days	17,351	-	-	17,351
Past due 91 - 120 days	1,641	-	-	1,641
Past due more than 120 days	27,559	19,842	-	7,717
	1,579,689	19,842	-	1,559,847

The movements in the impairment losses of trade receivables during the year were:

	Group 2017 RM'000	Group 2016 RM'000
At beginning of the year	**19,842**	23,499
Impairment losses	**7,681**	707
Reversal of impairment losses	**(19)**	(2,942)
Impairment losses written off	**-**	(23)
Currency translation differences	**342**	(1,399)
At end of the year	**27,846**	19,842

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the trade receivables of the Group that are neither past due nor impaired have been renegotiated during the financial year.

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that the recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

The Group's normal trade credit term ranges from 7 to 180 (2016: 7 to 120) days. Other credit terms are assessed and approved on a case-by-case basis.

27. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
Other receivables	**367,175**	383,963	**3**	548
Indirect tax receivables	**221,102**	210,192	**-**	-
Prepayments	**67,002**	95,521	**-**	-
Refundable deposits	**54,570**	22,470	**8**	8
	709,849	712,146	**11**	556

28. PROPERTY DEVELOPMENT COSTS

	Group	
	2017	2016
	RM'000	RM'000
Property development costs comprise:		
Land costs	**11,083**	11,083
Development costs	**221,638**	123,502
	232,721	134,585
Transfer from land held for property development		
Land costs	**6,791**	-
Development costs	**49,179**	-
	55,970	-
Costs incurred during the year		
Development costs	**95,023**	98,136
	383,714	232,721
Costs recognised as an expense in profit or loss:		
Previous years	**(146,547)**	(74,621)
Current year	**(79,287)**	(71,926)
Transfer to inventories	**(3,184)**	(2,711)
	154,696	83,463

29. DERIVATIVE FINANCIAL INSTRUMENTS

The Group classifies derivative financial instruments as financial assets or liabilities at fair value through profit or loss.

	Contract/Notional Amount Net long/(short) RM'000	**Assets RM'000**	**Liabilities RM'000**
Group			
2017			
Forward foreign exchange contracts	**(986,720)**	**18,330**	**(2,224)**
Commodities future contracts	**51,459**	**92,418**	**(102,419)**
Total derivative financial instruments		**110,748**	**(104,643)**
2016			
Forward foreign exchange contracts	(1,095,734)	375	(24,499)
Commodities future contracts	(318,252)	119,079	(194,287)
Total derivative financial instruments		119,454	(218,786)

The forward foreign exchange contracts are entered into by the Group as hedges for committed sales and purchases denominated in foreign currencies. The hedging of the foreign currencies is to minimise the exposure of the Group to fluctuations in foreign currencies on receipts and payments.

The commodity future contracts are entered into with the objective of managing and hedging the Group's exposure to the adverse price movements in the vegetable oil commodities.

The Group does not have any other financial liabilities which are measured at fair value through profit or loss except for derivative financial instruments.

30. SHORT TERM FUNDS

	Group	
	2017	2016
	RM'000	RM'000
Deposits with licensed banks	**578,489**	194,520
Fixed income trust funds, at fair value through profit or loss	**-**	874,196
	578,489	1,068,716

Short term funds represent funds placed in highly liquid money market instruments which are readily convertible to known amount of cash and have insignificant risk of changes in fair value with original maturities of more than three months.

The effective interest rates per annum of deposits with licensed banks and fixed income trust funds at the end of the reporting dates were as follows:

	Group	
	2017	2016
Deposits with licensed banks	**0.75% to 7.00%**	1.25% to 7.75%
Fixed income trust funds	**-**	3.45% to 4.00%

The maturities and repricing of deposits with licensed banks and fixed income trust funds as at the end of the financial year were as follows:

	Group	
	2017	2016
	RM'000	RM'000
Maturities above 3 months to 1 year		
Deposits with licensed banks	**578,489**	194,520
Fixed income trust funds	**-**	874,196
	578,489	1,068,716

Deposit with licensed bank of the Group amounting to RM14,618,000 (2016: RM18,261,000) as at 30 September 2017 has been pledged for a banking facility granted to an outside party for the purpose of the "Kredit Koperasi Primer untuk Anggotanya" scheme in Indonesia.

31. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
Deposits with licensed banks	**1,232,287**	549,657	**33**	33
Fixed income trust funds, at fair value through profit or loss	**-**	648,510	**-**	198,735
Cash and bank balances	**523,457**	350,738	**158,887**	95,649
	1,755,744	1,548,905	**158,920**	294,417

Deposits with licensed banks and investment in fixed income trust funds in Malaysia represent short term investments in highly liquid money market. These investments are readily convertible to cash and have insignificant risk of changes in value with original maturities of three months or less.

Included in the Group's cash and bank balances as at 30 September 2017 was RM29,975,000 (2016: RM16,041,000) held under Housing Development Account. The utilisation of this fund is subject to the Housing Developers (Housing Development Account) (Amendment) Regulations 2002.

The effective interest rates per annum of deposits with licensed banks and fixed income trust funds at the end of the reporting dates were as follows:

	Group		**Company**	
	2017	2016	**2017**	2016
Deposits with licensed banks	**0.01% to 7.55%**	0.01% to 9.25%	**3.40%**	3.40%
Fixed income trust funds	**-**	3.62% to 3.92%	**-**	3.22% to 3.90%

The maturities and repricing of deposits with licensed banks and fixed income trust funds as at the end of the reporting dates were as follows:

	Group		**Company**	
	2017 RM'000	2016 RM'000	**2017 RM'000**	2016 RM'000
Maturities of 3 months or below				
Deposits with licensed banks	**1,232,287**	549,657	**33**	33
Fixed income trust funds	**-**	648,510	**-**	198,735
	1,232,287	1,198,167	**33**	198,768

32. SHARE CAPITAL

	Group and Company			
	2017 Number of Shares '000	**2017 RM'000**	2016 Number of Shares '000	2016 RM'000
Shares of RM1 each				
Authorised				
At 1 October and 30 September	**1,000,000**	**1,000,000**	1,000,000	1,000,000

	Group		**Company**	
	Number of Shares	**RM'000**	**Number of Shares**	**RM'000**
Issued and fully paid				
At 1 October 2015 and 30 September 2016	**435,951**	**435,951**	**435,951**	**435,951**
Reclassification from capital redemption reserve persuant to Section 618(2) of the Companies Act 2016	**-**	**31,304**	**-**	**-**
Transfer from retained earnings on redemption of redeemable preference shares	**-**	**31,505**	**-**	**-**
At 30 September 2017	**435,951**	**498,760**	**435,951**	**435,951**

	Group and Company			
	Number of Shares	**RM'000**	**Number of Shares**	**RM'000**
Treasury Shares	**33,078**	**446,671**	30,791	403,272

Share capital

In accordance with Section 618(2) of the Companies Act 2016 which was effected on 31 January 2017,

(i) the shares of the Company ceased to have a par value; and

(ii) the amount standing to the credit of the capital redemption reserve has become part of the Group's and the Company's share capital.

The holders of shares (except treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share without restrictions at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Treasury shares
Treasury shares relate to shares of the Company that are retained by the Company.

The shareholders of the Company renewed the authority granted to the Directors to buy back its own shares at the Annual General Meeting held on 15 February 2017. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the buy back plan can be applied in the best interests of the Company and its shareholders.

During the year, the Company bought back a total of 2,287,300 of its issued shares from the open market for a total cost of RM43,399,171. The average price paid for the shares bought back was RM18.91 per share. The shares bought back were financed by internally generated funds and borrowings and held as treasury shares.

Of the total 435,951,000 issued and fully-paid shares, 33,078,231 (2016: 30,790,931) are held as treasury shares by the Company as at 30 September 2017. As at this date, the number of outstanding shares issued and fully-paid, after deducting treasury shares held is 402,872,769 (2016: 405,160,069) shares.

33. RESERVES

	Group		Company	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
Non-distributable				
Capital reserve	**331,743**	331,743	**-**	-
Revaluation reserve	**4,716**	4,722	**16**	16
Exchange fluctuation reserve	**261,380**	208,133	**-**	-
Capital redemption reserve	**-**	28,752	**-**	-
Fair value reserve	**821,177**	560,878	**9,137**	5,362
	1,419,016	1,134,228	**9,153**	5,378
Distributable				
Capital reserve	**494,164**	491,511	**32,555**	32,555
General reserve	**7,035**	7,035	**6,739**	6,739
Retained earnings	**4,725,469**	4,414,356	**696,083**	663,979
	5,226,668	4,912,902	**735,377**	703,273
	6,645,684	6,047,130	**744,530**	708,651

Capital and general reserves
Non-distributable capital reserve mainly comprises post-acquisition reserve capitalised by subsidiaries for their bonus issues. Distributable capital reserve and general reserve comprise surpluses arising from disposals of quoted investments, properties and government acquisitions of land.

Revaluation reserve
The Group's and the Company's revaluation reserve arose from revaluation of properties and the fair value adjustments on acquisition of a sub-subsidiary, relating to previously held interest.

Exchange fluctuation reserve
The exchange fluctuation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

Fair value reserve
Fair value reserve comprises the cumulative net change in the fair value of available-for-sale investments until the investments are derecognised or impaired.

Retained earnings
Of the Company's retained earnings at year end, RM446,671,114 (2016: RM403,271,952) was utilised for the purchase of the treasury shares and is considered as non-distributable. Details of treasury shares are disclosed in Note 32.

34. DEFERRED INCOME

	Group	
	2017	2016
	RM'000	RM'000
Government grants		
At cost		
At beginning of the year	**143,823**	132,601
Received during the year	**6,194**	11,741
Currency translation differences	**645**	(519)
At end of the year	**150,662**	143,823
Accumulated amortisation		
At beginning of the year	**18,830**	12,719
Amortisation charge	**6,252**	6,397
Currency translation differences	**407**	(286)
At end of the year	**25,489**	18,830
Carrying amounts	**125,173**	124,993
Deferred income is disclosed under:		
Non-current liabilities	**117,365**	118,665
Current liabilities	**7,808**	6,328
	125,173	124,993

The sub-subsidiaries, KL-Kepong Oleomas Sdn Bhd, Palm-Oleo (Klang) Sdn Bhd and Davos Life Science Sdn Bhd received government grants from Malaysian Palm Oil Board which were conditional upon the construction of specific projects.

Another sub-subsidiary, KLK Tensachem SA received government grants from its local government to finance its capital expenditure.

The government grants are to be amortised over the life of the assets when the assets are commissioned.

35. PROVISION FOR RETIREMENT BENEFITS

	Group		Company	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
Present value of funded obligations	**248,079**	240,890	**-**	-
Fair value of plan assets	**(226,534)**	(201,634)	**-**	-
	21,545	39,256	-	-
Unfunded obligations	**466,743**	464,742	**30**	114
Present value of net obligations	**488,288**	503,998	**30**	114
Represented by:				
Payable not later than 1 year	**-**	348	**-**	-
Payable later than 1 year	**488,288**	503,650	**30**	114
	488,288	503,998	**30**	114

In previous year, the provision for retirement benefits of the Group payable not later than 1 year amounting to RM348,000 was included in other payables.

Defined benefit obligations

(i) The Group's plantation operations in Malaysia operate defined benefit plans based on the terms of the union's collective agreements in Malaysia. These retirement benefit plans are unfunded. The benefits payable on retirement are based on the last drawn salaries, the length of service and the rates set out in the union's collective agreements.

The present value of these unfunded defined benefit obligations as required by FRS 119 *Employee Benefits* has not been used in arriving at the provision as the amount involved is insignificant to the Group and the Company. Accordingly, no further disclosures as required by the standard are made.

(ii) All the plantations subsidiaries in Indonesia operate unfunded defined benefit plans for all its eligible employees. The obligations of the retirement benefit plans are calculated using the projected unit credit method.

(iii) A sub-subsidiary in Germany, KLK Emmerich GmbH, operates an unfunded retirement benefit plan for its eligible employees. The obligations of the retirement benefit plan are determined by an independent qualified actuary. The last actuarial valuation was on 30 September 2017.

(iv) A sub-subsidiary in Switzerland, Kolb Distribution AG, makes contributions to a funded defined benefit plan that provides pension benefits for employees upon retirement. The assets of the plan are held as a segregated fund and administered by trustees.

This funded defined benefit obligation is determined by an independent qualified actuary on an annual basis. The last actuarial valuation was on 30 June 2017 and was subsequently updated to take into consideration of the requirements of FRS 119 in order to assess liabilities of the plan as at 30 September 2017. The plan assets are stated at their market value as at 30 September 2017.

The defined benefit plans expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

These defined benefit plans are fully funded by the Group.

The Group expects RM20,437,000 in contributions to be paid to the defined benefit plans in the next financial year.

Movement in Net Defined Benefit Liabilities	Present Value of Funded Obligations RM'000	Unfunded Obligations RM'000	Fair Value of Plan Assets RM'000	Present Value of Net Obligations RM'000
Group				
At 1 October 2015	234,374	339,411	(210,706)	363,079
Included in profit or loss				
Service cost	9,329	18,844	-	28,173
Under-provision	-	42	-	42
Administration cost	110	-	-	110
Interest cost/(income)	2,164	11,976	(1,933)	12,207
	11,603	30,862	(1,933)	40,532
Included in other comprehensive income				
Remeasurement loss/(gain)				
Actuarial loss/(gain) from:				
- Financial assumptions	19,804	64,755	-	84,559
- Demographic assumptions	(3,121)	-	-	(3,121)
- Experience assumptions	4,309	5,310	-	9,619
Return on plan assets excluding interest income	-	-	(6,739)	(6,739)
	20,992	70,065	(6,739)	84,318
Other				
Contribution paid by employer	-	(25,155)	(7,235)	(32,390)
Employee contributions	5,224	-	(5,224)	-
Benefits paid	(18,028)	-	18,028	-
Addition	-	57,885	-	57,885
Currency translation differences	(13,275)	(8,326)	12,175	(9,426)
At 30 September 2016	**240,890**	**464,742**	**(201,634)**	**503,998**
Included in profit or loss				
Service cost	**9,536**	**22,366**	**-**	**31,902**
Past service cost	**(10,419)**	**-**	**-**	**(10,419)**
Remeasurement	**-**	**18**	**-**	**18**
Under-provision	**-**	**104**	**-**	**104**
Administration cost	**123**	**-**	**-**	**123**
Interest cost/(income)	**769**	**11,169**	**(646)**	**11,292**
	9	**33,657**	**(646)**	**33,020**
Included in other comprehensive income				
Remeasurement (gain)/loss				
Actuarial (gain)/loss from:				
- Financial assumptions	**(12,437)**	**(30,182)**	**-**	**(42,619)**
- Demographic assumptions	**(5,069)**	**-**	**-**	**(5,069)**
- Experience assumptions	**12,046**	**2,520**	**-**	**14,566**
Return on plan assets excluding interest income	**-**	**-**	**(5,091)**	**(5,091)**
	(5,460)	**(27,662)**	**(5,091)**	**(38,213)**
Other				
Contribution paid by employer	**-**	**(25,440)**	**(7,501)**	**(32,941)**
Employee contributions	**5,397**	**-**	**(5,397)**	**-**
Benefits deposited	**1,816**	**-**	**(1,816)**	**-**
Currency translation differences	**5,427**	**21,446**	**(4,449)**	**22,424**
At 30 September 2017	**248,079**	**466,743**	**(226,534)**	**488,288**

On 1 October 2015, KLK Emmerich completed its acquisition of the oleochemical assets and business of Emery Oleochemical GmbH ("Emery") in Holthausen, Dusseldorf, Germany. Arising from this, KLK Emmerich assumed the obligations of Emery's unfunded retirement plan amounting to RM57,885,000.

The amount of remeasurement gain of RM27,657,000 (2016: loss RM61,581,000) recognised in the other comprehensive income is net of deferred tax liabilities of RM10,556,000 (2016: deferred tax asset RM22,737,000) (Note 24).

	Group	
	2017	2016
	RM'000	RM'000
Plan assets		
Plan assets comprise:		
Equity funds quoted in Switzerland	**35,623**	60,228
Equity funds quoted in the United States of America	**29,738**	8,334
Bond funds quoted in Switzerland	**81,506**	91,162
Real estate funds quoted in Switzerland	**50,708**	34,684
Cash and cash equivalents	**12,785**	5,612
Other assets	**16,174**	1,614
	226,534	201,634

Fair value of the plan assets is based on the market price information and in the case of quoted securities is the published bid price.

The pension fund's board of trustees is responsible for the risk management of the funds. The cash funding of the plan is designed to ensure that present and future contributions should be sufficient to meet future liabilities.

	Company	
	2017	2016
	RM'000	RM'000
Unfunded obligations		
Movement in the unfunded defined benefit obligations		
At beginning of the year	**114**	42
(Income)/Expense recognised in profit or loss	**(84)**	72
At end of the year	**30**	114
(Income)/Expense recognised in profit or loss		
Current service cost	**4**	9
Interest cost	**2**	6
(Over)/Under-provision	**(90)**	57
	(84)	72

	Group	
	2017	2016
	%	%
Actuarial assumptions		
Principal actuarial assumptions of the funded plan operated by the sub-subsidiary in Switzerland (expressed as weighted averages):		
Discount rates	**0.7**	0.3
Future salary increases	**1.5**	1.5
Principal assumptions of the unfunded plan used by plantations subsidiaries in Indonesia:		
Discount rate	**1.8 to 8.3**	5.0 to 8.8
Future salary increases	**2.5 to 11.0**	3.0 to 11.0
Principal actuarial assumptions of the unfunded plan operated by the sub-subsidiary in Germany:		
Discount rate	**1.8**	1.1
Future salary increase	**2.5**	2.5
Future pension increase	**1.8**	1.8

As at end of the reporting period, the weighted average duration of the funded defined benefit obligation was 14.4 years (2016: 16.7 years).

Sensitivity analysis
Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	Group Defined Benefit Obligation	
	Increase RM'000	**Decrease RM'000**
2017		
Discount rate (0.25% movement)	**(23,226)**	**25,965**
Future salary growth (0.25% movement)	**22,665**	**(14,586)**
Life expectancy (1 year movement)	**14,864**	**(22,240)**
2016		
Discount rate (0.25% movement)	(26,187)	29,107
Future salary growth (0.25% movement)	6,417	(6,054)
Life expectancy (1 year movement)	22,577	(22,619)

Although the analysis does not account for the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

36. BORROWINGS

	Group		Company	
	2017 RM'000	2016 RM'000	**2017 RM'000**	2016 RM'000
Non-current				
Secured				
Term loan	**31,104**	11,424	**-**	-
Unsecured				
Term loans	**436,064**	356,384	**-**	-
Islamic medium term notes	**3,100,000**	3,100,000	500,000	500,000
	3,536,064	3,456,384	500,000	500,000
	3,567,168	3,467,808	500,000	500,000
Current				
Secured				
Term loan	**11,739**	7,899	**-**	-
Unsecured				
Bank overdrafts	**124,124**	40,710	**-**	-
Term loans	**24,923**	82,459	**-**	-
Export credit refinancing	**225,059**	287,125	**-**	-
Bankers' acceptance	**350,787**	433,741	**-**	-
Revolving credit	**217,933**	126,934	**-**	-
Trade financing	**421,031**	293,354	**-**	-
Islamic medium term notes	**-**	300,000	**-**	-
	1,363,857	1,564,323	**-**	-
	1,375,596	1,572,222	**-**	-
Total borrowings	**4,942,764**	5,040,030	**500,000**	500,000

(a) During the financial year ended 30 September 2013, the Company had issued RM500 million 10 years Sukuk Musharakah Islamic Medium Term Notes ("IMTN") under the RM500 million Islamic Medium Term Notes Programme ("Programme") at a periodic distribution rate of 4.05% per annum.

Salient features of the Programme are as follows:

Total outstanding nominal value of the IMTN (collectively known as "Notes") shall not exceed RM500 million.

The tenure of the Programme is up to 10 years from the date of the first issuance of any Notes under this Programme.

The IMTN has a maturity of more than 1 year and up to 10 years and on condition that the maturity dates of the IMTN do not exceed the tenure of the Programme. The IMTN may be non-profit bearing or bear profit at a rate determined at the point of issuance. The profit is payable semi-annually in arrears from the date of issuance of the IMTN with the last periodic distribution to be made on the maturity date.

Debt-to-equity ratio of the Group shall be maintained at not more than one time throughout the tenure of the Programme.

(b) During the financial year ended 30 September 2012, a subsidiary had issued RM300 million 5 years Sukuk Ijarah Islamic Medium Term Notes under the RM300 million Sukuk Ijarah Islamic Commercial Paper ("ICP") and Medium Term Notes ("IMTN") Programme ("1st Programme") at par with a profit of 3.88% per annum.

Salient features of the 1st Programme are as follows:

Total outstanding nominal value of the ICP and IMTN (collectively known as "Notes") shall not exceed RM300 million.

The tenure of the 1st Programme is up to 5 years from the date of the first issuance of any Notes under the 1st Programme.

The ICP will be issued at a discount to the nominal value and has a maturity of either 1, 2, 3, 6, 9 or 12 months and on condition that the maturity dates of the ICP do not exceed the tenure of the 1st Programme. There will not be profit payable on the ICP issued under the 1st Programme in view that they are issued at a discount.

The IMTN may be issued at a discount or at par to the nominal value and has a maturity of more than 1 year and up to 5 years and on condition that the maturity dates of the IMTN do not exceed the tenure of the 1st Programme. The IMTN may be non-profit bearing or bear profit at a rate determined at the point of issuance. The profit is payable semi-annually in arrears from the date of issue of the IMTN with the last profit payment to be made on the maturity dates.

Debt-to-equity ratio of the subsidiary (group results) shall be maintained at not more than one time throughout the tenure of the 1st Programme.

The RM300 million IMTN under the 1st Programme was redeemed in October 2016 and this amount was reclassified to current liabilities as at 30 September 2016.

(c) During the financial year ended 30 September 2012, a subsidiary had issued another RM1.0 billion 10 years Ringgit Sukuk Ijarah Islamic Medium Term Notes under the RM1.0 billion Sukuk Ijarah Multi-Currency Islamic Medium Term Notes ("MCIMTN") Programme ("2nd Programme") at par with a profit of 4.0% per annum.

Salient features of the 2nd Programme are as follows:

Total outstanding nominal value of the Ringgit Sukuk Ijarah and Non-Ringgit Sukuk Ijarah MCIMTN shall not exceed RM1.0 billion.

The tenure of the 2nd Programme is up to 10 years from the date of the first issuance of any MCIMTN under the 2nd Programme.

The MCIMTN has a maturity of more than 1 year and up to 10 years and on condition that the maturity dates of the MCIMTN do not exceed the tenure of the 2nd Programme. The MCIMTN may be non-profit bearing or bear profit at a rate determined at the point of issuance. The profit is payable semi-annually in arrears from the date of issue of the MCIMTN with the last profit payment to be made on the maturity dates.

Debt-to-equity ratio of the subsidiary (group results) shall be maintained at not more than one time throughout the tenure of the 2nd Programme.

(d) During the financial year ended 30 September 2015, a subsidiary had issued RM1.1 billion 10 years Ringgit Sukuk Ijarah Islamic Medium Term Notes under the RM1.6 billion Multi-Currency Sukuk Ijarah and/or Wakalah Islamic Medium Term Notes Programme ("3rd Programme") at par with a profit of 4.58% per annum.

During the financial year ended 30 September 2016, the subsidiary had issued the balance of the 3rd Programme of RM500 million 10 years Ringgit Sukuk Ijarah Islamic Medium Term Notes at par with a profit rate of 4.65% per annum.

Salient features of the 3rd Programme are as follows:

The 3rd Programme shall comprise Ringgit denominated Islamic Medium Term Notes ("Ringgit Sukuk") and non-Ringgit denominated Islamic Medium Term Notes ("Non-Ringgit Sukuk") issuances.

The aggregate outstanding nominal value of the Ringgit Sukuk and Non-Ringgit Sukuk issued under the 3rd Programme shall not exceed RM1.6 billion (or its equivalent in foreign currencies).

The tenure of the 3rd Programme shall be more than 1 year and up to 12 years from the date of the first issuance of the programme.

The Ringgit Sukuk/Non-Ringgit Sukuk under the 3rd Programme may be issued under the Shariah principle(s) of Ijarah and/or Wakalah Bi Al-Istithmar.

The expected periodic distribution rate (under the principle of Wakalah Bi Al-Istithmar) or periodic distribution rate (under the principle of Ijarah) (if any) shall be determined at the point of issuance. For the Ringgit Sukuk/Non-Ringgit Sukuk with periodic distributions, the profit is payable semi-annually in arrears from the date of issuance of the Ringgit Sukuk/Non-Ringgit Sukuk with the last periodic distribution to be made on the relevant maturity dates.

Debt-to-equity ratio of the subsidiary (group results) shall be maintained at not more than one time throughout the tenure of the 3rd Programme.

(e) The secured term loan of the Group is secured by way of a fixed charge on the property, plant and equipment of an overseas sub-subsidiary with the carrying amount of RM150,996,000 (2016: RM116,799,000) as at 30 September 2017.

(f) Certain unsecured term loans, bank overdrafts and revolving credit are supported by corporate guarantees of RM804.6 million (2016: RM610.6 million) issued by a subsidiary. The bank overdraft facilities are renewable annually.

(g) The interest rates per annum applicable to borrowings for the year were as follows:

	Group		Company	
	2017	2016	**2017**	2016
Bank overdrafts	**0.33%**	0.33% to 0.34%	**-**	-
Term loans	**0.71% to 2.88%**	1.12% to 2.86%	**-**	-
Trade financing	**0.93% to 2.06%**	0.66% to 1.67%	**-**	-
Export credit refinancing	**3.40% to 3.60%**	3.40% to 3.80%	**-**	-
Bankers' acceptance	**3.07% to 4.04%**	3.04% to 4.30%	**-**	-
Revolving credit	**0.90% to 4.79%**	1.00% to 4.53%	**-**	-
Islamic medium term notes	**3.88% to 4.65%**	3.88% to 4.65%	**4.05%**	4.05%

(h) An amount of RM1,074,536,000 (2016: RM760,224,000) of the Group's borrowings consists of floating rate borrowings which interest rates reprice within a year.

The Company did not have any floating rate borrowings as at end of both the financial years.

37. TRADE PAYABLES

	Group	
	2017	2016
	RM'000	RM'000
Trade payables	**802,300**	655,042
Progress billings	**6,811**	13,283
	809,111	668,325

Included in the trade payables are amounts owing to related parties of RM79,324,000 (2016: RM11,740,000).

The normal trade credit terms granted to the Group ranged from 7 to 90 (2016: 7 to 90) days.

38. OTHER PAYABLES

	Group		Company	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
Other payables	**421,216**	419,069	**-**	-
Accruals	**354,379**	303,945	**10,939**	10,192
Deposits received	**411**	591	**-**	-
Indirect tax payable	**31,510**	8,871	**-**	-
	807,516	732,476	**10,939**	10,192

39. RELATED PARTY TRANSACTIONS

(a) The Company has a controlling related party relationship with all its subsidiaries. Significant inter-company transactions of the Company are as follows:

	Company	
	2017	2016
	RM'000	RM'000
Rental paid to a subsidiary	**96**	96
Interest received from subsidiaries	**8,281**	4,791

(b) Significant related party transactions

Set out below are the significant related party transactions in the normal course of business for the financial year (in addition to related party disclosures mentioned elsewhere in the financial statements).

	Group 2017 RM'000	Group 2016 RM'000
(i) Transactions with associates		
Processing fee earned	**480**	662
Sales of finished goods	**7,951**	18,171
Sales of electricity	**693**	1,082
Purchase of goods	**1,278,632**	874,566
Service charges paid	**2,524**	2,414
Research and development services paid	**14,435**	13,218
(ii) Transactions with companies in which certain Directors are common directors and/or have direct or deemed interest		
Sale of goods		
Taiko Marketing Sdn Bhd	**270,504**	252,680
Taiko Marketing (S) Pte Ltd	**2,807**	4,939
Chlor-Al Chemical Pte Ltd	**8,982**	16,897
Siam Taiko Marketing Co Ltd	**3,611**	3,592
Freight income earned		
Taiko Marketing Sdn Bhd	**1,381**	1,151
Chlor-Al Chemical Pte Ltd	**252**	140
Storage tanks rental received		
Taiko Marketing Sdn Bhd	**3,709**	3,077
Purchase of goods		
Taiko Marketing Sdn Bhd	**43,327**	34,211
Taiko Marketing (S) Pte Ltd	**24,216**	33,577
Taiko Acid Works Sdn Bhd	**4,963**	11,073
Borneo Taiko Clay Sdn Bhd	**4,494**	4,776
Bukit Katho Estate Sdn Bhd	**4,894**	3,336
Kampar Rubber & Tin Co Sdn Bhd	**7,933**	7,531
Kekal & Deras Sdn Bhd	**1,998**	1,312
Ladang Tai Tak (Kota Tinggi) Sdn Bhd	**568**	2,153
Malay-Rubber Plantations (M) Sdn Bhd	**8,521**	5,042
P.T. Agro Makmur Abadi	**81,734**	53,334
P.T. Bumi Karyatama Raharja	**-**	1,931
P.T. Safari Riau	**41,735**	28,350
Taiko Clay Marketing Sdn Bhd	**2,426**	1,663
Taiko Drum Industries Sdn Bhd	**2,715**	3,638
Taiko Fertiliser Marketing Sdn Bhd	**-**	16
Yayasan Perak-Wan Yuen Sdn Bhd	**-**	118
Management fees paid		
Farming Management Services Pty Ltd	**2,284**	1,832
Aircraft operating expenses and management services paid		
Smooth Route Sdn Bhd	**1,789**	1,641
Supply of contract labours and engineering works		
K7 Engineering Sdn Bhd	**2,946**	3,436
Yeow Brothers Engineering Sdn Bhd	**1,394**	-
Sales commissions charged by		
Taiko Marketing Sdn Bhd	**63**	59

	Group 2017 RM'000	Group 2016 RM'000
(iii) Transactions between subsidiaries and non-controlling interests		
Sales of goods		
Mitsubishi Corporation	**70,036**	195,152
Mitsui & Co Ltd	**418,796**	314,023
Tejana Trading & Management Services Sdn Bhd	**10,760**	4,830
Purchase of goods		
Mitsubishi Gas Chemical Singapore Pte Ltd	**3,217**	-
P.T. Eka Dura Indonesia	**-**	23,243
P.T. Letawa	**-**	43,980
P.T. Tanjung Bina Lestari	**205,883**	-
P.T. Tanjung Sarana Lestari	**1,648,180**	1,220,434
Tejana Trading & Management Services Sdn Bhd	**5,007**	-

40. CAPITAL COMMITMENTS

	Group 2017 RM'000	Group 2016 RM'000
Capital expenditure		
Approved and contracted	**149,163**	255,875
Approved but not contracted	**550,456**	639,613
	699,619	895,488
Acquisition of shares in a sub-subsidiary		
Approved and contracted	**1,322**	1,336

41. LEASE COMMITMENTS

	Group 2017 RM'000	Group 2016 RM'000
Lease as a lessee		
Total future minimum lease payments under non-cancellable operating leases are as follows:		
Less than 1 year	**14,177**	6,395
Between 1 and 5 years	**50,322**	47,636
More than 5 years	**105,150**	116,752
	169,649	170,783
Lease as a lessor		
The Group leases out its investment property (Note 13) and the future minimum lease receivables under non-cancellable leases are as follows:		
Less than 1 year	**5,019**	5,956
Between 1 and 5 years	**980**	5,075
	5,999	11,031

42. CONTINGENT LIABILITIES – UNSECURED

(a) A subsidiary has an unsecured contingent liability of RM804.6 million (2016: RM610.6 million) in respect of corporate guarantees given to certain banks for credit facilities utilised by certain of its subsidiaries at 30 September 2017.

(b) The Company and a subsidiary have undertaken to provide financial support to certain subsidiaries and sub-subsidiaries to enable them to continue to operate as going concerns.

(c) A sub-subsidiary, involved in commodity trading ("Trading Co") has issued Letters Of Indemnity (the "LOIs") to vessel owners in respect of the shipment and discharge of various cargoes sold on a cost and freight basis for an approximate total of USD11.68 million. These LOIs were issued by the Trading Co after receiving from its buyer letters of indemnity in respect of the said shipment and discharge of cargoes. Disputes have arisen between the vessel owners and cargo interests in relation to the discharge of the cargoes. The Trading Co will strenuously defend any proceedings that may be commenced in relation to this matter. In these circumstances, management is unable, at this juncture, to estimate the quantum of liability and costs which may arise in respect of the LOIs. The Trading Co reserves its rights to bring claims and seek recourse against the buyer in respect of the letters of indemnity issued by the buyer.

43. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

(a) The names of subsidiaries, associates and joint ventures are detailed below:

Subsidiaries	Country of Incorporation	Principal Country of Operation	Percentage of Equity Held **2017**	2016	Principal Activities
Held by the Company:					
MANUFACTURING					
CHEMICALS					
See Sen Chemical Berhad †	Malaysia	Malaysia	**61**	61	Manufacturing of chemicals
Malay-Sino Chemical Industries Sendirian Berhad †	Malaysia	Malaysia	**98**	86	Manufacturing of chemicals
INVESTMENT HOLDING					
Batu Kawan Holdings Sdn Bhd †	Malaysia	Malaysia	**100**	100	Investment property
Caruso Enterprises Sdn Bhd †	Malaysia	Malaysia	**100**	100	Dormant
Whitmore Holdings Sdn Bhd †	Malaysia	Malaysia	**100**	100	Investment holding
Enternal Edge Sdn Bhd †	Malaysia	Malaysia	**100**	100	Investment holding
BKB Overseas Investments Ltd ††	British Virgin Islands	British Virgin Islands	**100**	100	Investment holding
Synergy Motion Sdn Bhd †	Malaysia	Malaysia	**100**	100	Investment holding
Caruso Ventures Pte Ltd †	Singapore	Singapore	**100**	100	Investment holding
PLANTATIONS					
PENINSULAR MALAYSIA					
Kuala Lumpur Kepong Berhad	Malaysia	Malaysia	**47**	47	Plantation
Held through Subsidiaries:					
Malay-Sino Chemical Industries Sendirian Berhad:					
MANUFACTURING					
CHEMICALS AND TRANSPORTATION SERVICES					
Malay-Sino Agro-Chemical Products Sdn Bhd †	Malaysia	Malaysia	**100**	100	Manufacture and sale of methyl chloride
Circular Agency Sdn Bhd †	Malaysia	Malaysia	**100**	100	General transportation services
North-South Transport Sdn Bhd †	Malaysia	Malaysia	**100**	100	General transportation services
Malay-Sino Properties Sdn Bhd †	Malaysia	Malaysia	**100**	100	Letting of storage warehouse facilities
Malay-Sino Chemical Holdings Berhad †	Malaysia	Malaysia	**-**	100	Dormant
See Sen Chemical Berhad:					
MANUFACTURING					
CHEMICALS					
See Sen Bulking Installation Sdn Bhd †	Malaysia	Malaysia	**100**	100	Dormant

Subsidiaries	Country of Incorporation	Principal Country of Operation	Percentage of Equity Held 2017	2016	Principal Activities
Whitmore Holdings Sdn Bhd:					
PLANTATIONS					
INDONESIA					
P.T. Satu Sembilan Delapan †	Indonesia	Indonesia	**92**	92	Plantation
P.T. Tekukur Indah †	Indonesia	Indonesia	**90**	90	Plantation
Caruso Ventures Pte Ltd:					
INVESTMENT HOLDING					
Caruso Australia Ventures Pty Ltd ††	Australia	Australia	**100**	100	Investment holding
Caruso Epping Pty Ltd ††	Australia	Australia	**100**	100	Trustee company
Caruso Epping Unit Trust ††	Australia	Australia	**100**	100	Joint venture partner in property development
Caruso Greenvale Pty Ltd ††	Australia	Australia	**100**	100	Trustee company
Caruso Greenvale Unit Trust ††	Australia	Australia	**100**	100	Investment in land and property development projects
Vivaldi Victoria Pty Ltd ††	Australia	Australia	**100**	100	Trustee company
Vivaldi Victoria Unit Trust ††	Australia	Australia	**100**	100	Dormant
Kuala Lumpur Kepong Berhad:					
PLANTATIONS					
PENINSULAR MALAYSIA					
Uni-Agro Multi Plantations Sdn Bhd	Malaysia	Malaysia	**51**	51	Plantation
Betatechnic Sdn Bhd	Malaysia	Malaysia	**100**	100	Operating biogas capture plants
Gunong Pertanian Sdn Bhd	Malaysia	Malaysia	**100**	100	Extraction of crude palm oil
KL-Kepong Edible Oils Sdn Bhd	Malaysia	Malaysia	**100**	100	Refining of palm products
Rubber Fibreboards Sdn Bhd	Malaysia	Malaysia	**100**	100	Manufacturing of fibre mat
Taiko Plantations Sdn Bhd †	Malaysia	Malaysia	**100**	100	Management of plantations
Golden Complex Sdn Bhd	Malaysia	Malaysia	**100**	100	Investment holding
Jasachem Sdn Bhd	Malaysia	Malaysia	**100**	100	Investment holding
KL-Kepong Plantation Holdings Sdn Bhd	Malaysia	Malaysia	**100**	100	Investment holding
Kulumpang Development Corporation Sdn Bhd (In Members' Voluntary Liquidation)	Malaysia	Malaysia	**100**	100	Dormant
SABAH					
Bornion Estate Sdn Bhd	Malaysia	Malaysia	**63**	63	Plantation
KL-Kepong (Sabah) Sdn Bhd	Malaysia	Malaysia	**100**	100	Plantation
Sabah Cocoa Sdn Bhd	Malaysia	Malaysia	**100**	100	Plantation
KLK Premier Oils Sdn Bhd	Malaysia	Malaysia	**85**	85	Refining of palm products and kernel crushing
Golden Yield Sdn Bhd	Malaysia	Malaysia	**85**	85	Processing and marketing of oil palm products
Sabah Holdings Corporation Sdn Bhd	Malaysia	Malaysia	**70**	70	Investment holding
Fajar Palmkel Sdn Bhd	Malaysia	Malaysia	**100**	100	Dormant

Subsidiaries	Country of Incorporation	Principal Country of Operation	Percentage of Equity Held 2017	2016	Principal Activities
PLANTATIONS					
INDONESIA					
P.T. ADEI Plantation & Industry †	Indonesia	Indonesia	**95**	95	Plantation, refining of palm products and kernel crushing
P.T. Alam Karya Sejahtera AKS †	Indonesia	Indonesia	**62**	62	Plantation
P.T. Anugrah Surya Mandiri †	Indonesia	Indonesia	**95**	95	Plantation
P.T. Hutan Hijau Mas †	Indonesia	Indonesia	**92**	92	Plantation
P.T. Jabontara Eka Karsa †	Indonesia	Indonesia	**95**	95	Plantation
P.T. Karya Makmur Abadi †	Indonesia	Indonesia	**90**	90	Plantation
P.T. Langkat Nusantara Kepong †	Indonesia	Indonesia	**60**	60	Plantation
P.T. Malindomas Perkebunan †	Indonesia	Indonesia	**92**	92	Plantation
P.T. Menteng Jaya Sawit Perdana †	Indonesia	Indonesia	**80**	80	Plantation
P.T. Mulia Agro Permai †	Indonesia	Indonesia	**90**	90	Plantation
P.T. Parit Sembada †	Indonesia	Indonesia	**90**	90	Plantation
P.T. Steelindo Wahana Perkasa †	Indonesia	Indonesia	**95**	95	Plantation, refining of palm products and kernel crushing
P.T. Sekarbumi Alamlestari †	Indonesia	Indonesia	**65**	65	Plantation
P.T. KLK Agriservindo †	Indonesia	Indonesia	**100**	100	Management of plantations
SINGAPORE					
Astra-KLK Pte Ltd #	Singapore	Singapore	**51**	51	Marketing of refined palm oil products and provision of logistics services related to palm products
Collingwood Plantations Pte Ltd †	Singapore	Singapore	****100**	**69	Investment holding
KLK Agro Plantations Pte Ltd †	Singapore	Singapore	**100**	100	Investment holding
Taiko Cambodia Rubber Pte Ltd †	Singapore	Singapore	**100**	100	Investment holding
Taiko Plantations Pte Ltd †	Singapore	Singapore	**100**	100	Management of plantations
PAPUA NEW GUINEA					
Ang Agro Forest Management Ltd †	Papua New Guinea	Papua New Guinea	****100**	**69	Plantation
Kubahi Marine Services Ltd †	Papua New Guinea	Papua New Guinea	****100**	**69	Dormant
UNITED KINGDOM					
Equatorial Palm Oil Plc †	United Kingdom	United Kingdom	**63**	63	Investment holding
GUERNSEY					
Equatorial Biofuels (Guernsey) Ltd †	Guernsey	Guernsey	**63**	63	Investment holding
MAURITIUS					
Liberian Palm Developments Ltd ††	Mauritius	Mauritius	**82**	82	Investment holding
EBF (Mauritius) Ltd ††	Mauritius	Mauritius	**82**	82	Investment holding
EPO (Mauritius) Ltd ††	Mauritius	Mauritius	**82**	82	Investment holding
LIBERIA					
Liberia Forest Products Inc †	Liberia	Liberia	**82**	82	Plantation
LIBINC Oil Palm Inc †	Liberia	Liberia	**82**	82	Plantation
Equatorial Palm Oil (Liberia) Incorporated †	Liberia	Liberia	**82**	82	Management of plantations
Liberian Agriculture Developments Corporation †	Liberia	Liberia	**82**	82	Dormant

Subsidiaries	Country of Incorporation	Principal Country of Operation	Percentage of Equity Held **2017**	2016	Principal Activities
MANUFACTURING					
OLEOCHEMICALS					
Palm-Oleo Sdn Bhd	Malaysia	Malaysia	**80**	80	Manufacturing of fatty acids
Palm-Oleo (Klang) Sdn Bhd	Malaysia	Malaysia	**80**	80	Manufacturing of oleochemicals
KSP Manufacturing Sdn Bhd	Malaysia	Malaysia	**80**	80	Manufacturing of soap noodles
Palmamide Sdn Bhd	Malaysia	Malaysia	**80**	80	Manufacturing of industrial amides
KL-Kepong Oleomas Sdn Bhd	Malaysia	Malaysia	**96**	96	Manufacturing of fatty alcohol and methyl esters
Davos Life Science Sdn Bhd	Malaysia	Malaysia	**100**	100	Manufacturing of palm phytonutrients and other palm derivatives
KLK Bioenergy Sdn Bhd	Malaysia	Malaysia	**96**	96	Manufacturing of methyl esters
KLK Emmerich GmbH	Germany	Germany	**100**	100	Manufacturing of fatty acids and glycerine
Taiko Palm-Oleo (Zhangjiagang) Co Ltd †	People's Republic of China	People's Republic of China	**80**	80	Manufacturing and trading of fatt acids, glycerine, soap noodles, triacetin, special paper chemicals and surfactants
Shanghai Jinshan Jingwei Chemical Co Ltd †	People's Republic of China	People's Republic of China	**100**	100	Manufacturing of detergents, auxiliary materials for detergents and cosmetics and investment holding
P.T. KLK Dumai †	Indonesia	Indonesia	**100**	100	Manufacturing of basic organic chemicals from agricultural products
Capital Glogalaxy Sdn Bhd	Malaysia	Malaysia	**100**	100	Dormant
KLK Oleo (Shanghai) Co Ltd †	People's Republic of China	People's Republic of China	**100**	100	Trading and distribution of of oleochemicals
KLK Tensachem SA #	Belgium	Belgium	**100**	100	Manufacturing of alcohol ether sulphates, alcohol sulphates and sulphonic acids
KL-Kepong Industrial Holdings Sdn Bhd	Malaysia	Malaysia	**100**	100	Investment holding
KLK Premier Capital Ltd	British Virgin Islands	Malaysia	**80**	80	Investment holding and trading in commodities

Subsidiaries	Country of Incorporation	Principal Country of Operation	Percentage of Equity Held **2017**	2016	Principal Activities
MANUFACTURING					
NON-IONIC SURFACTANTS AND ESTERS					
Kolb Distribution AG †	Switzerland	Switzerland	**100**	100	Distribution of non-ionic surfactants and esters
Dr. W. Kolb AG †	Switzerland	Switzerland	**100**	100	Manufacturing of non-ionic surfactants and esters
Dr. W. Kolb Netherlands BV †	Netherlands	Netherlands	**100**	100	Manufacturing of non-ionic surfactants and esters
Kolb Distribution BV †	Netherlands	Netherlands	**100**	100	Distribution of non-ionic surfactants and esters
Kolb France SARL †	France	France	**100**	100	Distribution of non-ionic surfactants and esters
Dr. W. Kolb Deutschland GmbH †	Germany	Germany	**100**	100	Distribution of non-ionic surfactants and esters
GLOVE PRODUCTS					
KL-Kepong Rubber Products Sdn Bhd †	Malaysia	Malaysia	**100**	100	Manufacturing and trading in rubber products
Masif Latex Products Sdn Bhd †	Malaysia	Malaysia	**100**	100	Dormant
PARQUET FLOORING					
B.K.B. Hevea Products Sdn Bhd †	Malaysia	Malaysia	**100**	100	Manufacturing of parquet flooring products
B.K.B. Flooring Sdn Bhd †	Malaysia	Malaysia	**100**	100	Dormant
NUTRACEUTICAL, COSMETOCEUTICAL & PHARMACEUTICAL PRODUCTS					
Davos Life Science Pte Ltd †	Singapore	Singapore	**100**	100	Sales of pharmaceutical and bio-pharmaceutical intermediates and fine chemicals and investment holding
Biogene Life Science Pte Ltd †	Singapore	Singapore	**100**	100	Research collaboration and investment holding
Centros Life Science Pte Ltd †	Singapore	Singapore	**100**	100	Sales of pharmaceutical and bio-pharmaceutical intermediates fine chemicals
STORAGE & DISTRIBUTION					
Stolthaven (Westport) Sdn Bhd	Malaysia	Malaysia	**51**	51	Storing and distribution of bulk liquid

Subsidiaries	Country of Incorporation	Principal Country of Operation	Percentage of Equity Held 2017	2016	Principal Activities
PROPERTIES					
Colville Holdings Sdn Bhd	Malaysia	Malaysia	**100**	100	Property development
KL-K Holiday Bungalows Sdn Bhd	Malaysia	Malaysia	**100**	100	Operating holiday bungalows
KL-Kepong Complex Sdn Bhd	Malaysia	Malaysia	**100**	100	Property development
KL-Kepong Country Homes Sdn Bhd	Malaysia	Malaysia	**100**	100	Property development
KL-Kepong Property Development Sdn Bhd	Malaysia	Malaysia	**100**	100	Property development
KL-Kepong Property Management Sdn Bhd	Malaysia	Malaysia	**100**	100	Property management and property developent
KLK Land Sdn Bhd	Malaysia	Malaysia	**100**	100	Investment holding
Kompleks Tanjong Malim Sdn Bhd	Malaysia	Malaysia	**80**	80	Property development
Palermo Corporation Sdn Bhd	Malaysia	Malaysia	**100**	100	Property development
Scope Energy Sdn Bhd	Malaysia	Malaysia	**60**	60	Property development
Selasih Ikhtisas Sdn Bhd	Malaysia	Malaysia	**100**	100	Property development
KLK Landscape Services Sdn Bhd	Malaysia	Malaysia	**100**	100	Dormant
KLK Park Homes Sdn Bhd	Malaysia	Malaysia	**100**	100	Dormant
KLK Retail Centre Sdn Bhd	Malaysia	Malaysia	**100**	100	Dormant
KLK Security Services Sdn Bhd	Malaysia	Malaysia	**100**	100	Dormant
Austerfield Corporation Sdn Bhd (In Members' Voluntary Liquidation)	Malaysia	Malaysia	**100**	100	Dormant
Brecon Holdings Sdn Bhd (In Members' Voluntary Liquidation)	Malaysia	Malaysia	**100**	100	Dormant
INVESTMENT HOLDING					
Ablington Holdings Sdn Bhd	Malaysia	Malaysia	**100**	100	Investment holding
Draw Fields Sdn Bhd	Malaysia	Malaysia	**100**	100	Investment holding
KL-Kepong Equity Holdings Sdn Bhd	Malaysia	Malaysia	**100**	100	Investment holding
Ortona Enterprise Sdn Bhd	Malaysia	Malaysia	**100**	100	Money lending
Quarry Lane Sdn Bhd	Malaysia	Malaysia	**100**	100	Investment holding
KL-Kepong International Ltd ††	Cayman Islands	Cayman Islands	**100**	100	Investment holding
KLK Overseas Investments Ltd ††	British Virgin Islands	British Virgin Islands	**100**	100	Investment holding
KLKI Holdings Ltd †	England	England	**100**	100	Investment holding
Kuala Lumpur-Kepong Investments Ltd †	England	Malaysia	**100**	100	Investment holding
Ladang Perbadanan-Fima Bhd	Malaysia	Malaysia	**100**	100	Dormant
Richinstock Sawmill Sdn Bhd	Malaysia	Malaysia	**100**	100	Dormant
Kersten Holdings Ltd ††	British Virgin Islands	British Virgin Islands	**100**	100	Investment holding
OTHERS					
Somerset Cuisine Ltd †	England	England	**100**	100	Manufacturing of jams and preserves
KLK Farms Pty Ltd #	Australia	Australia	**100**	100	Farming
KLK Assurance (Labuan) Ltd †	Malaysia	Malaysia	**100**	100	Offshore captive insurance
KLK Capital Resources (L) Ltd (In Members' Voluntary Liquidation)	Malaysia	Malaysia	**100**	100	Dormant
KLK Global Resourcing Sdn Bhd	Malaysia	Malaysia	**100**	100	Dormant

† Companies not audited by KPMG.
# Companies audited by overseas affiliates of KPMG.
†† These companies are not required to be audited in the country of incorporation. The results of these companies are consolidated based on the unaudited financial statements.
** The Group effectively hold 100% (2016: 69%) of Collingwood Plantations Pte Ltd and its subsidiaries with 82% (2016: 51%) held by KLK Group and 18% (2016: 18%) held by another subsidiary.

The Company and a subsidiary have undertaken to provide financial support to certain subsidiaries and sub-subsidiaries to enable them to continue to operate as going concerns.

Associates	Country of Incorporation	Percentage of Equity Held 2017	2016	Principal Activities
Held by the Company:				
Smith Zain (Penang) Sdn Bhd (In Members' Voluntary Liquidation)	Malaysia	**42.1**	42.1	Dormant
Held through Subsidiaries:				
See Sen Chemical Berhad:				
BASF See Sen Sdn Bhd	Malaysia	**30.0**	30.0	Manufacture of sulphuric acid products
Caruso Ventures Pte Ltd:				
Satterley Forrestfield Pty Ltd	Australia	**40.0**	40.0	Land development or subdivision
Kuala Lumpur Kepong Berhad:				
Applied Agricultural Resources Sdn Bhd	Malaysia	**50.0**	50.0	Agronomic service and research
Aura Muhibah Sdn Bhd	Malaysia	**40.0**	40.0	Property development
FKW Global Commodities (Pvt) Ltd	Pakistan	**30.0**	30.0	Trading in commodities
Kumpulan Sierramas (M) Sdn Bhd	Malaysia	**50.0**	50.0	Property development
Malaysia Pakistan Venture Sdn Bhd	Malaysia	**37.5**	37.5	Investment holding
MAPAK Edible Oils (Private) Ltd	Pakistan	**30.0**	30.0	Manufacturing and marketing of palm and other soft oils
MEO Trading Sdn Bhd	Malaysia	**30.0**	30.0	Trading in commodities
Phytopharma Co Ltd	Japan	**22.8**	22.8	Import, export and distribution of herbal medicine and raw materials thereof, raw materials of pharmaceutical products and cosmetic products
Joint Ventures				
Held through Subsidiaries:				
Caruso Ventures Pte Ltd:				
Riverlee Caruso Epping Pty Ltd	Australia	**50.0**	50.0	Property development
Satterley Greenvale Joint Venture	Australia	**25.0**	25.0	Land development or subdivision
Kuala Lumpur Kepong Berhad:				
P.T. Kreasijaya Adhikarya	Indonesia	**50.0**	50.0	Refining of crude palm oil and bulking installation
Rainbow State Ltd	British Virgin Islands	**50.0**	50.0	Owning and operating of aircraft

(b) Acquisitions and disposals of subsidiaries and sub-subsidiaries

2017

Purchase of shares from non-controlling interest

In 2017, the Company acquired an additional 11.8% equity interest that it did not already own in Malay-Sino Chemical Industries Senidirian Berhad ("MSCI") from non-controlling interest.

The effective of the acquisition of 11.8% equity interest in MSCI on the financial position of the Group was summarised below:

	RM'000
Consideration paid	**88,133**
Less: Net assets acquired from non-controlling interest	**(61,928)**
Effect of changes in shareholdings in MSCI	**26,205**

In January 2017, KLK Overseas Investments Ltd ("KLKOI"), a wholly owned subsidiary of KLK Group, acquired an additional 31% equity interest for a cash consideration of RM4 in Collingwood Plantations Pte Ltd ("Collingwood"), a 69% owned subsidiary of the Group. Upon the completion of this acquisition, the Group's shareholdings in Collingwood increased to 100%.

The effective of the acquisition of 31% equity interest in Collingwood on the financial position of the Group was summarised below:

	RM'000
Consideration paid	**- ***
Less: Net liabilities acquired from non-controlling interest	**(7,598)**
Effect of changes in shareholdings in Collingwood	**7,598**

* Consideration paid was only RM4

2016

Acquisition of subsidiaries

(i) On 18 November 2015, Caruso Australia Ventures Pty Ltd ("CAV"), a wholly-owned subsidiary of the Group, had incorporated a wholly-owned subsidiary, Vivaldi Victoria Pty Ltd, which has an issued and paid-up capital of AUD100, and set-up a unit trust Vivaldi Victoria Unit Trust, with 100 units created under the trust deed and wholly subscribed by CAV.

(ii) On 15 April 2016, KLK Land Sdn Bhd ("KLK Land"), a wholly-owned subsidiary of KLK Group, acquired two wholly-owned subsidiaries, namely KLK Park Homes Sdn Bhd and KLK Landscape Services Sdn Bhd, which each has an issued and paid-up capital of RM2.

(iii) On 5 May 2016, KLK Land acquired another two wholly-owned subsidiaries, namely KLK Security Services Sdn Bhd and KLK Retail Centre Sdn Bhd, which each has an issued and paid-up capital of RM2.

(c) Material non-controlling interests

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

	2017			2016		
	Kuala Lumpur Kepong Berhad RM'000	**Other Subsidiaries with Immaterial NCI RM'000**	**Total RM'000**	Kuala Lumpur Kepong Berhad RM'000	Other Subsidiaries with Immaterial NCI RM'000	Total RM'000
NCI percentage of ownership interest and voting interest	**53%**			53%		
Carrying amount of NCI	**6,632,358**	**39,681**	**6,672,039**	6,000,915	89,957	6,090,872
Profit allocated to NCI	**598,931**	**13,146**	**612,077**	940,861	10,866	951,727

	2017 Kuala Lumpur Kepong Berhad RM'000	Other Subsidiaries with Immaterial NCI RM'000	Total RM'000	2016 Kuala Lumpur Kepong Berhad RM'000	Other Subsidiaries with Immaterial NCI RM'000	Total RM'000
Summary of financial information before inter-company elimination:						
Total assets	**19,504,114**			18,336,573		
Total liabilities	**7,064,072**			7,048,547		
Revenue	**21,004,036**			16,505,810		
Profit for the year	**1,066,879**			1,683,140		
Net increase/(decrease) cash and cash equivalents	**414,067**			(1,118,759)		
Dividend paid to NCI	**(50,526)**			(29,610)		

44. SEGMENT INFORMATION – GROUP

The Group has 4 reportable segments which are the Group's strategic business units. The strategic business units offer different products and are managed separately as they require different technology and marketing strategies. The Company's Managing Director and the Chief Executive Officer of KLK Group review internal management reports of each of the strategic business units on a monthly basis.

The reportable segments are summarised below:

Plantation	Cultivation and processing of palm and rubber products, refining of palm products, kernel crushing and trading of palm products
Manufacturing	Manufacturing of chemicals and transportation services, oleochemicals, non-ionic surfactants and esters, rubber gloves, parquet flooring products, pharmaceutical products and storing and distribution of bulk liquid
Property development	Development of residential and commercial properties
Investment holding/Others	Placement of deposits with licensed banks, investment in fixed income trust funds, investment in quoted and unquoted corporations, investment in wholesale funds, letting out of office space and car parks, farming, management services and money lending

The accounting policies of the reportable segments are the same as described in Note 3.26.

Inter-segment pricing is determined based on negotiated terms in a manner similar to transactions with third parties.

Performance is measured based on segment profit before tax as included in the internal management reports that are reviewed by the Company's Managing Director and the Chief Executive Officer of KLK Group. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate with these industries.

Segment assets exclude tax assets.

Segment liabilities exclude tax liabilities.

(a) Business segment

	Plantation RM'000	Manufacturing RM'000	Property Development RM'000	Investment Holding/ Others RM'000	Elimination RM'000	Consolidated RM'000
2017						
Revenue						
Sale to external customers	10,765,551	10,345,242	141,521	296,008	-	21,548,322
Inter-segment sales	1,391,807	-	-	392,546	(1,784,353)	-
Total revenue	12,157,358	10,345,242	141,521	688,554	(1,784,353)	21,548,322
Results						
Operating results	1,347,189	337,577	39,469	126,631	(41,740)	1,809,126
Finance costs	(12,565)	(67,330)	-	(151,967)	41,740	(190,122)
Share of profits/(losses) of equity accounted associates,net of tax	10,652	1,334	1,027	(23)	-	12,990
Share of (losses)/profits of equity accounted joint ventures, net of tax	(15,450)	-	-	5,587	-	(9,863)
Segment results	1,329,826	271,581	40,496	(19,772)	-	1,622,131
Profit before taxation						1,622,131
Tax expense						(423,408)
Profit for the year						1,198,723
Assets						
Operating assets	6,717,622	7,449,282	1,385,280	4,556,862	-	20,109,046
Associates	65,845	9,058	71,479	31,298	-	177,680
Joint ventures	150,556	-	-	101,181	-	251,737
Segment assets	6,934,023	7,458,340	1,456,759	4,689,341	-	20,538,463
Unallocated assets						492,692
Total assets						21,031,155
Liabilities						
Segment liabilities	1,528,013	2,559,816	67,139	3,122,527	-	7,277,495
Unallocated liabilities						383,848
Total liabilities						7,661,343
Other information						
Depreciation of property, plant and equipment	156,821	259,177	976	12,774	-	429,748
Depreciation of investment property	-	-	-	928	-	928
Amortisation of prepaid lease payments	6,066	1,254	-	-	(58)	7,262
Amortisation of biological assets	71,549	-	-	-	-	71,549
Non-cash expenses						
Property, plant and equipment written off	5,119	1,158	1	-	-	6,278
Provision for/(Reversal of) retirement benefits	23,228	9,823	-	(31)	-	33,020
Reversal of retrenchment exercise	-	(31)	-	-	-	(31)
Amortisation of intangible assets	-	2,163	-	-	-	2,163
Impairment of						
- property, plant and equipment	-	30,940	-	-	-	30,940
- prepaid lease payments	-	38	-	-	-	38
- available-for-sale investments	-	-	-	32,625	-	32,625

	Plantation RM'000	Manufacturing RM'000	Property Development RM'000	Investment Holding/ Others RM'000	Elimination RM'000	Consolidated RM'000
2016						
Revenue						
Sale to external customers	8,477,713	8,148,758	110,693	232,087	-	16,969,251
Inter-segment sales	951,341	-	-	83,150	(1,034,491)	-
Total revenue	9,429,054	8,148,758	110,693	315,237	(1,034,491)	16,969,251
Results						
Operating results	843,210	485,778	25,225	678,229	(37,423)	1,995,019
Finance costs	(11,041)	(53,228)	-	(151,306)	37,423	(178,152)
Share of profits/(losses) of equity accounted associates, net of tax	4,985	(2,146)	3,407	(8,433)	-	(2,187)
Share of profits of equity accounted joint ventures, net of tax	4,425	-	-	3,481	-	7,906
Segment results	841,579	430,404	28,632	521,971	-	1,822,586
Profit before taxation						1,822,586
Tax expense						(45,691)
Profit for the year						1,776,895
Assets						
Operating assets	6,413,914	7,099,082	1,321,245	4,031,527	-	18,865,768
Associates	62,602	6,421	70,452	31,258	-	170,733
Joint ventures	163,472	-	-	87,940	-	251,412
Segment assets	6,639,988	7,105,503	1,391,697	4,150,725	-	19,287,913
Unallocated assets						527,303
Total assets						19,815,216
Liabilities						
Segment liabilities	1,321,434	2,501,801	43,487	3,421,538	-	7,288,260
Unallocated liabilities						356,275
Total liabilities						7,644,535
Other information						
Depreciation of property, plant and equipment	158,377	240,778	949	11,446	-	411,550
Depreciation of investment property	-	-	-	929	-	929
Amortisation of prepaid lease payments	6,000	1,068	-	-	-	7,068
Amortisation of biological assets	60,848	-	-	-	-	60,848
Non-cash expenses						
Property, plant and equipment written off	1,977	3,692	-	-	-	5,669
Retirement benefits provision	19,454	20,950	-	128	-	40,532
Retrenchment benefits provision	-	1,689	-	-	-	1,689
Amortisation of intangible assets	-	4,650	-	-	-	4,650
Impairment of						
- property, plant and equipment	-	4,068	-	8,096	-	12,164
- goodwill	-	-	-	1,369	-	1,369

Additions to non-current assets, other than financial instruments (including investment in associates and joint ventures) and deferred tax assets, are as follows:

	Plantation RM'000	Manufacturing RM'000	Property Development RM'000	Investment Holding/ Others RM'000	Total RM'000
2017					
Capital expenditure	**375,602**	**299,764**	**514**	**43,338**	**719,218**
Land held for property development	**-**	**-**	**17,129**	**-**	**17,129**
Intangible assets	**-**	**1,426**	**-**	**-**	**1,426**
	375,602	**301,190**	**17,643**	**43,338**	**737,773**
2016					
Capital expenditure	379,949	495,016	870	71,871	947,706
Land held for property development	-	-	903,959	-	903,959
Intangible assets	-	5,333	-	-	5,333
	379,949	500,349	904,829	71,871	1,856,998

(b) Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets. The amounts of non-current assets do not include financial instruments (including investment in associates and joint ventures) and deferred tax assets.

(i) Revenue from external customers by geographical location of customers

	2017 RM'000	2016 RM'000
Malaysia	**3,103,103**	2,706,912
Far East	**4,826,479**	4,686,690
Middle East	**328,689**	256,448
South East Asia	**5,826,078**	3,554,840
Southern Asia	**1,838,105**	1,094,233
Europe	**4,593,877**	3,790,711
North America	**314,306**	328,238
South America	**75,159**	101,724
Australia	**173,363**	97,676
Africa	**170,029**	122,926
Others	**299,134**	228,853
	21,548,322	16,969,251

(ii) Non-current assets other than financial instruments (including investment in associates and joint ventures) and deferred tax assets and additions to capital expenditure by geographical location of assets

	Non-current Assets		**Additions to Capital Expenditure**	
	2017 RM'000	2016 RM'000	**2017 RM'000**	2016 RM'000
Malaysia	**4,809,017**	4,863,241	**220,845**	177,021
Indonesia	**2,587,498**	2,567,727	**222,181**	281,883
Australia	**450,195**	405,191	**43,145**	70,893
People's Republic of China	**401,007**	400,692	**18,545**	69,042
Europe	**1,360,686**	1,220,294	**159,658**	292,586
Liberia	**398,453**	348,257	**54,191**	55,905
Others	**37,588**	41,596	**653**	376
	10,044,444	9,846,998	**719,218**	947,706

(c) There is no single customer with revenue equal or more than 10% of the Group revenue.

45. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

Financial instruments of the Group and the Company are categorised as follows:

(i) Loans and receivables ("L&R");
(ii) Fair value through profit or loss ("FVTPL");
(iii) Available-for-sale financial assets ("AFS"); and
(iv) Financial liabilities measured at amortised cost ("FL").

	Carrying Amounts RM'000	L&R RM'000	FVTPL RM'000	AFS RM'000	FL RM'000
Group					
2017					
Financial assets					
Available-for-sale investments	**2,728,055**	**-**	**-**	**2,728,055**	**-**
Trade receivables	**1,917,691**	**1,917,691**	**-**	**-**	**-**
Other receivables, net of prepayments	**421,745**	**421,745**	**-**	**-**	**-**
Derivative financial assets	**110,748**	**-**	**110,748**	**-**	**-**
Cash, deposits and bank balances	**2,334,233**	**2,334,233**	**-**	**-**	**-**
	7,512,472	**4,673,669**	**110,748**	**2,728,055**	**-**
Financial liabilities					
Borrowings	**4,942,764**	**-**	**-**	**-**	**4,942,764**
Trade payables	**809,111**	**-**	**-**	**-**	**809,111**
Other payables	**776,006**	**-**	**-**	**-**	**776,006**
Derivative financial liabilities	**104,643**	**-**	**104,643**	**-**	**-**
	6,632,524	**-**	**104,643**	**-**	**6,527,881**
2016					
Financial assets					
Available-for-sale investments	1,694,341	-	-	1,694,341	-
Trade receivables	1,559,847	1,559,847	-	-	-
Other receivables, net of prepayments	616,625	616,625	-	-	-
Derivative financial assets	119,454	-	119,454	-	-
Fixed income trust funds	1,522,706	-	1,522,706	-	-
Cash, deposits and bank balances	1,094,915	1,094,915	-	-	-
	6,607,888	3,271,387	1,642,160	1,694,341	-
Financial liabilities					
Borrowings	5,040,030	-	-	-	5,040,030
Trade payables	668,325	-	-	-	668,325
Other payables	732,476	-	-	-	732,476
Derivative financial liabilities	218,786	-	218,786	-	-
	6,659,617	-	218,786	-	6,440,831
Company					
2017					
Financial assets					
Available-for-sale investments	**113,695**	**-**	**-**	**113,695**	**-**
Other receivables, net of prepayments	**11**	**11**	**-**	**-**	**-**
Amounts owing by subsidiaries	**111,696**	**111,696**	**-**	**-**	**-**
Cash, deposits and bank balances	**158,920**	**158,920**	**-**	**-**	**-**
	384,322	**270,627**	**-**	**113,695**	**-**
Financial liabilities					
Borrowings	**500,000**	**-**	**-**	**-**	**500,000**
Other payables	**10,939**	**-**	**-**	**-**	**10,939**
	510,939	**-**	**-**	**-**	**510,939**

Company	Carrying Amounts RM'000	L&R RM'000	FVTPL RM'000	AFS RM'000	FL RM'000
2016					
Financial assets					
Available-for-sale investments	24,599	-	-	24,599	-
Other receivables, net of prepayments	556	556	-	-	-
Amounts owing by subsidiaries	146,818	146,818	-	-	-
Fixed income trust funds	198,735	-	198,735	-	-
Cash, deposits and bank balances	95,682	95,682	-	-	-
	466,390	243,056	198,735	24,599	-
Financial liabilities					
Borrowings	500,000	-	-	-	500,000
Other payables	10,192	-	-	-	10,192
	510,192	-	-	-	510,192

(b) Net gains and losses arising from financial instruments

	Group		Company	
	2017 RM'000	2016 RM'000	**2017 RM'000**	2016 RM'000
Net gains/(losses) on:				
Financial instruments at fair value through profit or loss*	**17,664**	(54,179)	**1,276**	7,908
Available-for-sale investments				
- recognised in other comprehensive income	**541,541**	(164,558)	**4,098**	3,817
- reclassified from equity to profit or loss	**5,560**	1,726	**323**	(14)
- recognised in profit or loss*	**31,212**	42,381	**4,841**	1,274
	578,313	(120,451)	**9,262**	5,077
Loans and receivables*	**81,719**	56,654	**15,428**	5,533
Financial liabilities measured at amortised cost*	**(205,751)**	(150,134)	**(20,280)**	(20,305)
	471,945	(268,110)	**5,686**	(1,787)

* Comparative figures have been restated to conform with current year's presentation.

(c) Financial risk management

The Group has exposure to the following risks from the use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

(d) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and investment securities and derivative assets used for hedging. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries.

(i) Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and exposure to credit risk is monitored on an on-going basis. Credit worthiness review is regularly performed for new customers and existing customers who trade on credit, to mitigate exposure on credit risk. Where appropriate, the Group requires its customers to provide collateral before approvals are given to trade on credit.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statements of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due the agreed credit periods, which are deemed to have higher credit risk, are monitored individually.

None of the receivables are secured by financial guarantees given by banks, shareholders or directors of the customers.

The exposure of credit risk for trade receivables as at end of the reporting period by business segment was:

	Group	
	2017	2016
	RM'000	RM'000
Plantation	**736,061**	422,996
Manufacturing	**1,149,290**	1,084,839
Property development	**28,478**	48,173
Others	**3,862**	3,839
	1,917,691	1,559,847

(ii) Investments and other financial assets

Risk management objectives, policies and processes for managing the risk

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group. Transactions involving derivative financial instruments are with approved financial institutions.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the Group invested in both domestic and overseas securities. The maximum exposure to credit risk is represented by the carrying amounts in the statements of financial position.

In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations.

The investments and other financial assets are unsecured.

(iii) Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Group provides unsecured financial guarantees to banks in respect of banking facilities granted to certain sub-subsidiaries. The Group monitors on an on-going basis the results of the sub-subsidiaries and repayments made by the sub-subsidiaries.

Exposure to credit risk, credit quality and collateral

As at end of the reporting period, there was no indication that any subsidiary and/or sub-subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

(iv) Inter-company balances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

Impairment losses

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries are not recoverable. The Company does not specifically monitor the ageing of current advances to the subsidiaries. Nevertheless, these advances have been overdue for less than a year. Non-current loans to subsidiaries are not overdue.

(e) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains sufficient levels of cash or cash equivalents and adequate amounts of credit facilities to meet its working capital requirements. In addition, the Group strives to maintain flexibility in funding by keeping its credit lines available at a reasonable level. As far as possible, the Group raises funding from financial institutions and prudently balances its portfolio with some short and long term funding so as to achieve overall cost effectiveness.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at end of the reporting period based on undiscounted contractual payments:

	Carrying Amounts RM'000	Contractual Interest/ Coupon Rate	Contractual Cash Flows RM'000	Less than 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Group							
2017							
Borrowings	**4,942,764**	**0.33% to 4.57%**	**5,902,078**	**1,522,287**	**302,008**	**1,699,164**	**2,378,619**
Trade payables	**809,111**	**-**	**809,111**	**809,111**	**-**	**-**	**-**
Other payables	**776,006**	**-**	**776,006**	**776,006**	**-**	**-**	**-**
Derivative financial liabilities	**104,643**	**-**	**104,643**	**104,643**	**-**	**-**	**-**
	6,632,524		**7,591,838**	**3,212,047**	**302,008**	**1,699,164**	**2,378,619**
2016							
Borrowings	5,040,030	0.33% to 4.65%	6,124,508	1,710,499	144,735	770,457	3,498,817
Trade payables	668,325	-	668,325	668,325	-	-	-
Other payables	732,476	-	732,476	732,476	-	-	-
Derivative financial liabilities	218,786	-	218,786	218,786	-	-	-
	6,659,617		7,744,095	3,330,086	144,735	770,457	3,498,817
Company							
2017							
Borrowings	**500,000**	**4.05%**	**641,861**	**20,250**	**20,250**	**60,805**	**540,556**
Other payables	**10,939**	**-**	**10,939**	**10,939**	**-**	**-**	**-**
	510,939		**652,800**	**31,189**	**20,250**	**60,805**	**540,556**
2016							
Borrowings	500,000	4.05%	662,111	20,250	20,250	60,805	560,806
Other payables	10,192	-	10,192	10,192	-	-	-
	510,192		672,303	30,442	20,250	60,805	560,806

(f) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flows.

(i) Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases, inter-company advances and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Pound Sterling ("GBP"), Euro, Australian Dollar ("AUD"), Singapore Dollar ("SGD"), Indonesian Rupiah ("Rp") and Papua New Guinean Kina ("PGK").

Risk management objectives, policies and processes for managing the risk

Foreign currencies exposures of the Group are hedged through forward exchange contracts. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward exchange contracts are rolled over at maturity.

Exposure to foreign currency risk

The Group's significant exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at end of the reporting period was:

	Denominated in foreign currencies					
	USD	GBP	Euro	AUD	SGD	Rp
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2017						
Trade and other receivables	**413,900**	**12,543**	**268,932**	**3,786**	**3,055**	**23,671**
Deposits with licensed banks under short term funds	**1,482**	**-**	**-**	**-**	**6,533**	**-**
Cash and cash equivalents	**134,510**	**1,807**	**46,808**	**20,238**	**83,941**	**3**
Borrowings	**(232,875)**	**-**	**-**	**-**	**-**	**-**
Trade and other payables	**(121,588)**	**(397)**	**(130,343)**	**(115)**	**(2,453)**	**(438)**
Forward exchange contracts	**16,306**	**(2)**	**(286)**	**-**	**-**	**-**
Exposure in the statement of financial position	**211,735**	**13,951**	**185,111**	**23,909**	**91,076**	**23,236**
2016						
Trade and other receivables	421,879	17,938	243,123	4,085	4,904	23,841
Deposit with licensed banks under short term funds	1,443	-	-	-	6,301	-
Cash and cash equivalents	253,703	4,928	14,770	21,551	57,471	3
Borrowings	(348,556)	-	-	-	-	-
Trade and other payables	(66,094)	(442)	(115,926)	-	(307)	(442)
Forward exchange contracts	(19,150)	(14)	(4,902)	(63)	-	-
Exposure in the statement of financial position	243,225	22,410	137,065	25,573	68,369	23,402
Company						
2017						
Other receivables	**-**	**-**	**-**	**1,628**	**-**	**-**
Cash and cash equivalents	**26,270**	**-**	**-**	**48**	**47,004**	**-**
Exposure in the statement of financial position	**26,270**	**-**	**-**	**1,676**	**47,004**	**-**
2016						
Other receivables	-	-	-	529	-	-
Cash and cash equivalents	25,745	-	-	46	45,895	-
Exposure in the statement of financial position	25,745	-	-	575	45,895	-

Currency risk sensitivity analysis

The sensitivities of the Group's profit after tax and equity to the possible change in the following foreign currencies against the respective functional currencies of the Group entities are shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

A 5% strengthening of the functional currencies of the Group entities against the foreign currencies at the end of the reporting period would have increased/(decreased) profit after tax and equity by the amounts shown below:

	2017		2016	
	Profit/(Loss) RM'000	**Equity RM'000**	Profit/(Loss) RM'000	Equity RM'000
Group				
Functional currency/Foreign currency				
RM/GBP	**(262)**	**(35,108)**	(248)	(25,160)
RM/Euro	**6,411**	**-**	13,597	-
RM/AUD	**(199)**	**(1,004)**	(68)	(281,322)
RM/USD	**29,314**	**-**	24,899	-
RM/SGD	**(4,612)**	**(1,262)**	(3,376)	(2,459)
RM/Rp	**(1,163)**	**-**	(1,171)	-
CHF/Euro	**(7,633)**	**-**	(5,969)	-
Rmb/USD	**147**	**-**	944	-
Euro/USD	**(6,767)**	**-**	(8,628)	-
Rp/USD	**7,942**	**-**	4,818	-
USD/GBP	**(26)**	**-**	(604)	(41,158)
USD/AUD	**(1,025)**	**-**	(1,073)	-
USD/RM	**(922)**	**-**	(2,131)	-

	2017		2016	
	Profit/(Loss)	**Equity**	Profit/(Loss)	Equity
	RM'000	**RM'000**	RM'000	RM'000
Company				
Functional currency/Foreign currency				
RM/USD	**(1,314)**	**-**	(1,287)	-
RM/SGD	**(2,350)**	**(550)**	(2,295)	(537)
RM/AUD	**(30)**	**-**	(29)	-

A 5% weakening of the functional currencies of the Group entities against the foreign currencies at the end of the reporting period would have equal but opposite effect on profit after tax and equity.

(ii) Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's floating rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Fixed income trust funds, wholesale funds, deposits with licensed banks, short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group through its Treasury Committee reviews the funding requirements for its business operations and capital expenditures and adopts a policy to secure an appropriate mix of fixed and floating rate exposure suitable for the Group.

To achieve this objective, the Group has obtained the most competitive cost of capital through the issuance of Islamic medium term notes, long term and short term borrowings and trade financing facilities.

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		**Company**	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
Fixed rate instruments				
Financial assets	**1,810,866**	2,266,883	**33**	198,768
Financial liabilities	**(3,868,227)**	(4,279,806)	**(500,000)**	(500,000)
	(2,057,361)	(2,012,923)	**(499,967)**	(301,232)
Floating rate instruments				
Financial assets	**247,652**	107,976	**-**	-
Financial liabilities	**(1,074,537)**	(760,224)	**-**	-
	(826,885)	(652,248)	**-**	-

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for floating rate instruments

A change of 50 basis points in interest rates at the end of the reporting period would have increased/(decreased) profit after tax and equity by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	2017		2016	
	Profit/(Loss)	**Equity**	Profit/(Loss)	Equity
	RM'000	**RM'000**	RM'000	RM'000
Group				
Floating rate instruments				
Increase by 50 basis points	**(4,102)**	**-**	(2,822)	-
Decrease by 50 basis points	**4,102**	**-**	2,822	-

As the Company did not have any floating rate instruments as at 30 September 2017 and 30 September 2016, a change in interest rates would not have any impact to the profit after tax and equity of the Company.

(iii) Equity price risk
Equity price risk arises from the Group's investments in equity securities.

Risk management objectives, policies and processes for managing the risk
Management of the Group monitors the equity investments on a portfolio basis. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Risk Management Committee of the Group.

Equity price risk sensitivity analysis
The analysis assumes that all other variables remain constant.

A 5% higher in equity prices at the end of the reporting period would have increased the Group's and the Company's equity by RM116,384,000 (2016: RM80,941,000) and RM712,000 (2016: RM537,000) respectively. A 5% lower in equity prices would have equal but opposite effect on equity.

(iv) Commodity price risk
The Group is exposed to price fluctuation risk on commodities mainly of palm oil and rubber.

Risk management objectives, policies and processes for managing the risk
The prices of these commodities are subject to fluctuations due to uncontrollable factors such as weather, global demand and global production of similar and competitive crops. The Group mitigates the risk to the price volatility through hedging in the futures market and where deemed prudent, the Group sells forwards in the physical market.

Commodity price risk sensitivity analysis
A 5% increase/(decrease) of the commodities price at the end of the reporting period, with all other variables held constant, would have increased/(decreased) profit after tax and equity by the amounts shown below:

	2017		2016	
	Profit/(Loss) RM'000	**Equity RM'000**	Profit/(Loss) RM'000	Equity RM'000
Group				
5% increase in commodities prices	**754**	**-**	(23,925)	-
5% decrease in commodities prices	**(754)**	**-**	23,925	-

(g) Fair value of financial instruments
The carrying amounts of cash and cash equivalents, deposits with licensed banks, short term receivables and payables and short term borrowings reasonably approximate fair values due to the relatively short term nature of these financial instruments.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

The fair values of other financial assets and liabilities, together with the carrying amounts shown in the statements of financial position, are as follows:

	Carrying Amounts/Fair Value	
	2017 RM'000	2016 RM'000
Group		
Investments in quoted shares	**2,349,028**	1,630,316
Investments in wholesale funds	**327,143**	-
Fixed income trust funds	**-**	1,522,706
Derivative financial instruments		
Forward foreign exchange contracts	**16,158**	(24,124)
Commodities future contracts	**(10,001)**	(75,208)
Other receivable – advance to plasma plantation projects	**237,516**	237,505
Borrowings	**(4,942,764)**	(5,040,030)

	2017 Carrying Amounts RM'000	2017 Fair Value RM'000	2016 Carrying Amounts RM'000	2016 Fair Value RM'000
Company				
Investments in quoted shares	**454,161**	**12,193,587**	450,649	11,902,452
Investments in wholesale funds	**87,025**	**87,025**	-	-
Fixed income trust funds	**-**	**-**	198,735	198,735
Amounts owing by subsidiaries	**111,696**	**111,696**	146,818	146,818
Borrowings	**(500,000)**	**(500,000)**	(500,000)	(500,000)

The following summarises the methods used in determining the fair value of financial instruments reflected in the above table.

Investments in quoted shares
The fair value of investments that are quoted in an active market are determined by reference to their quoted closing bid price at the end of the reporting period.

Investments in wholesale funds and fixed income trust funds
The fair value of investments in wholesale funds and fixed income trust funds are based on the net assets value of the funds at the end of the reporting period.

Derivatives
The fair value of forward foreign exchange contracts and commodities future contracts is based on their quoted price at the end of the reporting period.

Non-derivative financial liabilities
Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. The interest rates used by the Group and the Company to discount estimated cash flows to determine the fair value of borrowings were 0.33% to 4.65% (2016: 0.33% to 4.65%) and 4.05% (2016: 4.05%) respectively.

(h) Fair value hierarchy
The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed.

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group				
2017				
Fair value of financial instruments carried at fair value				
Investments in quoted shares	**2,349,028**	**-**	**-**	**2,349,028**
Investments in wholesale funds	**327,143**	**-**	**-**	**327,143**
Derivative financial instruments				
Forward foreign exchange contracts	**-**	**16,158**	**-**	**16,158**
Commodities future contracts	**(10,001)**	**-**	**-**	**(10,001)**
	2,666,170	**16,158**	**-**	**2,682,328**
Fair value of financial instruments not carried at fair value				
Other receivable - advance to plasma plantation projects	**-**	**-**	**237,516**	**237,516**
Borrowings	**-**	**-**	**(4,942,764)**	**(4,942,764)**
	-	**-**	**(4,705,248)**	**(4,705,248)**

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2016				
Fair value of financial instruments carried at fair value				
Investments in quoted shares	1,630,316	-	-	1,630,316
Fixed income trust funds	-	1,522,706	-	1,522,706
Derivative financial instruments				
Forward foreign exchange contracts	-	(24,124)	-	(24,124)
Commodities future contracts	(75,208)	-	-	(75,208)
	1,555,108	1,498,582	-	3,053,690
Fair value of financial instruments not carried at fair value				
Other receiveable - advance to plasma plantation projects	-	-	237,505	237,505
Borrowings	-	-	(5,040,030)	(5,040,030)
	-	-	(4,802,525)	(4,802,525)
Company				
2017				
Fair value of financial instruments carried at fair value				
Investments in quoted shares	**12,193,587**	**-**	**-**	**12,193,587**
Investments in wholesale funds	**87,025**	**-**	**-**	**87,025**
	12,280,612	**-**	**-**	**12,280,612**
Fair value of financial instruments not carried at fair value				
Amounts owing by subsidiaries	**-**	**-**	**110,037**	**110,037**
Borrowings	**-**	**-**	**(500,000)**	**(500,000)**
	-	**-**	**(389,963)**	**(389,963)**
2016				
Fair value of financial instruments carried at fair value				
Investments in quoted shares	11,902,452	-	-	11,902,452
Fixed income trust funds	-	198,735	-	198,735
	11,902,452	198,735	-	12,101,187
Fair value of financial instuments not carried at fair value				
Amounts owing by subsidiaries	-	-	141,341	141,341
Borrowings	-	-	(500,000)	(500,000)
	-	-	(358,659)	(358,659)

46. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The net debt-to-equity ratios at end of the reporting period were:

	Group	
	2017	2016
	RM'000	RM'000
Total borrowings (Note 36)	**4,942,764**	5,040,030
Less: Short term funds (Note 30)	**(578,489)**	(1,068,716)
Less: Cash and cash equivalents (Note 31)	**(1,755,744)**	(1,548,905)
Net debt	**2,608,531**	2,422,409
Total equity	**13,369,812**	12,170,681
Net debt-to-equity ratio	**0.20**	0.20

There were no changes in the Group's approach to capital management during the year.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

The Group is required to maintain the debt-to-equity ratio at not more than one time throughout the tenure of the Islamic Medium Term Notes Programmes (Note 36).

47. EVENTS SUBSEQUENT TO REPORTING DATE

(a) On 24 October 2017, the Company has obtained a revolving credit facility to acquire an additional 0.5% equity in Kuala Lumpur Kepong Berhad for a purchase consideration of RM120.4 million.

(b) Subsequent to 30 September 2017 until the date of this financial statements, the Company bought back a total of 871,400 of its issued shares from the open market for a total cost of RM17,338,000. The average price paid for the shares bought back was RM19.83 per share. The shares bought back were financed by internally generated funds and borrowings and held as treasury shares.

48. AUTHORISATION FOR ISSUE

The financial statements were authorised for issue by the Board of Directors on 11 December 2017.

49. SUPPLEMENTARY INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained earnings of the Group and of the Company as at the end of the reporting date into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group		Company	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
Total retained earnings of the Company and its subsidiaries				
Realised	**8,268,956**	7,618,338	**691,012**	662,258
Unrealised	**543,730**	621,229	**5,071**	1,721
	8,812,686	8,239,567	**696,083**	663,979
Total share of retained earnings from associates				
Realised	**79,874**	67,927	**-**	-
Unrealised	**730**	238	**-**	-
	80,604	68,165	**-**	-
Total share of (accumulated losses)/ retained earnings from joint ventures				
Realised	**(47,924)**	(24,561)	**-**	-
Unrealised	**15,971**	10,214	**-**	-
	(31,953)	(14,347)	**-**	-
	8,861,337	8,293,385	**696,083**	663,979
Consolidation adjustments	**(4,135,868)**	(3,879,029)	**-**	-
Total retained earnings at 30 September	**4,725,469**	4,414,356	**696,083**	663,979

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by the Malaysian Institute of Accountants on 20 December 2010.

Statement by Directors and Statutory Declaration

Statement by Directors
Pursuant to Section 251 (2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 66 to 145 are drawn up in accordance with the Financial Reporting Standards and the requirements of Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 2017 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 49 on page 146 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

On behalf of the Board

DATO' LEE HAU HIAN
(Managing Director)

DATO' YEOH ENG KHOON
(Director)

11 December 2017

Statutory Declaration
Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Chong See Teck, being the officer primarily responsible for the financial management of Batu Kawan Berhad, do solemnly and sincerely declare that the financial statements set out on pages 66 to 146 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared)
by the abovenamed at Ipoh in the)
State of Perak Darul Ridzuan)
on 11 December 2017.)

CHONG SEE TECK

Before me:

WONG HOCK SENG
Commissioner for Oaths
Ipoh,
Perak Darul Ridzuan,
Malaysia.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Batu Kawan Berhad, which comprise the statements of financial position as at 30 September 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 66 to 146.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 September 2017, and of their financial performance and their cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Carrying Value of Goodwill

Refer to Note 3.1(d) – Significant accounting policy: "Goodwill" and Note 17 – "Goodwill on consolidation", to the financial statements.

The key audit matter

Over the years, the Group has expanded its activities through the acquisition of subsidiaries and as a result, the Group's net assets as at 30 September 2017 included a significant amount of goodwill of RM353 million.

In light of the palm products prices challenges, there was a risk that the carrying value of the cash generating units to which the Group's goodwill was allocated may exceed the recoverable amount and therefore an impairment was required.

This was one of the key judgemental areas we focused in our audit because the assessment of the carrying value of goodwill required the Group to exercise significant judgement due to the inherent uncertainty involved in forecasting and discounting future cash flows which were used as the basis for the assessment of recoverable amount.

How the matter was addressed in our audit

We evaluated the Group's forecasting procedures (upon which projections were based) and appropriateness of the discounted future cash flow models. We assessed the historical accuracy of forecasts by comparing the actual results for the year with the original forecasts.

We challenged the Group's key assumptions such as projected economic growth, weighted average cost of capital, operational costs in plantation, inflation rate, crude palm oil prices and volumes which were approved by the Directors by making comparisons with actual results, externally derived data and industry norms.

We also considered the adequacy of the Group's disclosures in respect of impairment testing and assessed the sensitivity of the impairment calculations by factoring changes to variables in the key assumptions.

2. Carrying Value of Property, Plant and Equipment

Refer to Note 3.3 – Significant accounting policy: "Property, plant and equipment" and Note 12 – "Property, plant and equipment", to the financial statements.

The key audit matter

Property, plant and equipment represents the single largest category of assets on the statement of financial position of the Group of RM5.5 billion as at 30 September 2017.

During the year, the specialised oleochemical plant of a subsidiary was under performing, hence, there was a risk that the carrying value of property, plant and equipment may exceed the recoverable amount and therefore an impairment was required.

This was one of the key judgemental areas we focused in our audit because the cash flow projections prepared by the Group involved significant judgement, particularly in estimating future revenue, discount rate, long term growth rate and palm products prices.

How the matter was addressed in our audit

We considered the appropriateness of Directors' assessment on the existence of impairment indicators for property, plant and equipment. We challenged the Group's assumptions on the recoverability on the cash flow projections which are based on projected revenue growth, discount rate, long term growth rate and palm products prices and compared against the actual results, externally derived data and industry norms.

We also considered the adequacy of the Group's disclosures in respect of impairment testing and assessed the sensitivity of the outcome of the impairment assessment to changes in key assumptions.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 43 to the financial statements.

Other Reporting Responsibilities

The supplementary information set out in Note 49 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

IPOH
11 December 2017

CHEW BENG HONG
Partner
Approval Number: 2920/02/18 (J)
Chartered Accountant

Analysis of Shareholdings

At 30 November 2017

Issued and Fully Paid-up Capital	:	RM435,951,000 (including 33,949,631 treasury shares)
Class of Shares	:	Shares
Voting Rights	:	One vote per share in the case of a poll and one vote per person on a show of hands

DISTRIBUTION OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	88	1.80	2,615	0.00
100 – 1,000	1,545	31.61	1,118,124	0.28
1,001 – 10,000	2,404	49.19	9,042,342	2.25
10,001 – 100,000	682	13.96	20,343,792	5.06
100,001 – less than 5% of issued shares	167	3.42	181,739,829	45.21
5% and above of issued shares	1	0.02	189,754,667	47.20
TOTAL	4,887	100.00	402,001,369	100.00

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS

	Name	No. of Shares	% of Issued Share Capital^
1.	Arusha Enterprise Sdn Bhd	189,754,667	47.20
2.	Yeoh Chin Hin Investments Sdn Berhad	15,300,000	3.81
3.	CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB Bank for Di-Yi Sdn Bhd (DBCL - OG0437)	11,000,000	2.74
4.	CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB for Heah Seok Yeong Realty Sdn Berhad (PB)	10,000,000	2.49
5.	Maybank Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lembaga Kemajuan Tanah Persekutuan (415321)	10,000,000	2.49
6.	Lee Chan Investments Sdn Bhd	9,159,275	2.28
7.	Malaysia Nominees (Tempatan) Sendirian Berhad - Pledged Securities Account for High Quest Holdings Sdn Bhd (20-00217-000)	8,200,000	2.04
8.	Decarats MG Sdn Bhd	8,000,000	1.99
9.	ABB Nominee (Tempatan) Sdn Bhd - Pledged Securities Account for Lembaga Kemajuan Tanah Persekutuan (FELDA)	7,000,000	1.74
10.	High Quest Holdings Sdn Bhd	6,752,726	1.68
11.	Yeoh Chin Hin	6,311,250	1.57
12.	Teoh Guat Eng	6,132,188	1.53
13.	CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB for Heah Seok Yeong Realty Sdn Berhad (PB)	4,850,000	1.21
14.	Di-Yi Sdn Bhd	3,510,180	0.87
15.	Key Development Sdn Berhad	3,476,300	0.86
16.	Malay-Sino Formic Acid Sdn Bhd	3,083,450	0.77
17.	Malay Rubber Plantations (Malaysia) Sdn Berhad	2,792,250	0.69
18.	Steppe Structure Sdn Bhd	2,224,250	0.55
19.	Chinchoo Investment Sdn Berhad	2,170,600	0.54
20.	Citigroup Nominees (Asing) Sdn Bhd - CBNY for Dimensional Emerging Markets Value Fund	2,058,550	0.51
21.	HSBC Nominees (Asing) Sdn Bhd - BPSS Lux for Aberdeen Global - Asian Smaller Companies Fund	2,051,700	0.51
22.	Lee Oi Loon	1,749,771	0.44

	Name	No. of Shares	% of Issued Share Capital^
23.	CIMSEC Nominees (Tempatan) Sdn Bhd		
	- CIMB for Di-Yi Sdn Bhd (PB)	1,739,771	0.43
24.	Lee Soon Hian	1,739,771	0.43
25.	Gan Teng Siew Realty Sdn Berhad	1,718,200	0.43
26.	HSBC Nominees (Asing) Sdn Bhd		
	- Exempt AN for Credit Suisse (SG BR-TST-Asing)	1,561,880	0.39
27.	Arusha Enterprise Sdn Bhd	1,500,000	0.37
28.	CIMSEC Nominees (Tempatan) Sdn Bhd		
	- CIMB for Lyne Ching Sdn Berhad (PB)	1,485,000	0.37
29.	Citigroup Nominees (Tempatan) Sdn Bhd		
	- Employees Provident Fund Board (Aberdeen)	1,446,400	0.36
30.	Lee Oi Kum	1,439,771	0.36
	TOTAL	**328,207,950**	**81.64**

^ Calculated based on 402,001,369 shares (excluding 33,949,631 treasury shares).

SUBSTANTIAL SHAREHOLDERS

According to the Register of Substantial Shareholders required to be kept under Section 144 of the Companies Act 2016 ("Act"), the following are the substantial shareholders of the Company:

Name	Direct Interest		Deemed Interest		Total	
	No. of Shares	%^	No. of Shares	%^	No. of Shares	%^
Arusha Enterprise Sdn Bhd	191,554,667	47.65	5,875,700[1]	1.46	197,430,367	49.11
Wan Hin Investments Sdn Berhad	8,387	*	197,430,367[1]	49.11	197,438,754	49.11
Di-Yi Sdn Bhd	16,249,951	4.04	197,438,754[1]	49.11	213,688,705	53.16
High Quest Holdings Sdn Bhd	14,952,726	3.72	197,438,754[1]	49.11	212,391,480	52.83
Tan Sri Dato' Seri Lee Oi Hian	854,355	0.21	213,728,705[2]	53.17	214,583,060	53.38
Dato' Lee Hau Hian	1,425,530	0.35	212,531,980[3]	52.87	213,957,510	53.22
Grateful Blessings Inc	-	-	213,688,705[1]	53.16	213,688,705	53.16
Grateful Blessings Foundation	-	-	213,688,705[1]	53.16	213,688,705	53.16
Cubic Crystal Corporation	-	-	212,391,480[1]	52.83	212,391,480	52.83
High Quest Anstalt	-	-	212,391,480[1]	52.83	212,391,480	52.83

^ Calculated based on 402,001,369 shares (excluding 33,949,631 treasury shares).

Notes:

* Less than 0.01%.

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

2 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 shares of the Company 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).

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

DIRECTORS' INTEREST

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016 ("Act"), the Directors' interests in the Company and its subsidiaries and/or related corporations are as follows:

Company:
Batu Kawan Berhad

Name	Direct Interest No. of Shares	Direct Interest %^	Deemed Interest No. of Shares	Deemed Interest %^
Tan Sri Dato' Seri Lee Oi Hian	854,355	0.21	213,728,705[1]	53.17
Dato' Lee Hau Hian	1,425,530	0.35	212,531,980[2]	52.87
Dato' Yeoh Eng Khoon	315,000	0.08	15,391,000[3]	3.83
R. M. Alias	-	-	-	-
Quah Chek Tin	-	-	-	-
Tan Sri Rastam bin Mohd Isa	-	-	-	-

^ Calculated based on 402,001,369 shares (excluding 33,949,631 treasury shares).

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 shares of the Company 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.

Subsidiary:
Kuala Lumpur Kepong Berhad

Name	Direct Interest No. of Shares	Direct Interest %^	Deemed Interest No. of Shares	Deemed Interest %^
R. M. Alias	337,500	0.03	1,000	*
Tan Sri Dato' Seri Lee Oi Hian	72,000	0.01	501,372,027	47.08
Dato' Lee Hau Hian	83,250	0.01	501,372,027	47.08
Dato' Yeoh Eng Khoon	335,000	0.03	3,189,850	0.30

^ Calculated based on 1,064,965,692 shares (excluding 2,539,000 treasury shares).
** Less than 0.01%.*

By virtue of their deemed interests in the shares of the Company, Tan Sri Dato' Seri Lee Oi Hian and Dato' Lee Hau Hian are deemed to have an interest in the shares of the other subsidiaries of the Company to the extent of the Company's interest in the respective subsidiaries.

Other than as disclosed above, none of the other Directors have any interest in the shares of the subsidiaries or its related corporations.

Properties Held by the Group

At 30 September 2017

Location	Tenure	Year Lease Expiring	Titled Area Hectares#	Description / Existing Use	Year of Acquisition / Last Revaluation	Age of Buildings (Years)	Net Carrying Amounts RM'000
PLANTATIONS							
MALAYSIA							
Kedah							
Ladang Pelam Baling	Freehold	–	2,959	Oil palm and rubber estate	1986 1992	–	50,640
Ladang Batu Lintang Serdang	Freehold	–	1,808	Oil palm estate and palm oil mill	1986	31	27,952
Ladang Buntar Serdang	Freehold	–	547	Oil palm estate	1986	–	13,958
Perak							
Ladang Lekir Manjung	Freehold	–	3,311	Oil palm estate	2008	–	176,105
Ladang Changkat Chermin Manjung	Leasehold	2080	2,530	Oil palm estate and palm oil mill	2008	34	105,212
Ladang Raja Hitam Manjung	Freehold	–	1,497	Oil palm estate	2008	–	79,966
Ladang Kuala Kangsar Padang Rengas	Freehold Leasehold	– 2896	1,007 333	Oil palm and rubber estate	1979* 2016	–	64,458
Ladang Subur Batu Kurau	Freehold	–	1,290	Oil palm estate	1986	–	14,800
Ladang Glenealy Parit	Freehold	–	1,059	Oil palm and rubber estate	1992	–	15,320
Ladang Serapoh Parit	Freehold	–	936	Oil palm and rubber estate	1979* 1992	–	9,225
Ladang Allagar Trong	Freehold Leasehold	– 2908	525 248	Oil palm estate	1986	–	10,776
Selangor							
Ladang Changkat Asa Hulu Selangor	Freehold	–	1,543	Oil palm and rubber estate, palm oil mill and rubber factory	1979*	37 42	17,223
Ladang Tuan Mee Sungai Buloh	Freehold	–	1,488	Oil palm estate and palm oil mill	1979*	44	17,443
Ladang Kerling Kerling	Freehold	–	1,222	Oil palm and rubber estate	1979* 1985 2002	–	53,819

Titled area is in hectares except otherwise indicated
* Year of last revaluation

Properties Held by the Group (Continued)

At 30 September 2017

Location	Tenure	Year Lease Expiring	Titled Area Hectares#	Description / Existing Use	Year of Acquisition / Last Revaluation	Age of Buildings (Years)	Net Carrying Amounts RM'000
Negeri Sembilan							
Ladang Ayer Hitam Bahau	Freehold	–	2,640	Oil palm estate	1985	–	38,702
Ladang Batang Jelai Rompin	Freehold	–	2,149	Oil palm and rubber estate	1985	–	32,528
Ladang Jeram Padang Bahau	Freehold	–	2,114	Oil palm and rubber estate, palm oil mill and rubber factory	1985	 28 28	34,986
Ladang Kombok Rantau	Freehold	–	1,910	Oil palm and rubber estate	1985	–	32,080
Ladang Ulu Pedas Pedas	Freehold	–	922	Oil palm estate	1985	–	17,537
Ladang Gunong Pertanian Simpang Durian	Leasehold	2077	686	Oil palm estate	1985	–	9,317
Johor							
Ladang Landak Paloh	Leasehold	2068 and 2078	4,451	Oil palm estate	1979*	–	41,269
Ladang Kekayaan Paloh	Leasehold	2068 and 2078	4,436	Oil palm estate and palm oil mill	1979*	 11	61,327
Ladang Voules Segamat	Freehold	–	2,969	Oil palm and rubber estate and rubber factory	1979*	 44	25,489
Ladang Paloh Paloh	Freehold	–	2,003	Oil palm estate and palm oil mill	1979*	 45	30,733
Ladang Fraser Kulai	Freehold	–	1,915	Oil palm estate	1979*	–	22,366
Ladang New Pogoh Segamat	Freehold	–	1,545	Oil palm and rubber estate	1979*	–	14,074
Ladang Sungei Penggeli Bandar Tenggara	Leased property	2087	942	Oil palm estate	1988	–	9,333
Ladang Ban Heng Pagoh, Muar	Freehold	–	631	Oil palm estate	1979*	–	8,294
Ladang Sungai Bekok Bekok	Freehold	–	625	Oil palm estate	1979*	–	8,036

Titled area is in hectares except otherwise indicated

* Year of last revaluation

BATU KAWAN BERHAD

Properties Held by the Group (Continued)

At 30 September 2017

Location	Tenure	Year Lease Expiring	Titled Area Hectares#	Description / Existing Use	Year of Acquisition / Last Revaluation	Age of Buildings (Years)	Net Carrying Amounts RM'000
Ladang See Sun Renggam	Freehold	–	589	Oil palm estate	1984	–	9,843
KL-Kepong Edible Oils Pasir Gudang	Leasehold	2045	5	Refinery	1985	34	1,763
Pahang							
Ladang Sungei Kawang Lanchang	Freehold	–	1,889	Oil palm and rubber estate	1979*	–	15,127
Ladang Renjok Bentong	Freehold	–	1,578	Oil palm and rubber estate	1979*	–	16,121
Ladang Tuan Bentong	Freehold Leasehold	– 2030 and 2057	910 443	Oil palm and rubber estate	1979*	–	10,076
Ladang Selborne Padang Tengku, Kuala Lipis	Freehold	–	1,258	Rubber estate and rubber factory	1992	48	16,497
Ladang Kemasul Mengkarak	Freehold	–	459	Oil palm and rubber estate	1983	–	1,001
Kelantan							
Ladang Kuala Gris Kuala Krai	Freehold	–	2,429	Oil palm and rubber estate and rubber factory	1992	17	31,412
Ladang Kerilla Tanah Merah	Freehold	–	2,176	Oil palm and rubber estate and rubber factory	1992	42	27,594
Ladang Pasir Gajah Kuala Krai	Freehold Leasehold	– 2907	952 1,155	Oil palm estate and palm oil mill	1981*	36	22,106
Ladang Sungai Sokor Tanah Merah	Freehold	–	1,603	Oil palm and rubber estate	1992	–	17,180
Ladang Kuala Hau Machang	Freehold Leasehold	– 2326	305 242	Rubber estate	1980*	–	3,123
Sabah **Tawau Region**							
Ladang Jatika	Leasehold	Between 2068 and 2083	3,508	Oil palm estate	1991	–	46,119

\# Titled area is in hectares except otherwise indicated

* Year of last revaluation

Location	Tenure	Year Lease Expiring	Titled Area Hectares#	Description / Existing Use	Year of Acquisition / Last Revaluation	Age of Buildings (Years)	Net Carrying Amounts RM'000
Ladang Sigalong	Leasehold	Between 2063 and 2079	2,864	Oil palm estate	1983	–	25,702
Ladang Pangeran	Leasehold	Between 2063 and 2080	2,855	Oil palm estate and palm oil mill	1983	16	40,964
Ladang Sri Kunak	Leasehold	Between 2063 and 2076	2,770	Oil palm estate	1983	–	33,237
Ladang Pang Burong	Leasehold	Between 2063 and 2080	2,548	Oil palm estate	1983	–	32,427
Ladang Pinang	Leasehold	Between 2068 and 2085	2,420	Oil palm estate	1983	–	36,166
Ladang Tundong	Leasehold	Between 2063 and 2073	2,155	Oil palm estate and palm oil mills	1983	30 and 34	24,804
Ladang Ringlet	Leasehold	Between 2065 and 2081	1,834	Oil palm estate	1989	–	15,021
Lahad Datu Region							
Ladang Tungku	Leasehold	2085	3,418	Oil palm estate	1991*	–	27,458
Ladang Bornion	Leasehold	2078	3,233	Oil palm estate and palm oil mill	1992	19	37,542
Ladang Bukit Tabin	Leasehold	2079	2,916	Oil palm estate	1993	–	34,350
Ladang Segar Usaha	Leasehold	2077	2,792	Oil palm estate	1990*	–	31,381
Ladang Rimmer	Leasehold	2085	2,730	Oil palm estate and palm oil mill	1991*	21	24,537
Ladang Sungai Silabukan	Leasehold	2079	2,654	Oil palm estate	1993	–	31,500
Ladang Lungmanis	Leasehold	2085	1,656	Oil palm estate and palm oil mill	1991*	17	16,388
KLK Premier Oils	Leasehold	2066	4	Kernel crushing plant and refinery	1998	14 10	12,037
	Leasehold	2110	2	PKC warehouse	2007	8	5,296

\# Titled area is in hectares except otherwise indicated
* Year of last revaluation

Properties Held by the Group (Continued)

At 30 September 2017

Location	Tenure	Year Lease Expiring	Titled Area Hectares#	Description / Existing Use	Year of Acquisition / Last Revaluation	Age of Buildings (Years)	Net Carrying Amounts RM'000
INDONESIA							
Belitung							
Kebun Steelindo Wahana Perkasa	Hak Guna Usaha	2020	14,065	Oil palm estate, palm oil mill, refinery and kernel crushing plant	1994	 18 4 4	46,534
Kebun Parit Sembada	Hak Guna Usaha	2020	3,990	Oil palm estate and palm oil mill	2003	10	12,160
Kebun Alam Karya Sejahtera	Izin Lokasi	–	2,336	Oil palm estate	2010	–	60,434
Sumatra Riau Region							
Kebun Mandau	Hak Guna Usaha	2020	14,837	Oil palm estate, palm oil mill, kernel crushing plant and refinery	1996	 14 10 4	162,076
Kebun Nilo	Hak Guna Usaha Izin Lokasi	2028 –	12,860 1,400	Oil palm estate and palm oil mills Oil palm estate	1996 2005	15 and 6	121,265 12,281
Kebun Sekarbumi Alamlestari	Hak Guna Usaha	2024	6,200	Oil palm estate and palm oil mill	2009	21	70,630
Sumatra Utara Region							
PT Langkat Nusantara Kepong **	Leased property	2039	21,372	Oil palm estate and palm oil mill	2009	3	292,697
Kalimantan Timur							
Kebun Jabontara Eka Karsa Berau	Hak Guna Usaha	2033	14,086	Oil palm estate and palm oil mill	2006	2	251,745
Kebun Malindomas Perkebunan Berau	Hak Guna Usaha	2043	7,971	Oil palm estate	2007	–	131,070
Kebun Hutan Hijau Mas Berau	Hak Guna Usaha	2029 and 2043	7,317	Oil palm estate and palm oil mill	2007 2009	9	114,878
Kebun Anugrah Surya Mandiri Berau	Hak Guna Usaha	2048	2,682	Oil palm estate	2012	–	6,751

** PT Langkat Nusantara Kepong operates on the property owned by the joint venture partner, PT Perkebunan Nusantara II.

Titled area is in hectares except otherwise indicated

Location	Tenure	Year Lease Expiring	Titled Area Hectares#	Description / Existing Use	Year of Acquisition / Last Revaluation	Age of Buildings (Years)	Net Carrying Amounts RM'000
Kebun Satu Sembilan Delapan Berau	Leasehold	Between 2029 and 2044	5,728	Oil palm estate and palm oil mill	Between 2008 and 2009	3	131,610
Kebun Tekukur Indah Berau	Izin Lokasi	-	2,030	Oil palm estate	Between 2012 and 2016	–	8,821
Kalimantan Tengah							
Kebun Karya Makmur Abadi Mentaya Hulu	Hak Guna Usaha	2051	9,397	Oil palm estate and palm oil mill	2007	2	292,170
	Izin Lokasi	2018	3,406	Oil palm estate			
Kebun Mulia Agro Permai Baamang	Hak Guna Usaha	2040	9,056	Oil palm estate and palm oil mill	2006	4	212,220
Kebun Menteng Jaya Sawit Perdana Mentaya Hilir Utara	Izin Lokasi	–	5,893	Oil palm estate	2007	–	47,567
LIBERIA							
Palm Bay Estate Grand Bassa County	Leasehold	2057	13,007	Oil palm estate	2013	–	221,747
Butaw Estate Sinoe County	Leasehold	2057	8,011	Oil palm estate	2013	–	110,666
MANUFACTURING MALAYSIA							
KL-Kepong Oleomas Klang, Selangor	Leasehold	2097	19	Oleochemicals factory	2004	7 and 11	40,991
Palm-Oleo Rawang, Selangor	Freehold	–	15	Oleochemicals, soap noodles and industrial amides factories	1991 1994	21 and 26	15,287
Malay-Sino Chemical Industries Lot 3557 and 4524, Kawasan Perindustrian Teluk Kalung, Kemaman, Terengganu	Leasehold	2056 and 2059	14	Chemical factory	Between 1996 and 2011	6 to 19	22,901
See Sen Chemical Lot 2989 and 3558 Kawasan Perindustrian Teluk Kalung, Kemaman, Terengganu	Leasehold	2055	12	Chemical factory	1995	21	3,017
Palm-Oleo (Klang) Klang, Selangor	Leased property	2088	7	Oleochemicals factory	2007	26 and 36	28,667

Titled area is in hectares except otherwise indicated

Properties Held by the Group (Continued)
At 30 September 2017

Location	Tenure	Year Lease Expiring	Titled Area Hectares#	Description / Existing Use	Year of Acquisition / Last Revaluation	Age of Buildings (Years)	Net Carrying Amounts RM'000
Malay-Sino Chemical Industries Lot 70810 and 70811 4½ Miles, Jalan Lahat Ipoh, Perak	Leasehold	2074	5	Chemical factory and Methyl Chloride factory	1996* 2011	41 7	4,197 690
B.K.B. Hevea Products Ipoh, Perak	Leasehold	2089	5	Parquet factory	1994	23	3,436
KL-Kepong Rubber Products Ipoh, Perak	Freehold	–	3	Rubber gloves factory	2012	33	15,616
See Sen Chemical PT 6326, Bandar Sri Sendayan Seremban, Negeri Sembilan	Freehold	–	2	Chemical factory	2013	3	9,389
See Sen Chemical PTD 21873, Pasir Gudang Industrial Estate, Pasir Gudang, Johor	Leasehold	2039	2	Chemical factory	1979	32	1,638
KLK Bioenergy Shah Alam, Selangor	Leasehold	2074	1	Biodiesel plant	2009	32	3,222
Malay-Sino Chemical Industries Lot 541, Kg Acheh Industrial Estate, Sitiawan, Perak	Leasehold	2087	1	Industrial land with warehouse	1996*	28	591
See Sen Chemical Lot 5441 Kawasan Perindustrian Teluk Kalung, Kemaman, Terengganu	Leasehold	2056	9,013 sq m	Acid pipeline	2003	–	101
Malay-Sino Properties Lot 9878, Kg Acheh Industrial Estate Sitiawan, Perak	Leasehold	2093	4,282 sq m	Industrial land with warehouse	1996*	22	217
INDONESIA							
PT KLK Dumai Dumai Timur, Riau	Leased property	2031	12,876 sq m	Oleochemicals factory	2011	3	22,976
BELGIUM							
KLK Tensachem SA Ougree	Freehold	–	10	Surfactant factory	2014	10 to 87	21,507

Titled area is in hectares except otherwise indicated
* Year of last revaluation

Location	Tenure	Year Lease Expiring	Titled Area Hectares#	Description / Existing Use	Year of Acquisition / Last Revaluation	Age of Buildings (Years)	Net Carrying Amounts RM'000
CHINA							
Taiko Palm-Oleo (Zhangjiagang) Zhangjiagang City, Jiangsu	Leasehold	2054	20	Oleochemicals factory	2004	12	42.635
Shanghai Jinshan Jingwei Chemical Jinshan, Shanghai	Leasehold	2052	2	Oleochemicals factory	2008	12	2,979
GERMANY							
KLK Emmerich Emmerich Am Rhein	Freehold	–	21	Oleochemicals factory	2010	24 to 64	18,523
KLK Emmerich Dusseldorf	Leasehold	2104	6	Oleochemicals factory	2015	12 to 107	45,923
NETHERLANDS							
Dr. W. Kolb Netherlands BV Moerdijk	Freehold	–	8	Ethoxylation factory	2007	24	85,031
SWITZERLAND							
Dr. W. Kolb AG Hedingen	Freehold	–	2	Ethoxylation factory	2007	17 to 53	74,595
PROPERTIES MALAYSIA							
KL-Kepong Country Homes Ijok, Selangor	Freehold	–	110	Property development	1979	–	20,485
	Freehold	–	667	Property development	1979	–	11,134
	Leasehold	2082 and 2108	11	operating as oil palm estate	2010		
Colville Holdings Setul, Negeri Sembilan	Freehold	–	421	Property development operating as oil palm estate	1985	–	10,429
KL-Kepong Property Development Gombak, Selangor	Freehold	–	403	Property development operating as oil palm estate	2004	–	141,909
Palermo Corporation Bagan Samak, Kedah	Freehold	–	351	Property development operating as oil palm estate	1986	–	13,017

Titled area is in hectares except otherwise indicated

Properties Held by the Group (Continued)
At 30 September 2017

Location	Tenure	Year Lease Expiring	Titled Area Hectares#	Description / Existing Use	Year of Acquisition / Last Revaluation	Age of Buildings (Years)	Net Carrying Amounts RM'000
Scope Energy Tanjung Kupang, Johor	Freehold	–	203	Property development	2016	–	883,590
Kompleks Tanjong Malim Hulu Selangor, Selangor	Freehold	–	172	Property development operating as oil palm estate	1979	–	7,609
KL-Kepong Property Management Paloh, Johor	Freehold	–	26	Property development operating as oil palm estate	1979*	–	391
KL-Kepong Complex Sungai Buloh, Selangor	Freehold	–	8	Property development	1979	–	2,806
INVESTMENT PROPERTY **MALAYSIA**							
Batu Kawan Holdings Menara KLK No 1, Jalan PJU 7/6 Mutiara Damansara Petaling Jaya, Selangor	Freehold	–	5,730 sq m	Office building	2003	8	49,263
OTHER PROPERTIES **MALAYSIA**							
Stolthaven (Westport) Klang, Selangor	Leased property	2024	12	Bulking installation	2006 2014	3 and 19	15,077
See Sen Bulking Installation Lot 4735, Kawasan Perindustrian Teluk Kalung Kemaman, Terengganu	Leasehold	2025	5	Vacant industrial land	2017*	–	778
Circular Agency Lot 202186, 202187 and 202188, Zarib Industrial Park, Lahat Ipoh, Perak	Leasehold	2092	1	Land with office building and workshop	1996*	23	2,148
Wisma Taiko, 1, Jalan S.P. Seenivasagam Ipoh, Perak	Freehold Leasehold	– 2892	2,984 sq m 2,408 sq m	Head office building	1983 2000	32	3,769 1,600
Kelkay Bulking Installation Port Klang, Selangor	Leased property	2013	3,351 sq m	Bulking installation	1975 2014	42	376

\# Titled area is in hectares except otherwise indicated
* Year of last revaluation

Properties Held by the Group (Continued)

At 30 September 2017

Location	Tenure	Year Lease Expiring	Titled Area Hectares#	Description / Existing Use	Year of Acquisition / Last Revaluation	Age of Buildings (Years)	Net Carrying Amounts RM'000
INDONESIA							
SWP Bulking Installation Belitung	Hak Guna Bangunan	2035	20	Bulking installation and jetty	2005	8 and 12 11	11,701
3, 5, 6 & 7, Block C Ruko Puri Mutiara Sunter Agung Tanjung Priok Jakarta Utara	Hak Guna Bangunan	2027	300 sq m	Office building	2007	10	55
PT Hutan Hijau Mas Berau, Kalimantan Timur	Hak Pakai	2035	8	Jetty	2010	3	2,353
UNITED KINGDOM							
27, Kelso Place Kensington, London	Freehold	–	489 sq m	Office building	2001	136	30,355
AUSTRALIA							
Chilimony Farm Northampton Western Australia	Freehold	–	16,189	Cereal farm	2012 2013	–	96,216
Wyunga Farm Dandaragan Western Australia	Freehold	–	14,418	Cereal and cattle farm	2013 2014 2016	–	114,034
Erregulla Farm Mingenew Western Australia	Freehold	–	5,290	Cereal and sheep farm	1989*	–	4,781
Warrening Gully Farm Williams Western Australia	Freehold	–	5,119	Cereal and sheep farm	1989* 2014	–	32,517
Jonlorrie Farm York Western Australia	Freehold	–	4,927	Cereal and sheep farm	2013 2014	–	79,719
Tatchbrook Farm Arthur River Western Australia	Freehold	–	7,194	Cereal and sheep farm	2015 2016 2017	–	58,551

Titled area is in hectares except otherwise indicated

* Year of last revaluation

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PROXY FORM

BATU KAWAN BERHAD (6292-U)

No. of Shares Held	CDS Account No.	Tel. No.

I/We ____

(Full Name in Block Letters)

NRIC/Passport/Company No. ____

of ____

being (a) member(s) of BATU KAWAN BERHAD hereby appoint

____ NRIC/Passport No. ______________________

(Full Name in Block Letters)

or failing him THE CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at its Registered Office, Wisma Taiko, No. 1, Jalan S.P. Seenivasagam, 30000 Ipoh, Perak on Tuesday, 13 February 2018 at 2.30 p.m. and at any adjournment thereof, and to vote as indicated below:

Resolution	Relating to:	For	Against
1	Declaration of Final Single Tier Dividend		
	Re-election of the following Directors in accordance to the Company's Articles of Association:		
2	Dato' Lee Hau Hian		
3	Dato' Yeoh Eng Khoon		
4	Tan Sri Rastam bin Mohd Isa		
	Re-appointment of Director pursuant to Section 129(6) of the repealed Companies Act, 1965:		
5	R. M. Alias		
6	Payment of Directors' fees		
7	Payment of Directors' benefits		
8	Re-appointment of Auditors and their remuneration		
9	Proposed Renewal of Authority to Buy Back Shares		
10	Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
11	Proposed Dividend Reinvestment Plan		
12	Proposed Issuance of New Shares		

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

____

Signature of Shareholder

Date: ______________________________

Notes:

(a) A member (other than an exempt authorised nominee) is entitled to appoint only one proxy to vote in his stead. The proxy may, but need not be a member of the Company.

(b) Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of Annual General Meeting shall be put to vote by poll.

(c) Where a member is an exempt authorised nominee, as defined under the Securities Industry (Central Depositories) Act 1991, which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(d) The instrument appointing a proxy, to be valid, must be deposited at the Registered Office of the Company not less than twenty-four (24) hours before the time for holding the meeting.

(e) Where this proxy form is executed by a corporation, it must be either under its seal or under the hand of an officer or attorney duly authorised.

(f) In the case of joint holders, the proxy form signed by the first named shareholder in the register shall be accepted to the exclusion of the other registered joint holder(s) of the shares.

(g) If neither "for" nor "against" is indicated above, the proxy will vote or abstain as he thinks fit.

(h) Only members whose names appear in the Record of Depositors or Register of Members as at 7 February 2018 will be entitled to attend, speak and vote at the meeting.

Personal Data Privacy

By submitting the duly executed proxy form, the member consents to the Company (and/or its agents/service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010, for the purpose of the Annual General Meeting, including any adjournment thereof.

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Affix Stamp
Here

THE COMPANY SECRETARIES
BATU KAWAN BERHAD
WISMA TAIKO
NO. 1, JALAN S.P. SEENIVASAGAM
30000 IPOH, PERAK
MALAYSIA.

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