

**BATU KAWAN BERHAD** (6292-U)

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ANNUAL REPORT FOR THE YEAR ENDED 30 SEPTEMBER

**2014**

# BATU KAWAN BERHAD

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# BATU KAWAN BERHAD

## Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Fiftieth (50<sup>th</sup>) ANNUAL GENERAL MEETING of the members of the Company will be held at its Registered Office, Wisma Taiko, 1, Jalan S. P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan, Malaysia on Monday, 16 February 2015 at 2.15 p.m. for the following purposes:

1. To receive the Audited Financial Statements for the year ended 30 September 2014 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 2014. (Ordinary Resolution 1)
3. To re-elect the following Directors who retire in accordance to the Company's Articles of Association:
  - (a) Dato' Lee Hau Hian (Ordinary Resolution 2)
  - (b) Dato' Yeoh Eng Khoon (Ordinary Resolution 3)
4. To consider and, if thought fit, pass resolutions pursuant to Section 129(6) of the Companies Act, 1965 to re-appoint the following as Directors of the Company to hold office until the next Annual General Meeting of the Company:
  - (a) R. M. Alias (Ordinary Resolution 4)
  - (b) Dato' Mustafa bin Mohd Ali (Ordinary Resolution 5)
5. To approve Directors' fees for the year ended 30 September 2014 amounting to RM749,555 (2013 : RM765,000). (Ordinary Resolution 6)
6. To re-appoint Auditors and authorise the Directors to fix their remuneration. (Ordinary Resolution 7)
7. As SPECIAL BUSINESS, to consider and, if thought fit, pass the following resolutions:
  - (a) PROPOSED AUTHORITY TO BUY BACK ITS OWN SHARES BY THE COMPANY (Ordinary Resolution 8)

"THAT authority be given to the Company to buy back an aggregate number of shares of RM1.00 each in the Company ("Authority to Buy Back Shares") as may be determined by the Directors from time to time through Bursa Malaysia Securities Berhad ("Bursa Malaysia") 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 10% of the total issued and paid-up share capital of the Company and that the maximum fund to be allocated for the Authority to Buy Back Shares shall not exceed the latest audited retained earnings of the Company AND THAT the Directors may resolve to cancel the shares so purchased and/or retain the shares so purchased as treasury shares which may be distributed as dividends to the shareholders of the Company and/or resold on Bursa Malaysia and/or cancelled;

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 or any other relevant authority."

# BATU KAWAN BERHAD

## Notice of Annual General Meeting (Continued)

(b) PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE (Ordinary Resolution 9)

"THAT subject to the Companies Act, 1965 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 30 December 2014 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 143(1) of the Companies Act, 1965 but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965; 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."

8. To transact any other business appropriate to an Annual General Meeting.

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

Ipoh,  
Perak Darul Ridzuan,  
Malaysia.

30 December 2014

# BATU KAWAN BERHAD

## Notice of Annual General Meeting (Continued)

### NOTES:

- (1) This item is meant for discussion only as under Section 169(1) of the Companies Act, 1965 and the Company's Articles of Association, the Audited Financial Statements are to be laid at the general meeting and do not require a formal approval of the shareholders. Hence, this matter will not be put forward for voting.
- (2) A member, other than an exempt authorised nominee who may appoint multiple proxies in respect of each Omnibus Account held, is entitled to appoint only one proxy to vote in his stead. The proxy need not be a member of the Company.
- (3) The instrument appointing a proxy, to be valid, must be deposited at the Registered Office of the Company at Wisma Taiko, 1, Jalan S. P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan, not less than 48 hours before the time for holding the meeting.
- (4) Only members whose names appear on the Record of Depositors as at 9 February 2015 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.
- (5) The final single tier dividend, if approved, will be paid on 19 March 2015 to all shareholders on the Register of Members as at 23 February 2015.

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 2015 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 23 February 2015 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.
- (6) Ordinary Resolution 8 proposed under item 7(a), if passed, is to give authority to 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.
  - (7) Ordinary Resolution 9 proposed under item 7(b), 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 Proposed Shareholders' Mandate under Ordinary Resolution 9 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.

For Ordinary Resolutions 8 and 9 mentioned above, further information is set out in the Circular to Shareholders of the Company which is despatched together with the Company's 2014 Annual Report.

# BATU KAWAN BERHAD

## Notis Mesyuarat Agung Tahunan

**DENGAN INI ADALAH DIMAKLUMKAN** bahawa MESYUARAT AGUNG TAHUNAN pemegang-pemegang saham Syarikat yang Ke-Lima Puluh (50) akan diadakan di Pejabat Berdaftar di Wisma Taiko, 1, Jalan S. P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan, Malaysia pada hari Isnin, 16 Februari 2015 pada pukul 2.15 petang untuk tujuan-tujuan berikut:

1. Menerima Penyata Kewangan bagi tahun berakhir 30 September 2014 dan Laporan Lembaga Pengarah dan Juruaudit. (Sila Rujuk Nota 1)
2. Meluluskan bayaran dividen akhir setingkat 40 sen sesaham bagi tahun berakhir 30 September 2014. (Resolusi Biasa 1)
3. Melantik semula Pengarah-pengarah berikut yang bersara menurut Tataurusan Syarikat:
  - (a) Dato' Lee Hau Hian (Resolusi Biasa 2)
  - (b) Dato' Yeoh Eng Khoon (Resolusi Biasa 3)
4. Mempertimbangkan dan sekiranya wajar, meluluskan resolusi menurut Seksyen 129(6) Akta Syarikat, 1965 bagi melantik semula penama berikut sebagai Pengarah Syarikat untuk berkhidmat hingga Mesyuarat Agung Tahunan Syarikat tahun berikutnya:
  - (a) R. M. Alias (Resolusi Biasa 4)
  - (b) Dato' Mustafa bin Mohd Ali (Resolusi Biasa 5)
5. Meluluskan bayaran yuran Pengarah-pengarah sebanyak RM749,555 bagi tahun berakhir 30 September 2014 (2013 : RM765,000). (Resolusi Biasa 6)
6. Untuk melantik semula Juruaudit dan memberi kuasa kepada para Pengarah untuk menetapkan ganjaran Juruaudit. (Resolusi Biasa 7)
7. Sebagai URUSAN KHAS, untuk mempertimbangkan dan sekiranya bersesuaian meluluskan yang berikut sebagai resolusi-resolusi:
  - (a) CADANGAN MEMBERI KUASA MEMBELI BALIK SAHAM SENDIRI OLEH SYARIKAT (Resolusi Biasa 8)

"BAHAWA kuasa diberi kepada Syarikat untuk membeli balik sejumlah agregat saham bernilai RM1.00 setiap satu dalam Syarikat ("Cadangan Memberi Kuasa Membeli Balik Saham") dengan jumlah saham ditentukan oleh Pengarah-pengarah dari masa ke semasa melalui Bursa Malaysia Securities Berhad ("Bursa Malaysia") mengikut syarat-syarat yang dianggap oleh Pengarah-pengarah sesuai dan wajar demi kepentingan Syarikat tertakluk kepada jumlah saham yang dibeli melalui resolusi ini tidak melebihi 10% dari jumlah modal saham terbitan dan berbayar Syarikat dan amaun yang tidak melebihi jumlah keuntungan terkumpul Syarikat yang terkini dan diaudit, akan diperuntukkan untuk Cadangan Memberi Kuasa Membeli Balik Saham DAN BAHAWA Pengarah-pengarah boleh meresolusikan untuk membatalkan saham yang dibeli dan/atau menyimpan saham yang dibeli sebagai saham perbendaharaan di mana ianya boleh diagih sebagai dividen kepada pemegang-pemegang saham Syarikat dan/atau dijual semula melalui Bursa Malaysia dan/atau dibatalkan;

DAN BAHAWA Pengarah-pengarah diberi kuasa 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, nilai 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 jangka masa dalam tempoh di mana Mesyuarat Agung Tahunan hadapan yang dikehendaki oleh undang-undang perlu diadakan (kecuali dibatalkan atau diubahsuai melalui resolusi biasa pemegang-pemegang

# BATU KAWAN BERHAD

## Notis Mesyuarat Agung Tahunan (Sambungan)

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 atau mana-mana pihak berkuasa berkenaan."

- (b) CADANGAN PEMEGANG-PEMEGANG SAHAM MEMBERI MANDAT UNTUK MELULUSKAN TRANSAKSI DAGANGAN SERING BERULANG DENGAN PIHAK-PIHAK YANG BERKAITAN

(Resolusi Biasa 9)

"BAHAWA, tertakluk kepada Akta Syarikat, 1965, Tatacara dan Tataurusan Syarikat dan Peraturan 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 Appendix II dalam Surat Pekeliling kepada pemegang-pemegang saham bertarikh 30 Disember 2014 yang melibatkan kepentingan Pengarah-pengarah atau pemegang saham utama atau pihak-pihak yang berkaitan dengan Pengarah-pengarah atau pemegang-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 pemegang-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 143(1) Akta Syarikat, 1965 tetapi tidak dilanjutkan kepada lanjutan yang dibenarkan dibawah Seksyen 143(2) Akta Syarikat, 1965 tersebut; atau
- (iii) dimansuhkan atau diubah oleh suatu resolusi yang diluluskan oleh pemegang-pemegang saham dalam mesyuarat agung;

yang mana lebih terdahulu.

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

8. Untuk menguruskan lain-lain perkara biasa yang berkaitan dengan Mesyuarat Agung Tahunan.

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

Ipoh,  
Perak Darul Ridzuan,  
Malaysia.  
30 Disember 2014

# BATU KAWAN BERHAD

## Notis Mesyuarat Agung Tahunan (Sambungan)

### NOTA-NOTA:

- (1) Perkara ini bertujuan sebagai perbincangan sahaja seperti di bawah Seksyen 169(1) Akta Syarikat, 1965 dan Tataurusan Syarikat, Penyata Kewangan Diaudit akan dibentangkan di mesyuarat agung dan tidak memerlukan kelulusan formal pemegang-pemegang saham. Justeru itu, perkara ini tidak akan dibentangkan untuk undian.
- (2) Seorang pemegang saham Syarikat, selain daripada nomini diberi kuasa berkecuali yang boleh melantik beberapa proksi berhubung dengan setiap Akaun Omnibus, adalah berhak melantik seorang proksi sahaja untuk menghadiri dan mengundi bagi pihaknya. Proksi tersebut tidak semestinya seorang pemegang saham Syarikat.
- (3) Suratcara perlantikan proksi, supaya ianya sah, hendaklah didepositkan ke Pejabat Berdaftar Syarikat di Wisma Taiko, 1, Jalan S.P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan, tidak kurang daripada 48 jam sebelum mesyuarat ini diadakan.
- (4) Bagi tujuan menentukan pemegang saham yang berhak untuk menghadiri mesyuarat ini, Syarikat akan meminta Bursa Malaysia Depository Sdn Bhd menyediakan untuk Syarikat menurut Artikel 56(4)(c) Tataurusan Pertubuhan Syarikat dan Perenggan 7.16(2) Keperluan Penyenaraian Pasaran Utama Bursa Malaysia Securities Berhad, satu Rekod Pendeposit pada 9 Februari 2015 dan pemegang saham yang namanya terkandung di dalam Rekod Pendeposit atau Rekod Pendaftaran Ahli pada tarikh tersebut adalah layak untuk menghadiri mesyuarat ini atau melantik proksi untuk hadir dan/atau mengundi bagi pihaknya.
- (5) Dividen akhir setingkat, jika diluluskan, akan dibayar pada 19 Mac 2015 kepada semua pemegang-pemegang saham yang didaftarkan dalam Buku Pendaftaran Ahli pada 23 Februari 2015.

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

- (a) saham yang didepositkan ke dalam akaun sekuriti pendeposit sebelum pukul 12.30 petang pada 19 Februari 2015 berhubung dengan saham yang dikecualikan daripada deposit mandatori;
  - (b) saham yang dipindahkan ke dalam akaun sekuriti pendeposit sebelum pukul 4.00 petang pada 23 Februari 2015 berhubung dengan pindahan; dan
  - (c) saham yang dibeli di Bursa Malaysia Securities Berhad pada dasar bersama kelayakan menurut Peraturan Bursa Malaysia Securities Berhad.
- (6) Cadangan Resolusi Biasa 8 di bawah perenggan 7(a) jika diluluskan bertujuan memberi kuasa kepada para pengarah untuk membeli balik saham Syarikat pada satu masa bila mana terma dan syarat-syarat pengarah-pengarah mendapati sesuai dengan kepentingan Syarikat. Bidang kuasa ini akan luput pada Mesyuarat Agung Tahunan yang akan datang melainkan sekiranya dimansuhkan atau diubah melalui resolusi biasa Syarikat dalam suatu mesyuarat umum.
  - (7) Cadangan Resolusi Biasa 9 di bawah perenggan 7(b) jika diluluskan akan membenarkan Kumpulan menjalankan transaksi-transaksi sering berulang bersifat dagangan dengan pihak-pihak berkaitan dalam transaksi perniagaan biasa atas syarat-syarat komersil yang tidak memberikan apa-apa kelebihan kepada pihak berkaitan dan tidak merugikan atau menjejaskan kepentingan pemegang-pemegang saham minoriti.

Dengan mendapatkan mandat pemegang saham yang dicadangkan dalam Resolusi Biasa 9 dan memperbaharui setiap tahun, keperluan untuk mengadakan mesyuarat-mesyuarat yang berasingan dari masa ke masa untuk mendapatkan kelulusan pemegang saham bila mana berlakunya transaksi demikian, akan dapat dielakkan. Dengan memperolehi mandat ini, masa pentadbiran, kesulitan dan perbelanjaan berkaitan dengan mengadakan mesyuarat akan dijamin tanpa menjejaskan objektif Korporat Kumpulan dan peluang perniagaan yang sedia ada kepada Kumpulan.

Untuk Resolusi Biasa 8 dan 9 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 2014.



# BATU KAWAN BERHAD

## Corporate Information

### BOARD OF DIRECTORS

Tan Sri Dato' Seri Lee Oi Hian  
Dato' Lee Hau Hian  
Dato' Yeoh Eng Khoon  
R. M. Alias  
Dato' Mustafa bin Mohd Ali  
Quah Chek Tin  
Tan Sri Datuk Seri Utama Thong Yaw Hong  
(retired on 20 August 2014)

- Non-Independent Non-Executive Chairman
- Managing Director
- Senior Independent Non-Executive Director
- Independent Non-Executive Director
- Independent Non-Executive Director
- Independent Non-Executive Director
- Senior Independent Non-Executive Director

### COMPANY SECRETARIES

Chong See Teck  
Yap Miow Kien

### REGISTERED OFFICE / PRINCIPAL PLACE OF BUSINESS

Wisma Taiko  
1, Jalan S. P. Seenivasagam  
30000 Ipoh  
Perak Darul Ridzuan, Malaysia  
Tel : 605-2417844  
Fax : 605-2548054  
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 : 603-78490777  
Fax : 603-78418151  
Email : ask\_us@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  
Chartered Accountants

### PRINCIPAL BANKERS

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

# BATU KAWAN BERHAD

## Board of Directors



**TAN SRI DATO' SERI LEE OI HIAN**  
Chairman



**DATO' LEE HAU HIAN**  
Managing Director



**DATO' YEOH ENG KHOON**



**R. M. ALIAS**



**QUAH CHEK TIN**



**DATO' MUSTAFA BIN MOHD ALI**

# BATU KAWAN BERHAD

## Profile of Directors

### **TAN SRI DATO' SERI LEE OI HIAN**

*Non-Independent Non-Executive Chairman  
Member of Nomination and Remuneration Committees  
Aged 63, 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 a trustee of Yayasan Tuanku Bainun, Perdana Leadership Foundation and Yayasan KLK as well as a director of Royal Perak Golf Club Berhad. 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 BKB Group.

### **DATO' LEE HAU HIAN**

*Managing Director  
Aged 61, 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 BKB Group.

### **DATO' YEOH ENG KHOON**

*Senior Independent Non-Executive Director  
Chairman of Audit Committee  
Chairman of Nomination Committee  
Aged 67, Malaysian*

Dato' Yeoh joined the Board on 24 February 2005. He obtained a degree of Bachelor of Arts (Honours) degree 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.

# BATU KAWAN BERHAD

## Profile of Directors (Continued)

### **R. M. ALIAS**

*Independent Non-Executive Director  
Chairman of Remuneration Committee  
Aged 82, 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.

### **DATO' MUSTAFA BIN MOHD ALI**

*Independent Non-Executive Director  
Member of Audit and Nomination Committees  
Aged 77, Malaysian*

Dato' Mustafa joined the Board on 31 October 1994. He is an Honours Economics graduate with Master of Arts from Cambridge University, awarded the CAM Diploma in Advertising by the Advertising Association, United Kingdom and has attended the Harvard Business School's Advanced Management Program.

He served 26 years with the Malaysian Tobacco Company including a 2½ years' assignment as Corporate Planning Officer at British-American Tobacco Co. London and was its Managing Director prior to joining Sime Darby Berhad on 1 July 1988. He worked for some six (6) years with Sime Darby in various senior management positions before his retirement in February 1994. He was a Business Adviser to Kumpulan Guthrie Berhad from April 1994 to June 2002.

He is also a director of Affin Holdings Berhad and AXA Affin Life Insurance Berhad. He serves as a trustee of British Graduate Association and Harvard Business School Alumni Association of Malaysia.

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 63, 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, Paramount Corporation Berhad and ECS ICT Berhad.

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 ten (10) years.

# BATU KAWAN BERHAD

## Group Financial Summary

### FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS

	2014 RM'000	2013 RM'000 (Restated)	2012 RM'000 (Restated)	2011 RM'000 (Restated)	2010 RM'000 (Restated)
Revenue	11,499,664	9,466,245	10,872,828	10,999,589	7,703,040
Profit before taxation	1,417,281	1,285,791	1,622,064	2,119,833	1,483,939
Profit attributable to equity holders of the Company	521,546	483,709	605,687	779,468	567,452
Total assets	14,164,100	13,069,472	12,116,817	11,648,984	9,785,415
Share capital	435,951	435,951	435,951	435,951	435,951
Treasury shares	(330,723)	(223,387)	(196,442)	(182,218)	(146,619)
Reserves	4,531,773	4,354,928	4,066,717	3,996,364	3,421,616
Total equity attributable to equity holders of the Company	4,637,001	4,567,492	4,306,226	4,250,097	3,710,948
Non-controlling interests	4,234,248	4,094,649	3,841,470	3,814,184	3,165,250
Total equity	8,871,249	8,662,141	8,147,696	8,064,281	6,876,198
Total liabilities	5,292,851	4,407,331	3,969,121	3,584,703	2,909,217
Total equity and liabilities	14,164,100	13,069,472	12,116,817	11,648,984	9,785,415

### FINANCIAL STATISTICS

	2014	2013 (Restated)	2012 (Restated)	2011 (Restated)	2010 (Restated)
Basic earnings per share (sen)	126.9	116.5	145.3	186.5	134.2
Dividends per share (sen)	60.0	55.0	65.0	95.0	65.0
Share price as at 30 September (RM)	19.10	18.50	18.00	14.96	12.28
Historical price earnings ratio (times)	15.1	15.9	12.4	8.0	9.2
Dividend yield (%)	3.1	3.0	3.6	6.4	5.3
Dividend cover (times)	2.1	2.1	2.2	2.0	2.1
Dividend payout ratio (%)	47.3	47.2	44.7	50.9	48.4
Net assets per share attributable to equity holders of the Company (RM)	11.33	11.01	10.35	10.19	8.85
Return on shareholders' equity (%)	11.2	10.6	14.1	18.3	15.3
Return on total assets (%)	3.7	3.7	5.0	6.7	5.8
Net debt-to-equity ratio (%)	32.6	9.0	0.1	7.2	6.9

### QUARTERLY FINANCIAL HIGHLIGHTS

	Year 2014 RM'000	Fourth Quarter RM'000	Third Quarter RM'000	Second Quarter RM'000	First Quarter RM'000
Revenue	11,499,664	2,870,040	3,019,475	3,023,312	2,586,837
Profit before taxation	1,417,281	257,130	299,507	450,816	409,828
Profit attributable to equity holders of the Company	521,546	90,829	110,528	163,217	156,972
Basic earnings per share (sen)	126.9	22.1	26.8	39.5	38.0
Net dividends per share (sen)	60.0	45.0	-	15.0	-

The comparative figures were restated following adoption of FRS 10 *Consolidated Financial Statements*, as disclosed in Note 47 to the financial statements.

# BATU KAWAN BERHAD

## Group Plantation Statistics

		2014	2013	2012	2011	2010
		(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
<b>OIL PALM</b>						
FFB Production						
- own estates	(mt)	3,823,787	3,687,225	3,316,197	3,328,622	3,197,260
- sold	(mt)	150,375	240,840	179,528	124,250	99,029
- purchased	(mt)	1,084,985	960,987	819,796	653,200	734,864
- total processed	(mt)	4,758,397	4,407,372	3,956,465	3,857,572	3,833,095
Yield per mature hectare	(mt FFB)	22.47	22.52	21.27	22.07	22.32
Profit per mature hectare (before replanting expenditure)	(RM)	6,283	4,547	7,156	9,691	6,997
Average selling prices						
- FFB	(RM/mt)	519	353	520	621	500
- Palm kernels	(RM/mt ex-mill)	1,576	1,105	1,580	2,141	1,291
- Palm kernel cakes	(RM/mt ex-mill)	430	401	286	406	187
- Palm kernel oil	(RM/mt ex-mill)	3,294	2,225	3,295	4,611	2,810
- Crude palm oil	(RM/mt ex-mill)	2,396	2,275	2,829	2,958	2,402
- Refined palm products	(RM/mt ex-refinery)	2,519	2,460	3,220	3,317	2,517
<b>RUBBER</b>						
Production						
- own estates	('000 kg)	16,547	17,531	18,997	20,847	23,005
- sold	('000 kg)	70	189	-	165	-
- purchased	('000 kg)	1,726	2,104	2,524	2,634	2,416
- total processed	('000 kg)	18,203	19,466	21,521	23,316	25,421
Yield per mature hectare	(kg)	1,328	1,166	1,191	1,214	1,233
Profit per mature hectare (before replanting expenditure)	(RM)	2,421	3,577	7,210	10,466	6,718
Average selling price (net of cess)	(sen/kg)	800	942	1,220	1,409	980
<b>PLANTED AREA (Weighted average hectares):</b>						
<b>OIL PALM</b>						
Mature		170,204	163,751	155,916	150,798	143,275
Immature		39,880	37,989	42,009	40,921	40,859
<b>RUBBER</b>						
Mature		12,456	15,029	15,957	17,175	18,662
Immature		3,678	3,670	3,623	4,057	5,405
<b>TOTAL PLANTED AREA</b>		<b>226,218</b>	<b>220,439</b>	<b>217,505</b>	<b>212,951</b>	<b>208,201</b>

The comparative figures were restated following adoption of FRS 10 *Consolidated Financial Statements*, as disclosed in Note 47 to the financial statements.

# BATU KAWAN BERHAD

## Area Statement

		2014			2013 (Restated)		
	Age In Years	Hectares	% Under Crop	% of Total Planted Area	Hectares	% Under Crop	% of Total Planted Area
<b>OIL PALM</b>	4 to 9	58,999	29		58,943	30	
	10 to 18	77,592	37		76,708	38	
	19 and above	35,075	17		27,935	14	
	<b>Mature</b>	<b>171,666</b>	<b>83</b>	<b>78</b>	<b>163,586</b>	<b>82</b>	<b>76</b>
	<b>Immature</b>	<b>34,234</b>	<b>17</b>	<b>16</b>	<b>34,720</b>	<b>18</b>	<b>15</b>
	<b>Total</b>	<b>205,900</b>	<b>100</b>	<b>94</b>	<b>198,306</b>	<b>100</b>	<b>91</b>
<b>RUBBER</b>	6 to 10	1,017	7		1,667	9	
	11 to 15	2,555	18		3,327	19	
	16 to 20	2,262	16		2,206	12	
	21 and above	5,575	38		7,420	41	
	<b>Mature</b>	<b>11,409</b>	<b>79</b>	<b>5</b>	<b>14,620</b>	<b>81</b>	<b>7</b>
	<b>Immature</b>	<b>3,070</b>	<b>21</b>	<b>1</b>	<b>3,360</b>	<b>19</b>	<b>2</b>
	<b>Total</b>	<b>14,479</b>	<b>100</b>	<b>6</b>	<b>17,980</b>	<b>100</b>	<b>9</b>
<b>TOTAL PLANTED</b>		<b>220,379</b>		<b>100</b>	<b>216,286</b>		<b>100</b>
Plantable Reserves		<b>34,775</b>			<b>18,283</b>		
Conservation Areas		<b>12,253</b>			<b>13,198</b>		
Building sites, etc		<b>8,358</b>			<b>7,011</b>		
<b>GRAND TOTAL</b>		<b>275,765</b>			<b>254,778</b>		

\*The area statement above did not include 6,682 hectares of leased land in Papua New Guinea.

# BATU KAWAN BERHAD

## Chairman's Statement

### ADOPTION OF FRS 10: CONSOLIDATED FINANCIAL STATEMENTS

On 1 October 2013, Batu Kawan Berhad ("the Company" or "BKB") adopted the newly introduced Financial Reporting Standard 10: *Consolidated Financial Statements* which requires Kuala Lumpur Kepong Berhad ("KLK"), previously accounted for as an associate, to be accounted for as a subsidiary of the Company. This is due to BKB being deemed to control KLK by virtue of being its largest shareholder, with a 46% shareholding and having Board representation.

This means that as from financial year ended 30 September 2014 ("FY 14"), the financial statements of KLK is consolidated in the Group financial statements of BKB. As a result, the "Revenue", "Profit before taxation", "Tax expense", "Profit for the year" (among others) of the enlarged BKB Group, including KLK, will show significant increases and therefore for comparison, the financial figures for the previous financial year i.e. FY 13, have thus been restated accordingly in this year's financial statements.

For further information, shareholders can refer to Note 2.1 of the "Notes to the Financial Statements" on pages 53 to 54 of this report.

### FY 14 FINANCIAL RESULTS

As a result of consolidating KLK's results, for FY 14, the enlarged BKB Group reported substantially increased revenues of RM11.49 billion (2013 restated: RM9.46 billion) and profit before taxation of RM1.41 billion (2013 restated: RM1.28 billion) this financial year.

However the ultimate profit figure that shareholders of BKB should focus on is "Profit attributable to equity holders of the Company" and for FY 14, the figure is RM521.5 million against RM483.7 million (restated) last year, an increase of 7%. Earnings per share is 126.9 sen this year against 116.5 sen (restated) previously, an increase of 8%.

Your Directors are recommending a final single tier dividend of 45 sen per share, which together with the interim single tier dividend of 15 sen per share paid earlier, makes the total dividend for the financial year to 60 sen per share, 5 sen higher than last year.

During the year, the Company bought back further of its shares under share buy-backs and as at year end, it now holds 26,746,200 shares which are retained as treasury shares.

Last year the Company launched a RM500 million nominal Islamic Medium Term Note programme ("Sukuk"), under Islamic finance principles with tenure of up to 10 years, and this facility allowed the Company to raise RM500 million of 10-year money in June 2013 at an annual distribution rate of 4.05% p.a. It is gratifying to note that the Company's Sukuk notes were granted an AA1 rating by the Rating agency, attesting to the sound credit position of your Company. These funds are currently largely invested in short term money market instruments pending longer term re-investment. The availability of these long term funds will allow the Company to consider acquisitions of new businesses or other investment opportunities as and when they may arise. To date while some investment proposals were evaluated, no major re-investment of these funds has yet been made.

### MAIN SUBSIDIARY – KLK

KLK reported an increased group profit before tax of RM1.31 billion compared to RM1.19 billion the previous year, an increase of 10%.

The Plantations sector contributed an increased pre-tax profit of RM1,011.4 million compared to RM791.1 million previously, an increase of some 27%. The increase was due to better returns from palm products but FFB production, while higher by 3% was well below expectations due to weather conditions.

While average crude palm oil price achieved of RM2,396/mt was higher than RM2,275/mt of the previous year, the major price improvement came from palm kernels and palm kernel products. Rubber price continued to decline with average rubber price achieved falling a further 15% to RM8.00/kg compared to last year. This reflected the reduced rubber demand in an environment of slowing world growth which resulted in a surplus supply situation. Overall, the profit after replanting from the palm oil sector was RM1,043.9 million, while that of rubber was only RM25.0 million.



# BATU KAWAN BERHAD

## Chairman's Statement (Continued)

Management efforts to improve the oil extraction rate ("OER") have shown initial positive results with KLK Group's OER increasing to 22% this year. This important initiative will be sustained as a multi-year effort.

With recent commissioning of new facilities, KLK Group now has in Indonesia 3 palm oil refineries in order to process domestically its growing volume of crude palm oil produced by KLK Group there, addressing the CPO export tax issue. Due to low yields and high costs, KLK is converting all its rubber areas in Indonesia into oil palm, reducing its overall rubber hectareage.

Rehabilitation work and new plantings of oil palms on its newly acquired Liberian plantations held through its subsidiary, Equatorial Oil Palm Ltd, have started but the current EBOLA outbreak in Western Africa, though so far not having reaching the plantations, will slow efforts somewhat.

The Manufacturing division, which comprises principally the oleo-chemical operations, reported lower profits of RM274.7 million, a result of reduced margins, competition and the impact of unanticipated falling raw material prices which has resulted in write-downs of inventory stock values. Meanwhile projects to increase capacity in various parts of their oleo-chemical operations are continuing. In particular, the second expansion phase for fatty alcohol production will be commissioned soon and should bring about better product costing through economies of scale.

For the Property division, development of its sole project, the 1,000 acres township development known as Bandar Seri Coalfields continues. Phase 1 of the project, comprising of residential and shop houses, has been completed and the houses handed over. Due to timing differences, a lower profit was reported this year. To-date sales continue to be satisfactory.

During the year, KLK announced two joint ventures with UEM Sunrise Berhad involving joint development of the latter's 500 acres land in the Iskandar area ("Gerbang Nusajaya") near to Johor Bahru and 2,500 acres of KLK's Fraser estate located in Kulai Jaya, Johor. The mixed property development projects envisaged by these joint ventures will take several years to materialise but augurs well for the future.

### INDUSTRIAL OPERATIONS

BKB's chemical and related logistics businesses reported a higher profit of RM85.2 million, an improvement of 19%, due to increased sales volumes of our chlor-alkali business under Malay-Sino Chemical Industries Sendirian Berhad ("Malay-Sino").

Despite lower product prices during the year, Malay-Sino benefited from increased product off-takes from a major customer, notwithstanding that these off-takes were lower than anticipated, resulting in the Company continuing to receive compensation payments. Malay-Sino's financial performance could be seen as satisfactory as its higher profit was achieved despite an increase in electric tariff which had a significant impact on production costs. A continuing emphasis on reducing costs and improving efficiency partly explain the favourable result despite the electricity cost increase.

Our methyl chloride manufacturing operations were affected by lower sales demand from a customer impacted by low sugar prices reducing demand of its weedicide product, resulting in this unit reporting a lower profit than last year.

Our transport companies continue to benefit from increased volumes from our chemical companies.

In contrast, our sulphuric acid operations under See Sen Chemical Berhad suffered reduced profits due to lower demand volumes as cheaper imported smelter acid continued to make inroads and the impact of a former customer backward integrating into acid production. Unfortunately, the competitive situation and negative outlook are unlikely to improve and management is looking at various alternatives to mitigate the situation.

Meanwhile a new 120 mt/day liquid alum plant was built in Sendayan, Negeri Sembilan to better serve its existing central region customers.

### PLANTATION SUBSIDIARY

BKB's Indonesian plantation subsidiary, PT Satu Sembilan Delapan, is now fully planted up with 5,346 ha of oil palms. Due to growing maturity of its oil palms, it made increased profits, a trend which would continue in the years ahead.

Its new 70 mt/hr palm oil mill has since been commissioned and will thus allow all the estate's FFB to be processed in-house within the plantation. During the year, additional labour housing and an oil dispatch jetty were constructed.

# BATU KAWAN BERHAD

## Chairman's Statement (Continued)

### GENERAL

Tan Sri Datuk Seri Utama Thong Yaw Hong, our Senior Independent Non-Executive Director, who served on the Board for over 27 years, retired as a Director during the year. I take this opportunity to thank him for his many contributions, valuable advice and service during his long tenure with your Company. Dato' Yeoh Eng Khoon replaces him as the Senior Independent Non-Executive Director on the Board.

While palm oil prices have declined in recent months on the back of favourable harvests of other oil seed crops, there is growing consensus that current prices have touched bottom with some expectation of improving prices in future months. The initiative by the Government to introduce palm oil biodiesel in the domestic market is also a positive move. Meanwhile there are signs of an overall slowing in the world economy. Given these factors, we remain cautiously optimistic that the new financial year will be favourable.

Our thanks to Management and all our employees for their continuing efforts to improve our various businesses.

Tan Sri Dato' Seri Lee Oi Hian  
Chairman  
2 December 2014

# BATU KAWAN BERHAD

## Kenyataan Pengerusi

### PENGUNAAN STANDARD LAPORAN KEWANGAN 10: *PENYATA KEWANGAN DISATUKAN*

Pada 1 Oktober 2013, Batu Kawan Berhad ("Syarikat anda" atau "BKB") telah menerima pakai Standard Laporan Kewangan 10: *Penyata Kewangan Disatukan* yang baharu diperkenalkan dan Kuala Lumpur Kepong Berhad ("KLK"), yang sebelum ini dilaporkan sebagai syarikat sekutu, dikehendaki diterima sebagai anak syarikat kepada Syarikat anda. Ini adalah kerana BKB disifatkan sebagai mengawal KLK dengan kedudukan BKB sebagai pemegang saham terbesar, iaitu pegangan saham sebanyak 46% dan mempunyai perwakilan di dalam Lembaga Pengarah.

Ini bermakna bahawa mulai tahun kewangan berakhir 30 September 2014 ("TK 14"), penyata kewangan KLK akan disatukan di dalam penyata kewangan disatukan Kumpulan bagi BKB. Oleh itu, "Hasil", "Keuntungan sebelum cukai", "Perbelanjaan cukai", "Keuntungan bagi tahun" (antara lain) daripada Kumpulan besar BKB, termasuk KLK, akan menunjukkan peningkatan yang ketara. Oleh itu, untuk perbandingan, angka kewangan bagi tahun kewangan lepas iaitu TK 13 telah dinyatakan semula di dalam penyata kewangan tahun ini.

Untuk maklumat lanjut, pemegang saham boleh merujuk kepada Nota 2.1 daripada "Nota kepada Penyata Kewangan" di muka surat 53 hingga 54 dalam laporan ini.

### KEPUTUSAN KEWANGAN TK 14

Berikutan penyatuan keputusan KLK, bagi TK 14, hasil Kumpulan besar BKB dilaporkan meningkat dengan ketara kepada RM11.49 bilion (penyataan semula 2013: RM9.46 bilion) dan keuntungan sebelum cukai sebanyak RM1.41 bilion (penyataan semula 2013: RM1.28 bilion) bagi tahun kewangan ini.

Walau bagaimanapun, angka keuntungan muktamad yang harus menjadi tumpuan pemegang saham BKB ialah "Keuntungan diatribut kepada pemegang ekuiti Syarikat" – dan bagi TK 14, ia adalah sebanyak RM521.5 juta berbanding RM483.7 juta (penyataan semula) pada tahun lepas, iaitu peningkatan sebanyak 7%. Pendapatan sesaham ialah 126.9 sen bagi tahun ini berbanding 116.5 sen (penyataan semula) bagi tahun sebelumnya, iaitu peningkatan sebanyak 8%.

Para pengarah anda mengesyorkan dividen akhir setingkat sebanyak 45 sen sesaham, yang bersama-sama dengan dividen setingkat interim sebanyak 15 sen sesaham yang dibayar sebelum ini, menjadikan jumlah dividen bagi tahun kewangan ini sebanyak 60 sen sesaham, iaitu 5 sen lebih tinggi daripada tahun lepas.

Pada tahun ini, Syarikat telah membeli balik lagi saham di bawah program pembelian balik saham dan setakat akhir tahun ini, Syarikat kini memegang 26,746,200 saham yang dipegang sebagai saham perbendaharaan.

Tahun lalu, Syarikat telah melancarkan program Nota Jangka Sederhana Islam nominal bernilai RM500 juta ("Sukuk"), di bawah prinsip kewangan Islam dengan tempoh matang sehingga 10 tahun, dan kemudahan ini membenarkan Syarikat untuk memperolehi RM500 juta wang 10 tahun pada bulan Jun 2013, dengan kadar pengagihan tahunan sebanyak 4.05% setahun. Kami berbesar hati memaklumkan bahawa nota Sukuk Syarikat telah diberi penarafan AA1 oleh Agensi Penarafan, sekaligus membuktikan kekuatan kedudukan kredit Syarikat anda. Dana ini kini sebahagian besarnya dilaburkan dalam instrumen pasaran wang jangka pendek sementara menunggu pelaburan semula jangka panjang. Ketersediaan dana jangka panjang akan membolehkan Syarikat untuk mempertimbangkan pengambilalihan perniagaan baharu atau peluang pelaburan yang lain, jika ada. Setakat ini, sementara beberapa cadangan pelaburan sedang dinilai, tiada pelaburan semula utama dana ini yang telah dilaksanakan.

### ANAK SYARIKAT UTAMA – KLK

KLK melaporkan peningkatan keuntungan kumpulan sebelum cukai sebanyak RM1.31 bilion berbanding dengan RM1.19 bilion pada tahun sebelumnya, iaitu peningkatan sebanyak 10%.

Sektor Perladangan menyumbang kepada peningkatan keuntungan sebelum cukai sebanyak RM1,011.4 juta berbanding RM791.1 juta tahun lepas, iaitu peningkatan sebanyak kira-kira 27%. Peningkatan ini adalah disebabkan oleh pulangan yang lebih baik daripada produk-produk sawit tetapi pengeluaran buah tandan segar ("BTS"), meskipun lebih tinggi sebanyak 3%, adalah masih jauh di bawah jangkaan disebabkan oleh keadaan cuaca.

# BATU KAWAN BERHAD

## Kenyataan Pengerusi (Sambungan)

Walaupun harga minyak sawit mentah purata mencapai RM2,396/mt iaitu lebih tinggi daripada RM2,275/mt pada tahun sebelumnya, peningkatan harga yang besar datangnya daripada isirung sawit dan produk isirung sawit. Harga getah terus merosot dengan harga getah purata mengalami kejatuhan 15% lagi kepada RM8.00/kg berbanding tahun lepas. Ini mencerminkan pengurangan permintaan getah dalam persekitaran pertumbuhan dunia yang perlahan dan menyebabkan keadaan lebih bekalan. Secara keseluruhan, keuntungan selepas penanaman semula daripada sektor minyak sawit ialah RM1,043.9 juta, manakala getah hanya RM25.0 juta.

Usaha pihak pengurusan untuk meningkatkan kadar perahan minyak ("OER") telah menunjukkan hasil awal yang positif dengan OER Kumpulan KLK meningkat kepada 22% pada tahun ini. Inisiatif penting ini akan dikekalkan sebagai usaha berbilang tahun.

Dengan permulaan operasi beberapa kemudahan pemprosesan baharu kebelakangan ini, Kumpulan KLK kini mempunyai 3 kilang penapisan minyak sawit di Indonesia, untuk memproses jumlah pengeluaran minyak sawit mentah ("MSM") dalam negara yang semakin meningkat dan dihasilkan oleh Kumpulan KLK di sana, sekaligus menangani isu cukai eksport MSM. Oleh kerana hasil yang rendah dan kos yang tinggi, KLK sedang menukarkan semua kawasan getahnya di Indonesia kepada kelapa sawit, mengurangkan keluasan getah keseluruhannya.

Kerja-kerja pemulihan dan penanaman baru kelapa sawit di ladang Liberia yang baharu diperolehi dan dipegang melalui anak syarikatnya, Equatorial Palm Oil plc, telah dimulakan tetapi disebabkan wabak EBOLA merebak di Afrika Barat, walaupun setakat ini tidak melibatkan kawasan ladang kami, telah menjejaskan dan melambatkan usaha yang dijalankan.

Bahagian Perkilangan, yang terdiri terutamanya daripada operasi oleo-kimia, melaporkan keuntungan yang lebih rendah sebanyak RM274.7 juta, hasil daripada margin yang berkurangan, persaingan dan kesan kejatuhan harga bahan mentah yang tidak dijangka dan menyebabkan penurunan nilai inventori. Sementara itu, projek untuk meningkatkan keupayaan dalam pelbagai bahagian operasi oleo-kimia masih diteruskan. Khususnya, fasa pengembangan kedua untuk pengeluaran alkohol lemak akan beroperasi tidak lama lagi dan ini akan mengurangkan kos produk melalui kos ekonomi skala.

Bagi bahagian Hartanah, pembangunan projek tunggalnya, iaitu pembangunan 1,000 ekar perbandaran yang dikenali sebagai Bandar Seri Coalfields akan terus dijalankan. Fasa 1 projek tersebut, yang terdiri daripada rumah kediaman dan rumah kedai, telah siap dan diserahkan kepada pemiliknya. Jualan setakat ini adalah memuaskan. Tetapi disebabkan oleh perbezaan masa, keuntungan yang lebih rendah telah dilaporkan pada tahun ini.

Pada tahun ini, KLK mengumumkan dua usaha sama dengan UEM Sunrise Berhad yang melibatkan pembangunan bersama tanah seluas 500 ekar di kawasan Iskandar ("Gerbang Nusajaya") berhampiran Johor Bahru dan 2,500 ekar ladang KLK Fraser yang terletak di Kulai Jaya, Johor. Projek pembangunan hartanah bercampur yang diterajui oleh usaha sama ini akan mengambil masa beberapa tahun untuk menjadi kenyataan tetapi merupakan petanda yang baik untuk masa depan.

### OPERASI PERINDUSTRIAN

Perniagaan kimia dan logistik berkaitan BKB melaporkan keuntungan yang lebih tinggi sebanyak RM85.2 juta, iaitu peningkatan sebanyak 19%, disebabkan oleh peningkatan jumlah jualan perniagaan klor-alkali kami di bawah Malay-Sino Chemical Industries Sendirian Berhad ("Malay-Sino").

Walaupun harga produk adalah lebih rendah sepanjang tahun ini, Malay-Sino mendapat manfaat daripada peningkatan pembelian produk oleh pelanggan utama. Meskipun pembelian ini masih jauh lebih rendah daripada jangkaan, ia menyebabkan Syarikat terus menerima bayaran pampasan. Prestasi kewangan Malay-Sino ini boleh dilihat sebagai memuaskan di mana keuntungan yang lebih tinggi telah dicapai walaupun terdapat kenaikan tarif elektrik yang mempunyai kesan yang besar terhadap kos pengeluaran. Penekanan yang berterusan untuk mengurangkan kos dan meningkatkan kecekapan sedikit sebanyak dapat menyumbang kepada keputusan yang menggalakkan walaupun kos elektrik meningkat.

Operasi pengeluaran metil klorida kami telah terjejas oleh permintaan jualan yang lebih rendah daripada pelanggan yang dijejaskan akibat kesan pengurangan permintaan bagi produk racun rumpai pelanggan berikutan harga gula yang rendah, dan sekaligus melaporkan keuntungan yang lebih rendah daripada tahun lepas.

Syarikat pengangkutan dan logistik kami terus memperoleh manfaat daripada peningkatan jumlah pengeluaran oleh syarikat-syarikat kimia kami.

# BATU KAWAN BERHAD

## Kenyataan Pengerusi (Sambungan)

Sebaliknya, operasi asid sulfurik kami di bawah See Sen Chemical Berhad mengalami pengurangan keuntungan yang disebabkan oleh jumlah permintaan yang lebih rendah apabila asid kilang peleburan diimport yang lebih murah terus memasuki pasaran dan kesan daripada salah satu bekas pelanggan yang telah melaksanakan integrasi ke belakang dalam pengeluaran asid. Malangnya, keadaan berdaya saing dan prospek negatif tidak mungkin akan dapat diperbaiki dan pihak pengurusan sedang mencari pelbagai alternatif untuk meringankan masalah ini.

Sementara itu, sebuah loji alum cecair berkapasiti 120 tm/hari baharu telah dibina di Sendayan, Negeri Sembilan untuk memenuhi permintaan pelanggan sedia ada di wilayah tengah Semenanjung Malaysia.

### ANAK SYARIKAT PERLADANGAN

Anak syarikat perladangan Indonesia BKB, P.T. Satu Sembilan Delapan, kini ditanam sepenuhnya dengan 5,346 hektar kelapa sawit. Disebabkan oleh kematangan pokok-pokok kelapa sawit, ia memperoleh keuntungan yang meningkat, dengan trend yang akan berterusan pada tahun-tahun akan datang.

Kilang minyak sawit baharu dengan kapasiti 70 tan metrik sejam telah pun dimula kerja dan membolehkan semua BTS diproses di dalam ladang. Pada tahun ini, perumahan tambahan untuk tenaga kerja ladang dan jeti penghantaran minyak sawit telah dibina.

### SECARA AM

Tan Sri Datuk Seri Utama Thong Yaw Hong, Pengarah Bukan Eksekutif Bebas Kanan kami, yang berkhidmat dalam Lembaga Pengarah selama lebih 27 tahun, telah bersara sebagai Pengarah pada tahun ini. Saya ingin mengambil kesempatan ini untuk mengucapkan terima kasih atas sumbangan, nasihat dan khidmat beliau yang tidak ternilai dalam satu tempoh yang agak panjang bersama Syarikat anda. Dato' Yeoh Eng Khoon menggantikan beliau sebagai Pengarah Bukan Eksekutif Bebas Kanan dalam Lembaga Pengarah.

Walaupun harga minyak sawit telah menurun dalam beberapa bulan kebelakangan ini berikutan hasil tuaian yang baik daripada tanaman biji minyak, terdapat lebih banyak persetujuan yang menyatakan bahawa harga semasa telah mencapai tahap terendah dengan beberapa jangkaan peningkatan harga pada bulan-bulan akan datang. Inisiatif Kerajaan untuk memperkenalkan bio-diesel minyak sawit dalam pasaran tempatan juga adalah satu langkah yang positif. Sementara itu, terdapat tanda-tanda ekonomi dunia yang semakin perlahan secara menyeluruh. Memandangkan faktor-faktor ini, kami tetap optimis bahawa tahun kewangan yang baharu adalah menggalakkan.

Saya mengucapkan terima kasih kepada pihak pengurusan dan semua kakitangan kami atas usaha mereka yang berterusan untuk meningkatkan prestasi pelbagai perniagaan kami.

Tan Sri Dato' Seri Lee Oi Hian  
Pengerusi  
2 Disember 2014

# BATU KAWAN BERHAD

## Corporate Governance Statement

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

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 2014, the Company has complied with the principles and recommendations of the Malaysian Code of Corporate Governance 2012 ("the Code") unless stated otherwise.

### THE BOARD OF DIRECTORS

The principal functions and responsibilities of the Board, which have been clearly set out in the Board Charter, include the overseeing of the development and implementation of corporate strategies and control systems, ensuring corporate accountability to the shareholders as well as effective risk management and delegation of day-to-day management of the business to the Management. The Board continues to adhere to the Company's Code of Conduct for the Directors which governs the underlying core ethical values and commitment to lay standards of integrity, transparency, accountability and corporate social responsibility.

The Board Charter and Code of Conduct are made available on the Company's website, [www.bkawan.com.my](http://www.bkawan.com.my).

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 2014, 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 <sup>1</sup>	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
Dato' Mustafa bin Mohd Ali	4	4
Quah Chek Tin	4	4
Tan Sri Datuk Seri Utama Thong Yaw Hong <sup>2</sup>	3	2

<sup>1</sup> Reflects the number of meetings held during the time the Director held office

<sup>2</sup> Retired on 20 August 2014

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.

### BOARD BALANCE AND INDEPENDENCE OF DIRECTORS

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. 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.

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 decision.

Although the Chairman of the Board is regarded as a Non-Independent Non-Executive Director, the Independent Directors who account for a majority of the Board ensures 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.

# BATU KAWAN BERHAD

## Corporate Governance Statement (Continued)

### ASSESSMENT OF INDEPENDENCE AND TENURE 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.

The Board further noted the Code recommends 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 Khoo, 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 Khoo 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.

### ACCESS TO INFORMATION AND PROFESSIONAL ADVICE

All Directors are provided with an agenda and a set of Board papers to Board meetings. They are issued with sufficient time to enable 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.

All Directors have access to the advice and services of the suitably qualified and competent Company Secretaries, who are also responsible for ensuring the Group's adherence and compliance with the relevant statutory and regulatory requirements. The Directors have direct and unrestricted access to senior management of the Company for information relating to the affairs of the Group and have authority to seek external professional advice should they so require.

### BOARD COMMITTEES

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

#### Audit Committee

The Audit Committee reviews issues of accounting policies and presentation for external financial reporting, monitors the work of the internal audit function and ensures an objective and professional relationship is maintained with the External Auditors.

The Audit Committee has full access to the auditors both internally and externally who, in turn, have access at all times to the Chairman of the Audit Committee.

The report of the Audit Committee can be found on pages 30 to 32.

# BATU KAWAN BERHAD

## Corporate Governance Statement (Continued)

### 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

Dato' Mustafa bin Mohd Ali – Independent Non-Executive Director

Tan Sri Dato' Seri Lee Oi Hian – Non-Independent Non-Executive Director

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) 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 <sup>1</sup>	Attended
Dato' Yeoh Eng Khoon <sup>2</sup>	2	2
Dato' Mustafa bin Mohd Ali	2	2
Tan Sri Datuk Seri Utama Thong Yaw Hong <sup>3</sup>	2	1
Tan Sri Dato' Seri Lee Oi Hian <sup>4</sup>	-	-

<sup>1</sup> Reflects the number of meetings held during the time the Director held office

<sup>2</sup> Appointed as Chairman with effect from 10 November 2014

<sup>3</sup> Ceased as Chairman upon his retirement from the Board on 20 August 2014

<sup>4</sup> Appointed as a member with effect from 10 November 2014

The 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 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.

The 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 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 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.

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

- (1) Reviewed and recommended to the Board for its approval in relation to the re-appointment and re-election of Directors at the forthcoming AGM;
- (2) Reviewed and recommended to the Board for its approval for adoption of the revised TOR of Nomination Committee;
- (3) Reviewed the composition of the Board on its required mix of skills, experience and other qualities of the Board;
- (4) Reviewed and recommended to the Board for its approval the filling of vacancies to the respective Committees and the position of a Senior Independent Director;
- (5) Assessed the performance and effectiveness of the individual Director, overall Board and its Committees;
- (6) Reviewed the independence of Independent Directors and their tenure of service;
- (7) Assessed the adequacy and effectiveness of the adoption of Boardroom Diversity Policy to the Board;
- (8) Reviewed the succession plans of the Board and Senior Management;
- (9) Reviewed the renewal of the employment contract of the Managing Director; and
- (10) Assessed Directors' training needs to ensure all Directors receive appropriate continuous training programmes.



# BATU KAWAN BERHAD

## Corporate Governance Statement (Continued)

The 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 the BKB Group 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. The Board will only set specific targets in relation to gender diversity if the situation so requires and if it is in the best interest of the Company to do so.

### 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 employees.

The Remuneration 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) 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 <sup>1</sup>	Attended
R. M. Alias	2	2
Dato' Mustafa bin Mohd Ali <sup>2</sup>	2	2
Tan Sri Datuk Seri Utama Thong Yaw Hong <sup>3</sup>	2	1
Tan Sri Dato' Seri Lee Oi Hian <sup>4</sup>	-	-
Quah Chek Tin <sup>4</sup>	-	-

<sup>1</sup> Reflects the number of meetings held during the time the Director held office

<sup>2</sup> Resigned as a member on 10 November 2014

<sup>3</sup> Ceased as a member upon his retirement from the Board on 20 August 2014

<sup>4</sup> Appointed as a member with effect from 10 November 2014

The Remuneration Committee carries out the function established by the Board to have a formal and transparent remuneration policies and procedures in order to retain the 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. 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 being 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:

Category	Fees (RM'000)	Salaries (RM'000)	Incentive (RM'000)	Other Emoluments (RM'000)
1 Executive Director	-	1,410	1,440	488
6 Non-Executive Directors	750	-	-	22

# BATU KAWAN BERHAD

## Corporate Governance Statement (Continued)

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

<u>Range of Remuneration</u>	<u>Executive Director</u>	<u>Non-Executive Directors</u>
RM100,001 to RM150,000	-	5
RM150,001 to RM200,000	-	1
RM3,300,000 to RM3,350,000	1	-

### RE-ELECTION OF THE DIRECTORS

In accordance with the Company's Articles of Association ("the Articles"), all Directors who are appointed by the Board are subject to re-election by shareholders at the next Annual General Meeting immediately after their appointment. In accordance with the Articles, one-third of the Directors, including the Managing Director, is required to submit themselves for re-election by rotation at each Annual General Meeting.

Directors over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

### 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.

For the year under review, the Directors had 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:

- The Malaysian Palm Oil Board International Palm Oil Congress (PIPOC) 2013
- Palm and Lauric Oils Conference & Exhibition, Price Outlook (POC) 2014
- Program Advisory Committee (PAC) Seminar
- Goods & Services Tax
- Capturing Value Through Strategic Pricing
- Advocacy Sessions on Corporate Disclosure for Directors
- Nominating Committee Programme
- Strategic Planning 2013 – Top 10 Malaysia ICT Predictions
- Strata Management
- Audit Committee Institute Breakfast Roundtable 2013
- "LSE Insights on the Financial Crisis & Financial Reforms and China's Foreign Affairs under Xi Jin Ping"
- Malaysia 2014 Market Trends and Updates
- Driving innovation and productivity to meet industry challenges – the next phase
- Appreciation & Application of ASEAN Corporate Governance Scorecard

### INVESTOR RELATIONS AND SHAREHOLDER COMMUNICATION

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.

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 1<sup>st</sup> half and full year results are advertised in a major daily and copies of the full announcements are provided on request.

# BATU KAWAN BERHAD

## Corporate Governance Statement (Continued)

The Annual General Meeting which is held in February each year, provides a means of communication with shareholders. 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. In addition, the shareholders have the right, as provided for in the Articles, to call for poll voting.

The Company's website is freely accessible to the public at [www.bkawan.com.my](http://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.

### FINANCIAL REPORTING

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 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 Board considers to be applicable have been followed, subject to any explanations and material departures disclosed in the notes to the financial statements.

### INTERNAL CONTROLS

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.

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.

### 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 met the External Auditors twice during the year under review without the presence of the Executive Directors and Management to allow the Audit Committee members and the External Auditors to exchange 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 on pages 30 to 32.

### SUSTAINABILITY OF BUSINESS

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.

# BATU KAWAN BERHAD

## Corporate Governance Statement (Continued)

### **CORPORATE SOCIAL RESPONSIBILITIES (“CSR”)**

The Group is committed to the welfare of its employees and to the communities in which it operates. Management recognises that for long-term sustainability, its strategic orientation will need to cater beyond the financial parameters.

The Group focuses towards high performance in producing excellent quality products is intertwined with its commitment and holistic approach in managing its social and environmental obligations. With this in mind, it continues to initiate and sustain its activities and introduce new initiatives that relate to CSR. The activities undertaken are based on ethical values in appreciation of the environment, surrounding community, employees and our customers.

During the year, the Group organised several activities to sustain its CSR responsibilities to the environment, employees and the community. Apart from this, our employees had also actively participated in activities organised by local authorities and government agencies.

Among the main programmes initiated were the Health, Safety and Environment (“HSE”) awareness week, sport and recreation activities and welfare events. All of these events received overwhelming response from the employees, in-house contractors, contract workers and the communities.

#### **The Workplace**

##### **(1) Sports and Recreational Activities**

Sports activities within and outside the workplace have been organised with the objective of encouraging employees to live a healthy lifestyle and at the same time, promote teamwork spirit among employees. Sports tournaments such as badminton matches, bowling, soccer and futsal tournaments have been successfully organised.

Other than competitions to promote a healthy lifestyle, our operating centres are also renting a badminton court and futsal arena on a monthly basis to provide the employees continual sporting and recreational activities.

##### **(2) HSE Awareness Week 2014**

An awareness campaign was organised by our operating centres from 4 to 11 September 2014 through training given by consultants/vendors and mock drill exercise to ensure all our employees, in-house contractors and contract workers were aware of the importance of safety, health and environment in the workplace. Other activities carried out during the HSE Awareness Week were briefing to the public by HSE Manager, Road Safety Awareness Talk by Jabatan Kerja Jalanraya, Sulphuric Acid Spillage Mock Drill Exercise by BOMBA/HAZMAT.

##### **(3) Welfare and Charity**

As part of the Group endeavours to create cohesiveness and foster relationship among the employees in the Group, various activities have been organised which include Annual Dinner, Family Day, donation of food, beverages and other needs to the flood victims, donation to the needy from Kanak Yatim Silibin Vision Home, Persatuan Daybreak Kebajikan Orang-Orang Cacat, Badan Kebajikan Anak-Anak Yatim Darussalam, MAA Medicare Charity Centre, The Perak Family Health Association, Ramakrishna Ashrama Orphanage, Salvation Army Old Folks Home and some schools in Ipoh as well as Kurma giving and drinks were distributed to participating employees during the fasting month.

##### **(4) Employee Training and Development**

Career development is one of the main priorities of the Company to provide development opportunities for the employees, which in turn creates succession plan in the organisation. The Group continuously provides its employees with skills development and training programmes that encourage progression and self-enrichment. These include team building activities and also internal and external training programmes.

# BATU KAWAN BERHAD

## Corporate Governance Statement (Continued)

### **The Community**

#### **(1) Community Services**

We assisted a few government bodies by offering them donation to organise activities related to the community such as to Berita Kesatuan Pekerja Bomba, Majlis Kebajikan & Sukan Anggota-Anggota Kerajaan, Badan Amal Kebajikan Al-Mizan Terengganu, Badan Kebajikan Masyarakat Bekas Tentera WP, Persatuan Pegawai Kanan Kastam Malaysia ("PERKASA"), Sectional Police Office & Communities and Persatuan Kalimah.

During the year, our chemical plant in Lahat organised a plant tour for the students of UTAR for them to gain knowledge on the manufacturing of chemicals as well as to understand the level of chemical safety awareness and practices.

Our plantation company in Indonesia also participated in various charitable events to give away donation for the governmental and non-governmental bodies for them to organise activities contributing to the community. Such activities include the repair of roads, health checks for children and donation with food giveaway in conjunction with Environmental Day, Education Day and for the fishermen and cemetery.

#### **(2) Internship Program**

The Group has given opportunities to students from local universities, polytechnics and technical skill centres to gain practical working experience, knowledge, skills and prepare them for the real working environment when they enter the job markets. During this period, eighteen (18) undergraduate students have been given industrial training placements by the operating centres.

### **Environment**

Our chemical subsidiaries have been actively involved in several energy enhancement projects including the Industrial Energy Efficiency for Malaysian Manufacturing Sector (IEEMMS) projects. In June 2011, the Global Environment Facility (GEF) and United Nations Industrial Development Organisation (UNIDO) approved the project on IEEMMS. The objective of the project is to promote energy efficiency improvements in the Malaysian manufacturing sector through the implementation of Energy Management System based on the ISO 50001 Energy Management Standards and the application of Energy System Optimisation.

As it strives to improve its business, the Group will remain as a committed socially responsible company both to its customers and shareholders and will also endeavour to improve its environmental responsibilities.

# BATU KAWAN BERHAD

## 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" endorsed 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 recognises 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 and treatment measures.

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

- **BOARD MEETINGS**

The Board meets at least quarterly and has a formal agenda on matters for discussion. The Group Managing Director leads the presentation of board papers and provides explanations on pertinent issues. In arriving at any decision, on recommendation by the Management, a thorough deliberation and discussion by the Board is 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 authorities are in place to facilitate quick response to changes in the evolving business environment, effective supervision of day-to-day business conduct and accountability for operations performance. Capital and non-capital expenditures and acquisition and disposal of investment interest are subject to appropriate approval processes.

# BATU KAWAN BERHAD

## Statement on Risk Management and Internal Control (Continued)

- **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 various operating units. The 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 provides a responsible accounting framework.

- **OPERATIONAL POLICIES AND PROCEDURES**

The documented policies and procedures form an integral part of the internal control systems to safeguard shareholders' investment and Group's assets against material losses and ensure complete and accurate financial information. The documents consist of circulars, the Standard Operating Manuals and the Standard Policy Procedures Manuals that are continuously being revised and updated 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, conducts reviews on the system of internal controls and the effectiveness of the processes that are in place to identify, manage and report risks. Routine reviews are being conducted on units under the Group's business segments. Appropriate recommendations are made to address the issues and weaknesses highlighted and they are subsequently followed up upon to ensure proper implementation.

### **REVIEW OF STATEMENT BY EXTERNAL AUDITORS**

The External Auditors have reviewed this Statement on Risk Management and Internal Control pursuant 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 of the Group for the year ended 30 September 2014, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be 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 the 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 system for the year under review and up to the date of approval of this statement 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.

The Group Managing Director and Group Financial Controller have provided 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 controls, so as to safeguard shareholders' investments and the Group's assets.

This Statement was approved by the Board of Directors on 15 December 2014.

# BATU KAWAN BERHAD

## Audit Committee Report

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 2014.

The Audit Committee ("the 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 Committee and that of each member at least once in every three (3) years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

The Committee convened five (5) meetings during the financial year ended 30 September 2014. The members of the Committee and their attendance at the meetings, are as follows:

Name of Directors	Number of Meetings	
	Held <sup>1</sup>	Attended
Dato' Yeoh Eng Khoon (Chairman)	5	5
- <i>Senior Independent Non-Executive Director</i>		
Quah Chek Tin	5	5
- <i>Independent Non-Executive Director</i>		
Tan Sri Datuk Seri Utama Thong Yaw Hong <sup>2</sup>	5	3
- <i>Senior Independent Non-Executive Director</i>		
Dato' Mustafa bin Mohd Ali <sup>3</sup>	-	-
- <i>Independent Non-Executive Director</i>		

<sup>1</sup> Reflects the number of meetings held during the time the Director held office

<sup>2</sup> Ceased as a member upon his retirement from the Board on 20 August 2014

<sup>3</sup> Appointed as a member with effect from 10 November 2014

The 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 Committee. The Committee met the External Auditors twice during the year under review without the presence of the Executive Director and Management.

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

### FUNCTIONS OF THE COMMITTEE

The key functions of the Committee are as follows:

- (a) To consider and recommend the appointment of External Auditors, the audit fee and any questions of resignation, dismissal or re-appointment;
- (b) To discuss with the External Auditors before the audit commences, the audit plan, the nature and scope of the audit, and ensure co-ordination when more than one audit firm is involved;
- (c) To review and discuss with the External Auditors the following:
  - its evaluation of the system of internal controls;
  - its audit report;
  - the assistance given by the employees;
  - problems and reservations arising from the interim and final audits, and any matter it may wish to discuss (in the absence of management where necessary); and
  - its management letter and management's response.



# BATU KAWAN BERHAD

## Audit Committee Report (Continued)

- (d) To review and discuss with the Head of Internal Audit the following:
- the adequacy of the scope, functions and resources of the internal audit function;
  - the internal audit programme and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;
  - approve any appointment or termination of senior staff members of the internal audit function; and
  - take cognisance of resignations of internal audit staff members (for in-house internal audit function) or the internal audit service provider (for out-sourced internal audit function) and provide the resigning staff member or the internal audit service provider an opportunity to submit his reasons for resigning.
- (e) To review the quarterly and year-end financial statements of the Group, prior to submission to the Board of Directors, focusing particularly on:
- any changes in accounting policies and practices;
  - compliance with accounting standards and other legal requirements;
  - significant adjustments arising from the audit; and
  - the going concern assumption.
- (f) To review and recommend to the Board for approval and inclusion in the Annual Report the following:
- Corporate Governance Statement;
  - Statement on Risk Management and Internal Control;
  - Audit Committee Report; and
  - Internal Audit Function.
- (g) To consider any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management's integrity;
- (h) To consider the major findings of internal investigations and management's response; and
- (i) To consider any topics as defined by the Board.

### SUMMARY OF ACTIVITIES OF THE COMMITTEE

In line with the key functions of the Committee, the following activities were carried out by the Committee during the financial year ended 30 September 2014 in the discharge of its functions and duties:

- (a) review of the audit plans for the Company and the Group for the year which were prepared by both the External and Internal Auditors;
- (b) review of the audit reports for the Company and the Group prepared by the External and Internal Auditors and consideration of the major findings by the auditors and management's response thereto;
- (c) review of the quarterly and Annual Reports of the Company and the Group prior to submission to the Board for their consideration and approval;
- (d) review of related party transactions entered into by the Company and/or its subsidiaries;
- (e) consideration and recommendation to the Board for approval of the audit fees payable to the External Auditors;
- (f) make recommendations to management on improvement in internal control procedures and risk management;
- (g) review the adequacy of resources for the internal audit function including the appointment of Internal Auditors;
- (h) review the risk management activities of the Company and its subsidiaries; and
- (i) review the Audit Committee Report, Statement on Corporate Governance, Statement on Risk Management and Internal Control and Internal Audit Function before submitting for Board's approval and inclusion in the Company's Annual Report.

# BATU KAWAN BERHAD

## Audit Committee Report (Continued)

### 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 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 Company's internal control system for the Board as well as to assist in drafting the Statement of 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 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 a total of 172 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 2014 were RM4,563,000.

# BATU KAWAN BERHAD

## Directors' Responsibility Statement

The Directors are required by the Companies Act, 1965 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 2014, 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 complied with and confirm 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 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 requirements of the Companies Act, 1965.

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

# BATU KAWAN BERHAD

## Additional Compliance Information

### UTILISATION OF PROCEEDS

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

### OPTIONS OR CONVERTIBLE SECURITIES

No options or convertible securities were issued by the Company during the financial year.

### DEPOSITORY RECEIPT PROGRAMME

During the financial year, the Company did not sponsor any depository receipt programme.

### IMPOSITION OF SANCTIONS/PENALTIES

There was no material sanction and/or penalty imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies.

### NON-AUDIT FEES

Non-audit fees of RM968,000 (2013: RM1,581,000) was paid to the External Auditors and its affiliate, by the Group during the financial year.

### VARIATION IN RESULTS

There were no material variances between the financial results for the financial year ended 30 September 2014 and the unaudited results previously announced by the Company.

### PROFIT GUARANTEE

During the financial year, there was no profit guarantee given by the Company.

### 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.

### SHARE BUY BACKS

During the financial year, the Company bought back some of its own shares from the open market and details are disclosed in the financial statements on pages 39 to 40.

# BATU KAWAN BERHAD

## Additional Compliance Information (Continued)

### 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 year under review between the Company and/or its subsidiaries 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 Group	Sale and purchase of raw materials and other products and services	See Sen Chemical Berhad ("SSCB")	3,432
	Sale of finished goods and other products and services	<u>Interested Directors</u> Tan Sri Dato' Seri Lee Oi Hian ("LOH") Dato' Lee Hau Hian ("LHH")	760
	Provision of transportation services	<u>Interested Major Shareholders #</u>	2,054
	Rental of transport vehicles earned		364
	Rental of transport vehicles incurred		186
	Purchase of electricity		5,879
	Purchase and sale of products and services which relate to core chemical business	Taiko Marketing Sdn Bhd Group ("TMK Group")	153
	Provision of transportation services	<u>Interested Directors</u> LOH, LHH	495
	Sale of finished products	<u>Interested Major Shareholders #</u>	167,007
	Commission given for sale of products		5,666
	Purchase and sale of products and services which relate to core chemical business	Taiko Marketing (Singapore) Pte Ltd ("TMK(S)")	30,171
		<u>Interested Directors</u> LOH, LHH	
		<u>Interested Major Shareholders #</u>	
	Purchase and sale of products and services which relate to core chemical business	Chlor-Al Chemical Pte Ltd ("CAC")	5,460
		<u>Interested Directors</u> LOH, LHH	
		<u>Interested Major Shareholders #</u>	

# BATU KAWAN BERHAD

## Additional Compliance Information (Continued)

Company	Type of Transactions	Related Party and nature of relationship	Transactions aggregate value RM'000
See Sen Chemical Berhad Group	Purchase of raw materials and other products and services	Malay-Sino Chemical Industries Sendirian Berhad Group ("MSCI")	760
	Procurement of transportation services	<u>Interested Directors</u> LOH, LHH	2,054
	Rental of transport vehicles earned	<u>Interested Major Shareholders #</u>	186
	Rental of transport vehicles incurred		364
	Sale and purchase of finished goods and other products and services		3,432
	Sale of electricity		5,879
	Commission given for sale of products	Taiko Marketing Sdn Bhd Group	2,161
	Sale of finished goods and other products and services	<u>Interested Directors</u> LOH, LHH	55,856
	Purchase of products and services which relate to core chemical business	<u>Interested Major Shareholders #</u>	5,740
	Commission given for sale of products	Chlor-Al Chemical Pte Ltd	284
	Purchase and sale of products and services which relate to core chemical business	<u>Interested Directors</u> LOH, LHH	9,876
		<u>Interested Major Shareholders #</u>	
	Purchase and sale of products and services which relate to core chemical business	Taiko Clay Chemicals Sdn Bhd Group ("TCC")	7,809
		<u>Interested Directors</u> LOH, LHH	
		<u>Interested Major Shareholders #</u>	
	Purchase of storage and packing materials	Paragon Yield Sdn Bhd Group ("PYSB")	281
		<u>Interested Directors</u> LOH, LHH	
		<u>Interested Major Shareholders #</u>	

# BATU KAWAN BERHAD

## Additional Compliance Information (Continued)

Company	Type of Transactions	Related Party and nature of relationship	Transactions aggregate value RM'000
See Sen Chemical Berhad Group	Sale of electricity and provision of other chemical-based products and services	BASF See Sen Sdn Bhd <u>Interested Directors</u> LOH, LHH  <u>Interested Major Shareholders #</u>	6,033
	Commission given for procurement of products	Fragrance Connections Sdn Bhd Group ("Fragrance Connections")  <u>Interested Directors</u> LOH, LHH  <u>Interested Major Shareholders #</u>	452
PT Satu Sembilan Delapan	Purchase of materials required for plantations	PT Taiko Persada Indoprima ("TPI")  <u>Interested Directors</u> LOH, LHH  <u>Interested Major Shareholders #</u>	456
	Purchases and sales of fresh fruit bunches	PT Hutan Hijau Mas ("PTHM")  <u>Interested Directors</u> LOH, LHH  <u>Interested Major Shareholders #</u>	57,195
	Purchases of fresh fruit bunches	PT Jabontara Eka Karsa ("JEK")  <u>Interested Directors</u> LOH, LHH  <u>Interested Major Shareholders #</u>	31
	Management fees	PT KLK Agriservindo ("PTKLK")  <u>Interested Directors</u> LOH, LHH  <u>Interested Major Shareholders #</u>	174

*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.*

# BATU KAWAN BERHAD

## Additional Compliance Information (Continued)

### Note:

- # *Grateful Blessings Inc (which is wholly-owned by LOH) and Cubic Crystal Corporation (which is wholly-owned by LHH) are substantial shareholders of Di-Yi Sdn Bhd and High Quest Holdings Sdn Bhd respectively, which in turn are substantial shareholders of Wan Hin Investments Sdn Bhd ("WHI") and Arusha Enterprise Sdn Bhd who are major shareholders of the Company. Accordingly all these parties are also deemed interested major shareholders by virtue of their deemed interests.*
- @ *Taiko Clay Chemicals Sdn Bhd, Taiko Chemical Industries Sdn Bhd and Paragon Yield Sdn Bhd are persons connected with LOH and LHH.*

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

#### 1. SSCB Group

- (a) SSCB is a 61% subsidiary of BKB.
- (b) Wan Hin Investments Sdn Bhd ("WHI"), a company in which LOH and LHH have interests, is a substantial shareholder of SSCB. WHI is also a major shareholder of BKB.

#### 2. TCC Group

TCC is a company in which Dato' Lee Soon Hian ("LSH"), a brother to LOH and LHH, together with a person connected with him, are deemed major shareholders through Taiko Chemical Industries Sdn Bhd ("TCI"). TCC is a 62% subsidiary of TCI.

#### 3. BASF See Sen Sdn Bhd

- (a) BASF See Sen Sdn Bhd is a 30% associate of SSCB.
- (b) WHI is a substantial shareholder of SSCB.

#### 4. TMK Group/Fragrance Connections

TMK and Fragrance Connections are companies in which LSH and persons connected with him are major shareholders.

#### 5. TMK(S)/CAC/PTI

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

#### 6. PYSB Group

PYSB is a company in which LSH is a deemed major shareholder.

#### 7. MSCI Group

- (a) MSCI is a 86% subsidiary of BKB.
- (b) WHI is also a shareholder of MSCI.

#### 8. PTHM, JEK and PTKLK

- (a) Subsidiaries of Kuala Lumpur Kepong Berhad ("KLK").
- (b) KLK is a subsidiary company of BKB.
- (c) Certain BKB Directors, LOH and LHH are major shareholders and Directors of KLK.
- (d) WHI is a major shareholder of KLK.
- (e) All BKB Directors are also Directors of KLK except Dato' Mustafa bin Mohd Ali and Mr Quah Chek Tin.



# BATU KAWAN BERHAD

## 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 2014.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries and associates are as disclosed in the notes to the financial statements. There have been no significant changes in the nature of these principal activities during the financial year.

### SUMMARY OF RESULTS

	Group RM'000	Company RM'000
Profit before taxation	1,417,281	243,803
Tax expense	(310,566)	(2,389)
Profit for the year	<u>1,106,715</u>	<u>241,414</u>
Attributable to:		
Equity holders of the Company	521,546	241,414
Non-controlling interests	585,169	-
	<u>1,106,715</u>	<u>241,414</u>

### 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 RM164,775,800 in respect of the financial year ended 30 September 2013 was paid on 20 March 2014; and
- (b) an interim single tier dividend of 15 sen per share amounting to RM61,397,520 in respect of the financial year ended 30 September 2014 was paid on 14 August 2014.

The Directors recommend the payment of a final single tier dividend of 45 sen per share amounting to RM183,573,000 for the year ended 30 September 2014 which, subject to shareholders' approval at the forthcoming Annual General Meeting of the Company, will be paid on 19 March 2015 to shareholders on the Company's register of members at the close of business on 23 February 2015.

### RESERVES AND PROVISIONS

All material transfers to and from reserves and provisions during the year have been disclosed in the financial statements.

### TREASURY SHARES

During the financial year, the Company bought back a total of 5,489,700 of its issued shares from the open market for a total cost of RM107,336,383. 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 2013	1,043,700	18.80	18.72	18.75	19,632,294
November 2013	10,000	19.50	19.50	19.50	195,838
December 2013	134,100	19.36	19.20	19.31	2,598,760
January 2014	158,800	19.60	19.52	19.58	3,121,409
February 2014	3,154,900	19.90	19.46	19.68	62,269,295
March 2014	277,200	19.70	19.56	19.68	5,476,015
April 2014	386,000	19.70	19.44	19.61	7,595,952
May 2014	65,000	19.80	19.72	19.76	1,289,051

# BATU KAWAN BERHAD

## Report of the Directors (Continued)

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
June 2014	148,000	19.80	19.76	19.79	2,938,478
August 2014	112,000	19.80	19.60	19.75	2,219,291
	<u>5,489,700</u>				<u>107,336,383</u>

As at 30 September 2014, the Company retained as treasury shares a total of 26,746,200 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 2014. Such treasury shares are held at a carrying amount of RM330,723,375 and further details are disclosed in Note 31 to the financial statements.

The mandate given by the shareholders at the Annual General Meeting ("AGM") held on 19 February 2014 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 date of the last report are shown on page 8.

Dato' Lee Hau Hian and Dato' Yeoh Eng Khoon retire at the forthcoming AGM in accordance with the Company's Articles of Association and, being eligible, offer themselves for re-election.

Tan Sri Datuk Seri Utama Thong Yaw Hong retired from the Board on 20 August 2014.

R. M. Alias and Dato' Mustafa bin Mohd Ali retire at the forthcoming AGM pursuant to Section 129(2) of the Companies Act, 1965, and resolutions will be proposed for their re-appointments as Directors under the provision of Section 129(6) of the said Act to hold office until the following AGM of the Company.

### DIRECTORS' SHAREHOLDINGS

The Directors holding office at the end of the financial year and their interests in the share capital of the Company and its subsidiaries, in accordance with the Register of Directors' Shareholdings required to be kept under Section 134 of the Companies Act, 1965, are as follows:

Company:	Balance as at 1 October 2013	Additions Number of shares of RM1 each	(Disposals)	Balance as at 30 September 2014
<b>Batu Kawan Berhad</b>				
<b>Direct interest</b>				
Tan Sri Dato' Seri Lee Oi Hian	854,355	-	-	854,355
Dato' Lee Hau Hian	625,230	-	-	625,230
Dato' Yeoh Eng Khoon	315,000	-	-	315,000
<b>Deemed interest</b>				
Tan Sri Dato' Seri Lee Oi Hian	207,038,934	-	-	207,038,934
Dato' Lee Hau Hian	205,842,209	-	-	205,842,209
R. M. Alias	1,500	-	(1,500)	-
Dato' Yeoh Eng Khoon	15,379,000	-	-	15,379,000

# BATU KAWAN BERHAD

## Report of the Directors (Continued)

	Balance as at 1 October 2013	Additions Number of shares of RM1 each	(Disposals)	Balance as at 30 September 2014
<b>Subsidiaries:</b>				
<b>Kuala Lumpur Kepong Berhad</b>				
<b>Direct interest</b>				
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
<b>Deemed interest</b>				
R. M. Alias	4,500	-	(4,500)	-
Tan Sri Dato' Seri Lee Oi Hian	496,350,027	-	-	496,350,027
Dato' Lee Hau Hian	496,350,027	-	-	496,350,027
Dato' Yeoh Eng Khoon	3,189,850	-	-	3,189,850
<b>Malay-Sino Chemical Industries Sendirian Berhad</b>				
<b>Deemed interest</b>				
Tan Sri Dato' Seri Lee Oi Hian	72,945,952	-	-	72,945,952
Dato' Lee Hau Hian	72,945,952	-	-	72,945,952
<b>See Sen Chemical Berhad</b>				
<b>Deemed interest</b>				
Tan Sri Dato' Seri Lee Oi Hian	19,529,996	-	-	19,529,996
Dato' Lee Hau Hian	19,529,996	-	-	19,529,996

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 42 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 or become entitled to receive any benefits (other than a benefit included in the aggregate amount of emoluments 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) 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 38 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.

### OPTIONS GRANTED OVER UNISSUED SHARES

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

# BATU KAWAN BERHAD

## Report of the Directors (Continued)

### 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.

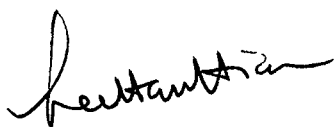
No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and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

In the opinion of the Directors, except for the effects of the adoption of FRS 10 *Consolidated Financial Statements* as stated in Note 47 to the financial statements, the financial performance of the Group and of the Company for the financial year ended 30 September 2014 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 46 to the financial statements.

Signed in accordance with a resolution of the Directors, dated 15 December 2014.



**DATO' LEE HAU HIAN**  
(Managing Director)



**DATO' YEOH ENG KHOON**  
(Director)

# BATU KAWAN BERHAD

## Statements of Profit or Loss For The Year Ended 30 September 2014

		Group		Company	
	Note	2014 RM'000	2013 RM'000 (Restated)	2014 RM'000	2013 RM'000
Revenue	4	11,499,664	9,466,245	274,004	331,255
Cost of sales		(9,252,763)	(7,418,524)	-	-
Gross profit		2,246,901	2,047,721	274,004	331,255
Other operating income		117,532	154,026	1,509	7,344
Distribution costs		(305,893)	(298,622)	-	-
Administration expenses		(388,611)	(382,317)	(11,460)	(6,891)
Other operating expenses		(150,380)	(159,419)	-	-
Operating profit	5	1,519,549	1,361,389	264,053	331,708
Finance costs	6	(108,435)	(89,266)	(20,250)	(6,436)
Share of profits of equity accounted investees, net of tax		6,167	13,668	-	-
Profit before taxation		1,417,281	1,285,791	243,803	325,272
Tax expense	9	(310,566)	(253,357)	(2,389)	(1,081)
Profit for the year		1,106,715	1,032,434	241,414	324,191
Attributable to:					
Equity holders of the Company		521,546	483,709	241,414	324,191
Non-controlling interests		585,169	548,725	-	-
		1,106,715	1,032,434	241,414	324,191
		Sen	Sen	Sen	Sen
Earnings per share	10	126.9	116.5	58.7	78.1

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 2014

	Group		Company	
	2014 RM'000	2013 RM'000 (Restated)	2014 RM'000	2013 RM'000
Profit for the year	<u>1,106,715</u>	<u>1,032,434</u>	<u>241,414</u>	<u>324,191</u>
Other comprehensive (loss)/income that will be reclassified subsequently to profit or loss				
Foreign currency translation differences	(155,758)	(124,434)	-	-
Net change in fair value of available-for-sale investments	(78,847)	292,432	1,291	100
Reclassification adjustment for surplus on disposal of available-for-sale investments	(11,416)	(2,137)	-	-
Effect of changes in tax rate on revaluation reserve (Note 23)	(2,054)	-	-	-
	<u>(248,075)</u>	<u>165,861</u>	<u>1,291</u>	<u>100</u>
Other comprehensive (loss)/income that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans (Note 34)	(19,969)	6,514	-	-
Total other comprehensive (loss)/income for the year	<u>(268,044)</u>	<u>172,375</u>	<u>1,291</u>	<u>100</u>
Total comprehensive income for the year	<u>838,671</u>	<u>1,204,809</u>	<u>242,705</u>	<u>324,291</u>
Attributable to:				
Equity holders of the Company	395,514	557,930	242,705	324,291
Non-controlling interests	443,157	646,879	-	-
	<u>838,671</u>	<u>1,204,809</u>	<u>242,705</u>	<u>324,291</u>

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

# BATU KAWAN BERHAD

## Statements of Financial Position

At 30 September 2014

	Note	2014 RM'000	Group 2013 RM'000 (Restated)	2012 RM'000 (Restated)	2014 RM'000	Company 2013 RM'000 (Restated)	2012 RM'000 (Restated)
<b>Assets</b>							
Property, plant and equipment	12	4,503,070	3,999,069	3,401,134	299	238	240
Investment property	13	52,049	52,977	53,906	-	-	-
Prepaid lease payments	14	254,364	196,585	168,280	-	-	-
Biological assets	15	2,154,096	1,972,066	1,952,076	-	-	-
Land held for property development	16	217,926	216,932	239,095	-	-	-
Goodwill on consolidation	17	315,328	326,511	314,126	-	-	-
Intangible assets	18	15,238	19,573	20,609	-	-	-
Investments in subsidiaries	19	-	-	-	740,368	718,368	680,118
Investments in associates	20	178,595	118,131	95,530	3,898	3,898	-
Available-for-sale investments	21	916,372	910,787	606,987	20,582	19,289	19,189
Other receivables	22	150,977	137,332	113,856	-	-	-
Deferred tax assets	23	128,293	103,479	55,231	-	-	-
<b>Total non-current assets</b>		<b>8,886,308</b>	<b>8,053,442</b>	<b>7,020,830</b>	<b>765,147</b>	<b>741,793</b>	<b>699,547</b>
Inventories	24	1,488,493	1,096,121	1,253,469	-	-	-
Biological assets	15	27,286	17,811	10,761	-	-	-
Trade receivables	25	1,081,954	946,571	890,214	-	-	-
Other receivables, deposits and prepayments	26	623,929	372,090	313,409	9	84	82
Amounts owing by subsidiaries	19	-	-	-	6,288	4,201	5,456
Tax recoverable		24,754	53,117	39,547	72	37	3
Property development costs	27	54,316	40,812	8,540	-	-	-
Derivative financial assets	28	76,585	14,158	55,136	-	-	-
Asset held for sale	29	-	11,610	12,345	-	-	-
Cash and cash equivalents	30	1,900,475	2,463,740	2,512,566	463,495	579,338	86,641
<b>Total current assets</b>		<b>5,277,792</b>	<b>5,016,030</b>	<b>5,095,987</b>	<b>469,864</b>	<b>583,660</b>	<b>92,182</b>
<b>Total assets</b>		<b>14,164,100</b>	<b>13,069,472</b>	<b>12,116,817</b>	<b>1,235,011</b>	<b>1,325,453</b>	<b>791,729</b>
<b>Equity</b>							
Share capital	31	435,951	435,951	435,951	435,951	435,951	435,951
Reserves	32	4,531,773	4,354,928	4,066,717	620,280	603,748	549,176
		4,967,724	4,790,879	4,502,668	1,056,231	1,039,699	985,127
Less: Cost of treasury shares		(330,723)	(223,387)	(196,442)	(330,723)	(223,387)	(196,442)
<b>Total equity attributable to equity holders of the Company</b>		<b>4,637,001</b>	<b>4,567,492</b>	<b>4,306,226</b>	<b>725,508</b>	<b>816,312</b>	<b>788,685</b>
Non-controlling interests		4,234,248	4,094,649	3,841,470	-	-	-
<b>Total equity</b>		<b>8,871,249</b>	<b>8,662,141</b>	<b>8,147,696</b>	<b>725,508</b>	<b>816,312</b>	<b>788,685</b>
<b>Liabilities</b>							
Deferred tax liabilities	23	280,869	272,067	252,908	-	-	-
Deferred income	33	101,495	72,010	22,765	-	-	-
Provision for retirement benefits	34	287,038	263,809	252,052	30	22	19
Borrowings	35	2,316,243	2,079,227	1,811,844	500,000	500,000	-
<b>Total non-current liabilities</b>		<b>2,985,645</b>	<b>2,687,113</b>	<b>2,339,569</b>	<b>500,030</b>	<b>500,022</b>	<b>19</b>
Trade payables	36	417,165	371,115	360,747	-	-	-
Other payables	37	639,285	495,009	515,313	9,473	9,119	3,025
Provision for retirement benefits	34	-	-	165	-	-	-
Deferred income	33	4,957	6,965	1,910	-	-	-
Borrowings	35	1,094,173	796,694	706,867	-	-	-
Tax payable		64,400	30,645	38,447	-	-	-
Derivative financial liabilities	28	87,226	19,790	6,103	-	-	-
<b>Total current liabilities</b>		<b>2,307,206</b>	<b>1,720,218</b>	<b>1,629,552</b>	<b>9,473</b>	<b>9,119</b>	<b>3,025</b>
<b>Total liabilities</b>		<b>5,292,851</b>	<b>4,407,331</b>	<b>3,969,121</b>	<b>509,503</b>	<b>509,141</b>	<b>3,044</b>
<b>Total equity and liabilities</b>		<b>14,164,100</b>	<b>13,069,472</b>	<b>12,116,817</b>	<b>1,235,011</b>	<b>1,325,453</b>	<b>791,729</b>

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

## For The Year Ended 30 September 2014

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# BATU KAWAN BERHAD

## Consolidated Statement of Changes in Equity (Continued)

For The Year Ended 30 September 2014

	Attributable to the equity holders of the Company					Distributable			Non-	
	Non-distributable		Fair			General Reserve		Retained Earnings	Total	Controlling Interests
	Treasury Shares	Revaluation Reserve	Capital Reserve	Redemption Reserve	Exchange Fluctuation Reserve	Value Reserve	RM'000	RM'000	RM'000	RM'000
Share Capital RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 30 September 2013 (Restated)	435,951	(223,387)	5,766	818,901	26,459	(117,259)	366,350	7,035	3,247,676	4,094,649
Net change in fair value of available-for-sale investments	-	-	-	-	-	(36,030)	-	-	(36,030)	(42,817)
Reclassification adjustment for surplus on disposal of available-for-sale investments	-	-	-	-	-	(5,317)	-	-	(5,317)	(6,099)
Transfer from reserves to retained earnings	-	-	-	1,173	1,223	(4,260)	-	1,864	-	-
Remeasurement of defined benefit plans (Note 34)	-	-	-	-	-	-	-	(9,299)	(9,299)	(10,670)
Effect of changes in tax rate (Note 23)	-	-	(956)	-	-	-	-	-	(956)	(1,098)
Currency translation differences	-	-	-	(98)	-	(74,332)	-	-	(74,430)	(81,328)
Total other comprehensive income/(loss) for the year	-	-	(956)	1,075	1,223	(78,592)	(41,347)	(7,435)	(126,032)	(142,012)
Profit for the year	-	-	-	-	-	-	-	521,546	521,546	585,169
Total comprehensive income/(loss) for the year	-	-	(956)	1,075	1,223	(78,592)	(41,347)	514,111	395,514	443,157
Acquisition through business combination	-	-	-	-	-	-	-	-	-	72,347
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	35,807
Effect of changes in shareholdings in subsidiaries	-	-	-	-	-	-	-	7,504	7,504	(15,542)
Disposal of shares in a subsidiary	-	-	-	-	-	-	-	-	-	(21,657)
Redemption of redeemable preference shares	-	-	-	-	-	-	-	-	-	(4,500)
Share buy back	-	(107,336)	-	-	-	-	-	-	(107,336)	-
Dividends paid - 2013 final	-	-	-	-	-	-	-	(164,776)	(164,776)	-
- 2014 interim	-	-	-	-	-	-	-	(61,397)	(61,397)	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(370,013)
Total transactions with owners of the Company	-	(107,336)	-	-	-	-	-	(218,669)	(326,005)	(303,558)
At 30 September 2014	435,951	(330,723)	4,810	819,976	27,682	(195,851)	325,003	3,543,118	4,637,001	4,234,248

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 2014

	Non-distributable					Distributable		
	Share Capital RM'000	Treasury Shares RM'000	Revaluation Reserve RM'000	Capital Reserve RM'000	Fair Value Reserve RM'000	General Reserve RM'000	Retained Earnings RM'000	Total RM'000
At 1 October 2012	435,951	(196,442)	16	32,555	(172)	6,739	510,038	788,685
Net change in fair value of available-for-sale investments	-	-	-	-	100	-	-	100
Total other comprehensive income for the year	-	-	-	-	100	-	-	100
Profit for the year	-	-	-	-	-	-	324,191	324,191
Total comprehensive income for the year	-	-	-	-	100	-	324,191	324,291
Share buy back	-	(26,945)	-	-	-	-	-	(26,945)
Dividends paid	-	-	-	-	-	-	(207,512)	(207,512)
- 2012 final	-	-	-	-	-	-	(207,512)	(207,512)
- 2013 interim	-	-	-	-	-	-	(62,207)	(62,207)
Total transactions with owners of the Company	-	(26,945)	-	-	-	-	(269,719)	(296,664)
At 30 September 2013	435,951	(223,387)	16	32,555	(72)	6,739	564,510	816,312
Net change in fair value of available-for-sale investments	-	-	-	-	1,291	-	-	1,291
Total other comprehensive income for the year	-	-	-	-	1,291	-	-	1,291
Profit for the year	-	-	-	-	-	-	241,414	241,414
Total comprehensive income for the year	-	-	-	-	1,291	-	241,414	242,705
Share buy back	-	(107,336)	-	-	-	-	-	(107,336)
Dividends paid	-	-	-	-	-	-	(164,776)	(164,776)
- 2013 final	-	-	-	-	-	-	(164,776)	(164,776)
- 2014 interim	-	-	-	-	-	-	(61,397)	(61,397)
Total transactions with owners of the Company	-	(107,336)	-	-	-	-	(226,173)	(333,509)
At 30 September 2014	435,951	(330,723)	16	32,555	1,219	6,739	579,751	725,508
	Note 31		Note 32					

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 2014

	2014 RM'000	2013 RM'000 (Restated)
<b>Cash flows from operating activities</b>		
Profit before taxation	1,417,281	1,285,791
Adjustments for:		
Depreciation of property, plant and equipment	308,866	268,255
Amortisation of prepaid lease payments	5,289	4,674
Depreciation of investment property	928	929
Amortisation of intangible assets	3,653	3,410
Amortisation of biological assets	48,820	40,941
Amortisation of deferred income	(1,779)	(991)
Impairment of property, plant and equipment	424	6,503
Impairment of prepaid lease payments	19,760	-
Impairment of intangible assets	-	442
Impairment of goodwill	3,680	177
Reversal of impairment of property, plant and equipment	-	(1,813)
Property, plant and equipment written off	1,494	1,240
Gain on disposal of property, plant and equipment	(1,867)	(1,767)
Surplus on government acquisition of land	(4,675)	(626)
Surplus on disposal of land	(2,224)	(2,897)
Surplus on disposal of available-for-sale investments	(11,765)	(3,562)
Surplus on disposal of shares in an associate	-	(26,359)
Surplus on disposal of shares in a subsidiary	(2,404)	-
Surplus on voluntary liquidation of investments	-	(4,046)
Negative goodwill derecognised	(15,847)	-
Impairment in value of available-for-sale investment	423	149
Retirement benefits provision	37,969	30,146
Write back of retirement benefits provision	-	(13,773)
Finance costs	108,435	89,266
Dividend income	(59,673)	(55,222)
Interest income	(40,930)	(34,294)
Exchange loss	3,920	12,521
Net change in fair value of derivatives measured at fair value	10,641	6,511
Fair value loss on asset held for sale	-	1,456
Share of profits of equity accounted investees, net of tax	(6,167)	(13,668)
Fair value loss/(gain) on rental deposit received	17	(160)
Operating profit before working capital changes	1,824,269	1,593,233
Working capital changes:		
Property development costs	(21,970)	(2,949)
Inventories	(347,494)	156,982
Biological assets	(9,475)	(7,050)
Trade and other receivables	(332,318)	(48,048)
Trade and other payables	88,970	(24,585)
Deferred income	26,227	55,208
Cash generated from operations	1,228,209	1,722,791
Interest received	899	2,350
Interest paid	(108,718)	(83,062)
Tax paid	(279,177)	(308,994)
Retirement benefits paid	(26,590)	(20,790)
Net cash generated from operating activities	814,623	1,312,295

# BATU KAWAN BERHAD

## Consolidated Statement of Cash Flows (Continued)

For The Year Ended 30 September 2014

	2014 RM'000	2013 RM'000 (Restated)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(798,864)	(864,656)
Payments of prepaid lease	(19,487)	(15,858)
Plantation development expenditure	(222,405)	(167,262)
Property development expenditure	(898)	(4,370)
Purchase of shares in sub-subsidiaries, net of cash acquired (Note B)	(132,086)	(14,640)
Subscription of shares in associates	(36,807)	-
Purchase of shares in an associate	(29,736)	(7,441)
Purchase of shares from non-controlling interests	(8,175)	-
Purchase of available-for-sale investments	(99,142)	(4,149)
Purchase of intangible assets	(191)	(781)
Capital distributions from investments in voluntary liquidation	-	4,046
Proceeds from disposal of property, plant and equipment	18,705	3,867
Compensation from government on land acquired	5,516	667
Proceeds from disposal of shares in a sub-subsidiary, net of cash disposed (Note C)	1,059	-
Proceeds from disposal of shares in an associate	-	27,638
Proceeds from disposal of available-for-sale investments	23,178	10,948
Dividends received	55,931	52,842
Interest received	31,954	23,775
Net cash used in investing activities	<u>(1,211,448)</u>	<u>(955,374)</u>
<b>Cash flows from financing activities</b>		
Proceeds from term loans	-	11,638
Repayment of term loans	(64,288)	(43,694)
Drawdown/(Repayment) of short term borrowings	574,146	(122,710)
Issuance of Islamic medium term notes	-	500,000
Dividends paid to shareholders of the Company	(226,173)	(269,719)
Dividends paid to non-controlling interests	(370,013)	(395,146)
Issuance of shares to non-controlling interests	35,807	2,545
Advance from non-controlling interests	-	440
Redemption of redeemable preference shares from non-controlling interests	(4,500)	(6,000)
Increase in other receivable	(9,744)	(18,235)
Share buy back	(107,336)	(26,945)
Net cash used in financing activities	<u>(172,101)</u>	<u>(367,826)</u>
Net decrease in cash and cash equivalents	(568,926)	(10,905)
Effects of exchange rate changes	(22,174)	(8,155)
Cash and cash equivalents at beginning of year	2,460,652	2,479,712
Cash and cash equivalents at end of year (Note A)	<u>1,869,552</u>	<u>2,460,652</u>
<b>Notes on the consolidated statement of cash flows</b>		
<b>A. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash and bank balances	354,247	392,896
Deposits with licensed banks	673,450	736,482
Short term funds	872,778	1,334,362
Bank overdrafts (Note 35)	(30,923)	(3,088)
Cash and cash equivalents	<u>1,869,552</u>	<u>2,460,652</u>

# BATU KAWAN BERHAD

## Consolidated Statement of Cash Flows (Continued)

For The Year Ended 30 September 2014

	2014 RM'000	2013 RM'000 (Restated)
<b>B. Analysis of purchase of shares in sub-subsidiaries</b>		
Property, plant and equipment	112,086	7,035
Biological assets	41,664	-
Prepaid lease payments	72,447	19,760
Net current assets/(liabilities)	21,371	(4,734)
Borrowings	(2,752)	-
Deferred tax liabilities	(16,950)	(7,585)
Fair values of net identifiable assets of sub-subsidiaries acquired	227,866	14,476
Non-controlling interests	(72,347)	(4,461)
	155,519	10,015
(Negative goodwill)/Goodwill on consolidation	(15,847)	4,957
Purchase price satisfied by cash	139,672	14,972
Less: Cash and cash equivalents of sub-subsidiaries acquired	(7,586)	(332)
Cash outflow on acquisition of sub-subsidiaries	132,086	14,640
<b>C. Analysis of disposal of a sub-subsidiary</b>		
Property, plant and equipment	10,021	-
Prepaid lease payments	7,111	-
Net current assets	13,644	-
Non-controlling interests	(21,657)	-
Total assets and liabilities of a sub-subsidiary disposed	9,119	-
Surplus on disposal of shares in a sub-subsidiary	2,404	-
Total sale consideration	11,523	-
Less: Cash and cash equivalents of a sub-subsidiary disposed	(10,464)	-
Cash inflow on disposal of shares in a sub-subsidiary	1,059	-

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

# BATU KAWAN BERHAD

## Statement of Cash Flows of the Company

For The Year Ended 30 September 2014

	2014 RM'000	2013 RM'000
<b>Cash flows from operating activities</b>		
Profit before taxation	243,803	325,272
Adjustments for:		
Depreciation of property, plant and equipment	43	16
Retirement benefits provision	8	27
Impairment on amount owing by a subsidiary	4,172	-
Unrealised foreign exchange translation loss/(gain)	266	(3,244)
Finance costs	20,250	6,436
Dividend income	(272,891)	(330,844)
Interest income	(1,113)	(411)
Surplus on voluntary liquidation of investments	-	(4,046)
Operating loss before working capital changes	(5,462)	(6,794)
Working capital changes:		
Receivables	76	28
Payables	353	(342)
Cash used in operations	(5,033)	(7,108)
Interest received	1,112	411
Interest paid	(20,250)	-
Tax paid	(190)	(120)
Retirement benefits paid	-	(24)
Net cash used in operating activities	(24,361)	(6,841)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(104)	(14)
Additional investments in subsidiaries	(22,000)	(38,250)
Purchase of shares in an associate	-	(3,898)
Capital distributions from investments in voluntary liquidation	-	4,046
Dividend received	270,657	329,819
Loan to subsidiaries	(32,827)	(40,915)
Repayment from subsidiaries	26,526	42,170
Net cash generated from investing activities	242,252	292,958
<b>Cash flows from financing activities</b>		
Issuance of Islamic medium term notes	-	500,000
Dividends paid to shareholders of the Company	(226,173)	(269,719)
Share buy back	(107,336)	(26,945)
Net cash (used in)/generated from financing activities	(333,509)	203,336
Net (decrease)/increased in cash and cash equivalents	(115,618)	489,453
Effects of exchange rate changes	(225)	3,244
Cash and cash equivalents at beginning of year	579,338	86,641
Cash and cash equivalents at end of year (Note A)	463,495	579,338
<b>Note on the statement of cash flows</b>		
<b>A. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash and bank balances	125,790	104,819
Deposits with licensed banks	390	30
Short term funds	337,315	474,489
	463,495	579,338

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

# BATU KAWAN BERHAD

## Notes to 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, 1, Jalan S P Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan.

The consolidated financial statements as at and for the year ended 30 September 2014 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. The financial statements of the Company as at and for the year ended 30 September 2014 do not include other entities.

The principal activity of the Company is investment holding while the principal activities of its subsidiaries and associates are shown in Note 42.

There have been no significant changes in the nature of the principal activities during the financial year.

### 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 requirements of the Companies Act, 1965 in Malaysia. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad.

#### (a) New FRSs, amendments to FRSs and interpretations applied

***FRSs, amendments to FRSs and interpretations effective for annual periods beginning on or after 1 January 2013***

- FRS 10 *Consolidated Financial Statements*
- FRS 11 *Joint Arrangements*
- FRS 12 *Disclosure of Interests in Other Entities*
- FRS 13 *Fair Value Measurement*
- FRS 119 *Employee Benefits (2011)*
- FRS 127 *Separate Financial Statements (2011)*
- FRS 128 *Investments in Associates and Joint Ventures (2011)*
- Amendments to FRS 1 *First-time Adoption of Financial Reporting Standards - Government Loans*
- Amendments to FRS 1 *First-time Adoption of Financial Reporting Standards (Improvements to FRSs (2012))*
- Amendments to FRS 7 *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*
- Amendments to FRS 10 *Consolidated Financial Statements: Transition Guidance*
- Amendments to FRS 11 *Joint Arrangements: Transition Guidance*
- Amendments to FRS 12 *Disclosure of Interests in Other Entities: Transition Guidance*
- Amendments to FRS 101 *Presentation of Financial Statements (Improvements to FRSs (2012))*
- Amendments to FRS 116 *Property, Plant and Equipment (Improvements to FRSs (2012))*
- Amendments to FRS 132 *Financial Instruments: Presentation (Improvements to FRSs (2012))*
- Amendments to FRS 134 *Interim Financial Reporting (Improvements to FRSs (2012))*
- IC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to IC Interpretation 2 *Members' Shares in Co-operative Entities and Similar Instruments (Improvements to FRSs (2012))*

The initial application of the above new FRSs, amendments to FRSs and interpretations has no significant effect to the financial statements of the Group and the Company, except as mentioned below:

#### **FRS 10 Consolidated Financial Statements ("FRS 10")**

The application of FRS 10 affects the accounting for the Group's investment in Kuala Lumpur Kepong Berhad ("KLK") which was previously treated as an associate of the Group and accounted for using the equity method of accounting. Following the adoption of FRS 10, the Company carried out a reassessment and determined that the Company has control over KLK following the guidance as laid out in FRS 10.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

As at 1 October 2013, the Company is the largest shareholder of KLK with a 46.57% equity interest. Based on the guidance of FRS 10, the Directors have assessed that the Group has had control over KLK since the acquisition in 1973. Following the transitional provisions of FRS 10, if measuring of the investee's assets, liabilities and non-controlling interest is impracticable, the deemed acquisition date shall be the beginning of the earliest period for which application of FRS 3 *Business Combinations* is practicable.

Consequently, KLK has been accounted for as a subsidiary of the Company using a deemed acquisition date on 30 September 1981 because revaluation was performed on KLK's major assets which was then accounted for in KLK's 1981 financial statements.

The change in accounting of the Group's investments in KLK has been applied in accordance with the relevant transitional provisions as set out in FRS 10. In preparing these financial statements, the Group's opening statements of financial position was prepared as at 1 October 2012, being the beginning of the earliest comparative period.

The effects of adoption of FRS 10 are disclosed in Note 47.

**(b) FRSs, amendments to FRSs and interpretation not applied**

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 and interpretation effective for annual periods beginning on or after 1 January 2014***

- Amendments to FRS 10 *Consolidated Financial Statements: Investment Entities*
- Amendments to FRS 12 *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to FRS 127 *Separate Financial Statements (2011): Investment Entities*
- Amendments to FRS 132 *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*
- Amendments to FRS 136 *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets*
- Amendments to FRS 139 *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting*
- IC Interpretation 21 *Leases*

***Amendments to FRSs effective for annual periods beginning on or after 1 July 2014***

- Amendments to FRS 1 *First-time Adoption of Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
- Amendments to FRS 2 *Share-based Payment (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 3 *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to FRS 8 *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 13 *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to FRS 116 *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 119 *Employee Benefits - Defined Benefit Plans: Employee Contributions*
- Amendments to FRS 124 *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 138 *Intangible Assets (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 140 *Investment Property (Annual Improvements 2011-2013 Cycle)*

***FRS and amendments to FRSs effective for annual periods beginning on or after 1 January 2016***

- Amendments to FRS 5 *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to FRS 7 *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- 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 and Joint Venture*



# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

- Amendments to FRS 11 *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*
- FRS 14 *Regulatory Deferral Accounts*
- Amendments to FRS 116 *Property, Plant and Equipment* and FRS 138 *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to FRS 119 *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to FRS 127 *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to FRS 134 *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

### **FRS and amendments to FRS effective for annual periods beginning on or after 1 January 2018**

- FRS 9 *Financial Instruments (2014)*

The Group plans to apply the abovementioned FRSs, amendments to FRSs and interpretation from the annual period beginning on 1 October 2014 for those amendments to FRSs and interpretation that are effective for annual periods beginning on or after 1 January 2014 and 1 July 2014, except for Amendments to FRS 2 which is not applicable to the Group.

The initial application of the other amendments to FRSs is not expected to have any material financial impact to the financial statements of the Group for the current period and prior period except as mentioned below:

#### **(i) Amendments to FRS 119 *Employee Benefits***

The amendments to FRS 119 introduce a practical expedient for employee or third party contributions set out in the formal terms of the plan that are linked to service and independent of the number of years of service.

The Group plans to apply the amendments to FRS 119 retrospective from the annual period beginning on 1 October 2014, and is currently assessing the financial impact that may arise from the initial application of the amendments.

#### **(ii) FRS 9 *Financial Instruments***

FRS 9 replaces the guidance in FRS 139 *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets. Upon adoption of FRS 9, financial assets will be measured at either fair value or amortised cost.

The adoption of FRS 9 will result in a change in accounting policy. The Group is currently assessing the financial impact that may arise from the adoption of FRS 9.

In November 2011, MASB published the Malaysian Financial Reporting Standards ("MFRS") Framework applicable to all non-private entities with effect from 1 January 2012, with the exception of entities that are within the scope of MFRS 141 *Agriculture* and IC Interpretation 15 *Agreements for Construction of Real Estate*, including their parents, significant investors and venturers (herein referred as "Transitioning Entities"). However, MASB subsequently deferred the effective date of MFRS Framework for Transitioning Entities to 1 January 2017. Therefore, the Group as a Transitioning Entity will apply the MFRS Framework for the annual period beginning on 1 October 2017. In relation to this, the FRS and amendments to FRS which are effective for annual period beginning on or after 1 January 2018 will not be applicable to the Group.

### **2.2 Basis of measurement**

The financial statements have been prepared under the historical cost basis except as disclosed in the notes on the financial statements.

### **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.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

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:

- Note 12, 14, 15 - Measurement of the recoverable amounts of cash-generating units and Note 17 to 21
- Note 19 - Impairment on investment in subsidiaries
- Note 23 - Recognition of unutilised tax losses and capital allowances
- Note 24 - Impairment/Write down of inventories
- Note 25 - Impairment on trade receivables
- Note 34 and 41 - Provision for retirement benefits and contingencies
- Note 40 - Operating lease commitments as lessor

### 3. SIGNIFICANT ACCOUNTING POLICIES

Summarised below are the significant accounting policies of the Group. The accounting policies applied are consistent with those applied in previous years, 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 adopted FRS 10 *Consolidated Financial Statements* in the current financial year. This resulted in changes to the following policies:

- Control exists when the Group 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. In the previous financial years, control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
- Potential voting rights are considered when assessing control only when such rights are substantive. In the previous financial years, potential voting rights are considered when assessing control when such rights are presently exercisable.
- The Group 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. In the previous financial years, the Group did not consider *de facto* power in its assessment of control.

The effects of adoption of FRS 10 are disclosed in Note 47.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is 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.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

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 treats 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, 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.

**(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 re-measured. 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.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

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) 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.

**(h) 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 associates are eliminated against the investment to the extent of the Group's interest in the associates. 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 currency 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.

**(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 or significant influence 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 profit 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 that includes a foreign operation while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely 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.

### 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 property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

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 parts 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. 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 53 to 931 years
Palm oil mill machinery	-	10% per annum
Plant and machinery	-	4% to 33⅓% per annum
Motor vehicles	-	10% to 50% per annum
Furniture, fittings and equipment	-	5% to 33⅓% per annum
Buildings, factories and mills	-	2% to 25% per annum
Employees' quarters	-	10% per annum
Effluent ponds, roads and bridges	-	5% to 10% 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.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 3.4 Investment properties

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are 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 properties are 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 18 to 90 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.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 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.

Cost associated with the acquisition of land includes 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 profit or loss over billings to purchasers is shown as accrued billings and the excess of billings to purchasers over revenue recognised in profit or loss is shown as progress billings.

### 3.9 Financial assets

Financial assets 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 assets are recognised initially at their fair value 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) 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 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.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

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

A regular way purchase or sale of a financial asset is a purchase or sale of the 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 the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. 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. These are amortised over the following expected useful lives of the assets:

Trade marks	-	5 years
Patent	-	10 to 20 years

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

### 3.12 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 to sell.

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 ceases once classified as held for sale.



# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 3.13 Inventories

Inventories of produce 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 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 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances and deposits with banks and short term funds which are readily convertible to cash and have an insignificant risk of changes in value. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts.

### 3.15 Impairment

#### (a) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investment in subsidiaries and investment in associates) 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 been 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.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

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 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 year in which the reversals are recognised.

### 3.16 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 fair value 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) 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.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or 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.

### 3.17 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 liabilities and assets 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 incentive 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 incentive can be utilised.

### 3.18 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 or the Company has no further payment obligations.

#### (b) Unfunded defined benefit plan

- (i) The Group and the Company provide 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 and the Company. Accordingly, no further disclosure as required by the standard is made.

- (ii) Subsidiaries in Indonesia provide for retirement benefits for eligible employees on unfunded defined benefit basis in accordance with the Labour Law in Indonesia. Full provision has been made using the actuarial method 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 and the rates in accordance with the local labour law.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

- (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 cost are recognised immediately in profit or loss. 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.

**3.19 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.

**3.20 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 but 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.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 3.21 Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions or vice-versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or entities.

### 3.22 Revenue

#### (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 or the Company'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) Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and 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 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.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 3.23 Research and development expenditure

All general research and development expenditure is charged to 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 Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale or distribution, or is a subsidiary acquired exclusively with the view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

### 3.26 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.

### 3.27 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 revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the 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.

### 3.28 Fair value measurements

From 1 October 2013, the Group adopted FRS 13 *Fair Value Measurement* which prescribes that fair value of an asset or a liability, except for share-based payment and 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.

In accordance with the transitional provision of FRS 13, the Group applied the new fair value measurement guidance prospectively, and has not provided any comparative fair value information for new disclosures. The adoption of FRS 13 has not significantly affected the measurements of the Group's assets or liabilities other than the additional disclosures.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 4. REVENUE

	Group		Company	
	2014 RM'000	2013 RM'000 (Restated)	2014 RM'000	2013 RM'000 (Restated)
Sale of goods				
Palm products	5,089,741	3,952,232	-	-
Rubber	145,158	178,542	-	-
Manufacturing	5,978,619	5,002,329	-	-
Property development	117,063	208,589	-	-
Others	60,449	29,191	-	-
	<u>11,391,030</u>	<u>9,370,883</u>	<u>-</u>	<u>-</u>
Rendering of services	8,031	5,846	-	-
Interest income from financial assets not at fair value through profit or loss	40,930	34,294	1,113	411
Dividend income (Note 8)	59,673	55,222	272,891	330,844
	<u>11,499,664</u>	<u>9,466,245</u>	<u>274,004</u>	<u>331,255</u>

### 5. OPERATING PROFIT

	Group		Company	
	2014 RM'000	2013 RM'000 (Restated)	2014 RM'000	2013 RM'000
Operating profit is arrived at after charging and (crediting) the following:				
Auditors' remuneration				
- KPMG				
current year	1,065	726	120	-
under-provision in prior year	10	19	-	-
audit related work	184	116	55	-
non-audit work	8	4	4	-
- other auditors				
current year	2,046	1,749	-	44
(over)/under-provision in prior year	(1)	27	-	-
audit related work	5	115	5	66
non-audit work	372	528	-	50
Taxation services paid to KPMG Tax Services	960	1,577	122	7
Hire of plant and machinery	20,439	12,138	-	-
Rent on land and buildings/office space	7,814	11,569	96	96
Operating lease rentals				
- land and buildings	9,063	8,034	-	-
- plant and machinery	547	412	-	-
Amortisation of prepaid lease payments (Note 14)	5,289	4,674	-	-
Amortisation of biological assets (Note 15)	48,820	40,941	-	-
Amortisation of intangible assets (Note 18)	3,653	3,410	-	-
Depreciation of property, plant and equipment (Note 12)	308,866	268,255	43	16
Depreciation investment property (Note 13)	928	929	-	-
Impairment loss				
- property, plant and equipment (Note 12)	424	6,503	-	-
- prepaid lease payments (Note 14)	19,760	-	-	-
- goodwill (Note 17)	3,680	177	-	-
- intangible assets (Note 18)	-	442	-	-
- trade receivables (Note 25)	1,978	3,148	-	-
- amount owing by a subsidiary	-	-	4,172	-
Impairment in value of				
- available-for-sale investments (Note 21)	423	149	-	-
Replanting expenditure	66,773	71,728	-	-
Property, plant and equipment written off	1,494	1,240	-	-
Personnel expenses (excluding key management personnel)				
- salary	766,417	713,136	1,105	1,053
- employer's statutory contributions	64,442	60,715	124	121

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

	Group		Company	
	2014 RM'000	2013 RM'000 (Restated)	2014 RM'000	2013 RM'000
- defined contribution plans	4,223	3,568	-	-
Research and development expenditure	17,921	14,518	-	-
Retirement benefits provision (Note 34)	37,969	30,146	8	27
Write down of inventories	38,253	23,022	-	-
Reversal of impairment loss of				
- property, plant and equipment (Note 12)	-	(1,813)	-	-
- trade receivables (Note 25)	(756)	(541)	-	-
Write back of inventories	(9,240)	(5,007)	-	-
Write back of retirement benefits provision	-	(13,773)	-	-
Amortisation of deferred income (Note 33)	(1,779)	(991)	-	-
Gain on disposal of property, plant and equipment	(1,867)	(1,767)	-	-
Surplus on government acquisition of land	(4,675)	(626)	-	-
Surplus on disposal of land	(2,224)	(2,897)	-	-
Surplus on disposal of shares in a subsidiary	(2,404)	-	-	-
Surplus on disposal of shares in an associate	-	(26,359)	-	-
Surplus on disposal of available-for-sale investments	(11,765)	(3,562)	-	-
Surplus on voluntary liquidation of investments	-	(4,046)	-	(4,046)
Fair value loss on asset held for sale (Note 29)	-	1,456	-	-
Net loss/(gain) in foreign exchange	9,897	(4,049)	266	(3,221)
Rental income from land and buildings	(2,084)	(2,266)	-	-
Gain on redemption of short term funds	(4,753)	(7,134)	(190)	(54)
Compensation claim from a customer	(40,310)	(33,575)	-	-
Negative goodwill derecognised (Note 42)	(15,847)	-	-	-

### 6. FINANCE COSTS

	Group		Company	
	2014 RM'000	2013 RM'000 (Restated)	2014 RM'000	2013 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss				
Term loans	18,373	19,123	-	-
Islamic medium term notes	71,890	58,076	20,250	6,436
Overdraft and other interest	18,172	12,067	-	-
	<b>108,435</b>	<b>89,266</b>	<b>20,250</b>	<b>6,436</b>

### 7. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation is as follows:

	Group		Company	
	2014 RM'000	2013 RM'000 (Restated)	2014 RM'000	2013 RM'000
<b>Short term benefits</b>				
Directors' remuneration				
Fees provided	2,146	2,161	750	765
Other emoluments	14,265	12,189	3,337	2,849
Benefits-in-kind	176	198	23	18
	<b>16,587</b>	<b>14,548</b>	<b>4,110</b>	<b>3,632</b>

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.



# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 8. DIVIDEND INCOME

	Group		Company	
	2014 RM'000	2013 RM'000 (Restated)	2014 RM'000	2013 RM'000 (Restated)
Gross dividends from:				
Available-for-sale investments				
Investment in shares quoted in Malaysia	739	917	-	-
Investment in shares quoted outside Malaysia	27,293	21,142	192	126
Investment in unquoted shares	16,010	2,825	1,622	939
Short term funds	15,631	30,338	12,451	3,463
Quoted subsidiaries	-	-	247,951	322,336
Unquoted subsidiaries	-	-	10,675	3,980
	<b>59,673</b>	<b>55,222</b>	<b>272,891</b>	<b>330,844</b>

### 9. TAX EXPENSE

	Group		Company	
	2014 RM'000	2013 RM'000 (Restated)	2014 RM'000	2013 RM'000
<b>Components of tax expense</b>				
Current tax expense				
Malaysian taxation	239,807	222,732	2,406	1,081
Overseas taxation	103,513	65,255	9	-
	<b>343,320</b>	<b>287,987</b>	<b>2,415</b>	<b>1,081</b>
Deferred tax				
Origination and reversal of temporary differences	(28,294)	(38,792)	-	-
(Over)/Under-provision in respect of previous years	(3,193)	880	-	-
	<b>(31,487)</b>	<b>(37,912)</b>	<b>-</b>	<b>-</b>
	<b>311,833</b>	<b>250,075</b>	<b>2,415</b>	<b>1,081</b>
(Over)/Under-provision of tax expense in respect of previous years				
Malaysian taxation	(1,105)	4,118	(26)	-
Overseas taxation	(162)	(836)	-	-
	<b>(1,267)</b>	<b>3,282</b>	<b>(26)</b>	<b>-</b>
	<b>310,566</b>	<b>253,357</b>	<b>2,389</b>	<b>1,081</b>
<b>Reconciliation of effective tax expense</b>				
Profit before taxation	<b>1,417,281</b>	<b>1,285,791</b>	<b>243,803</b>	<b>325,272</b>
Taxation at Malaysian income tax rate of 25% (2013: 25%)	354,321	321,448	60,951	81,318
Effect of different tax rates in foreign jurisdictions	(11,185)	(13,943)	4	-
Withholding tax on foreign dividend and interest income	25,789	10,592	-	-
Expenses not deductible for tax purposes	34,018	27,294	7,875	3,315
Tax exempt income	(69,327)	(50,705)	(66,414)	(83,552)
Tax incentives	(3,897)	(14,765)	(1)	-
Deferred tax assets not recognised during the year	7,903	9,556	-	-
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(20,658)	(41,976)	-	-
Tax effect on associates' results	(1,482)	(3,353)	-	-
Recognition of deferred tax assets not taken up previously	(4,640)	(139)	-	-
(Over)/Under-provision of tax expense in respect of previous years	(1,841)	3,282	(26)	-
(Over)/Under-provision of deferred tax in respect of previous years	(2,593)	880	-	-
Others	4,158	5,186	-	-
Tax expense	<b>310,566</b>	<b>253,357</b>	<b>2,389</b>	<b>1,081</b>

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

The Company has elected for single tier company income tax system. Hence, the Company will be 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 RM521,546,000 (2013 Restated: RM483,709,000) for the Group and RM241,414,000 (2013: RM324,191,000) for the Company by the weighted average number of 411,096,000 (2013: 415,136,000) shares of the Company in issue during the year.

### 11. DIVIDENDS

	Group and Company 2014 RM'000	2013 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 2013 (2013: single tier dividend of 50 sen per share)	164,776	207,512
Interim single tier dividend of 15 sen per share for the financial year ended 30 September 2014 (2013: single tier dividend of 15 sen per share)	61,397	62,207
	<b>226,173</b>	<b>269,719</b>

A final single tier dividend of 45 sen (2013: 40 sen) per share amounting to RM183,573,000 (2013: RM164,776,000) has been recommended by the Directors in respect of the financial year ended 30 September 2014 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

	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
<b>Group</b>								
<b>Cost/Valuation</b>								
At 1 October 2012	-	13,817	73,358	394,009	31,191	7,257	37,096	556,728
Effects of adoption of FRS 10	596,610	242,346	765,191	2,359,553	301,770	242,840	499,643	5,007,953
At 1 October 2012 (Restated)	596,610	256,163	838,549	2,753,562	332,961	250,097	536,739	5,564,681
Reclassification	-	-	50,566	212,640	7,770	12,884	(283,860)	-
Additions	96,384	132	62,590	196,953	33,220	4,935	470,442	864,656
Acquisition through business combination	7,035	-	-	-	-	-	-	7,035
Disposals	(14)	(9)	(8)	(10,487)	(5,062)	(298)	-	(15,878)
Written off	-	-	(618)	(3,300)	(5,412)	(1,064)	-	(10,394)
Currency translation differences	4,494	312	(13,807)	34,917	(13,573)	538	(9,817)	3,064
At 30 September 2013 (Restated)	704,509	256,598	937,272	3,184,285	349,904	267,092	713,504	6,413,164
Reclassification	(6,834)	6,834	104,332	589,530	14,338	42,115	(750,315)	-
Additions	55,051	1,380	50,322	126,734	28,317	23,418	513,642	798,864
Acquisition through business combination	6,218	-	25,649	68,994	7,152	637	3,436	112,086
Transfer to land held for property development	(96)	-	-	-	-	-	-	(96)
Disposals	(414)	-	-	(18,534)	(8,405)	(608)	(298)	(28,259)
Disposal of a sub-subsidiary	-	-	(27,085)	(51,898)	(704)	(965)	(70)	(80,722)
Written off	-	-	(1,437)	(15,103)	(6,045)	(3,506)	(1)	(26,092)
Currency translation differences	(13,361)	32	(19,337)	(44,060)	(6,893)	(4,606)	(16,651)	(104,876)
At 30 September 2014	<b>745,073</b>	<b>264,844</b>	<b>1,069,716</b>	<b>3,839,948</b>	<b>377,664</b>	<b>323,577</b>	<b>463,247</b>	<b>7,084,069</b>

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

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
<b>Accumulated depreciation/amortisation and impairment losses</b>								
At 1 October 2012								
Accumulated depreciation/amortisation	-	3,241	27,643	248,451	18,026	4,907	-	302,268
Accumulated impairment losses	-	-	-	-	-	-	-	-
Effects of adoption of FRS 10	-	3,241	27,643	248,451	18,026	4,907	-	302,268
At 1 October 2012 (Restated)	-	50,494	351,047	1,086,143	226,627	146,968	-	1,861,279
Accumulated depreciation/amortisation	-	53,735	372,714	1,277,080	244,606	149,740	-	2,097,875
Accumulated impairment losses	-	-	5,976	57,514	47	2,135	-	65,672
Reclassification	-	53,735	378,690	1,334,594	244,653	151,875	-	2,163,547
Depreciation/Amortisation charge	-	3,220	49,018	164,099	34,669	24,205	-	275,211
Impairment losses	-	-	1,735	4,206	-	562	-	6,503
Reversal of impairment losses	-	-	(376)	(1,429)	-	(8)	-	(1,813)
Disposals	-	(2)	(8)	(9,522)	(3,945)	(272)	-	(13,749)
Written off	-	-	(488)	(2,203)	(5,544)	(919)	-	(9,154)
Currency translation differences	-	19	(6,133)	8,972	(10,575)	1,267	-	(6,450)
At 30 September 2013 (Restated)								
Accumulated depreciation/amortisation	-	56,972	416,022	1,439,354	260,211	174,233	-	2,346,792
Accumulated impairment losses	-	-	6,416	58,187	50	2,650	-	67,303
Depreciation/Amortisation charge	-	56,972	422,438	1,497,541	260,261	176,883	-	2,414,095
Impairment losses	-	3,280	57,981	188,921	39,054	27,361	-	316,597
Disposals	-	-	-	424	-	-	-	424
Disposal of a sub-subsidiary	-	-	-	(14,556)	(7,977)	(141)	-	(22,674)
Written off	-	-	(22,872)	(46,625)	(409)	(795)	-	(70,701)
Currency translation differences	-	-	(668)	(14,819)	(5,977)	(3,134)	-	(24,598)
At 30 September 2014	-	4	(6,379)	(17,330)	(5,219)	(3,220)	-	(32,144)
Accumulated depreciation/amortisation	-	60,256	447,272	1,546,442	279,733	194,374	-	2,528,077
Accumulated impairment losses	-	-	3,228	47,114	-	2,580	-	52,922
	-	60,256	450,500	1,593,556	279,733	196,954	-	2,580,999
<b>Carrying amounts</b>								
At 1 October 2012 (Restated)	596,610	202,428	459,859	1,418,968	88,308	98,222	536,739	3,401,134
At 30 September 2013 (Restated)	704,509	199,626	514,834	1,686,744	89,643	90,209	713,504	3,999,069
At 30 September 2014	745,073	204,588	619,216	2,246,392	97,931	126,623	463,247	4,503,070

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

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
<b>Property, plant and equipment are included at cost or valuation as follows:</b>								
At 30 September 2012 (Restated)								
Cost	513,070	148,119	834,437	2,753,562	332,961	250,092	536,739	5,368,980
Valuation	83,540	108,044	4,112	-	-	5	-	195,701
	<u>596,610</u>	<u>256,163</u>	<u>838,549</u>	<u>2,753,562</u>	<u>332,961</u>	<u>250,097</u>	<u>536,739</u>	<u>5,564,681</u>
At 30 September 2013 (Restated)								
Cost	621,260	142,754	933,242	3,184,285	349,904	267,087	713,504	6,212,036
Valuation	83,249	113,844	4,030	-	-	5	-	201,128
	<u>704,509</u>	<u>256,598</u>	<u>937,272</u>	<u>3,184,285</u>	<u>349,904</u>	<u>267,092</u>	<u>713,504</u>	<u>6,413,164</u>
At 30 September 2014								
Cost	662,322	151,000	1,065,686	3,839,948	377,664	323,577	463,247	6,883,444
Valuation	82,751	113,844	4,030	-	-	-	-	200,625
	<u>745,073</u>	<u>264,844</u>	<u>1,069,716</u>	<u>3,839,948</u>	<u>377,664</u>	<u>323,577</u>	<u>463,247</u>	<u>7,084,069</u>

	Group 2014 RM'000	2013 RM'000 (Restated)
<b>Depreciation/Amortisation charge for the year is allocated as follows:</b>		
Statement of profit or loss (Note 5)	308,866	268,255
Biological assets	<u>7,731</u>	<u>6,956</u>
	<u>316,597</u>	<u>275,211</u>
<b>Impairment losses comprise:</b>		
Under-performance of certain subsidiaries' operations	424	4,580
Under-performance of certain property, plant and equipment	-	1,923
	<u>424</u>	<u>6,503</u>

### The impairment losses are allocated as follows:

Cost of sales	-	43
Distribution costs	-	12
Administration expenses	-	1,393
Other operating expenses	<u>424</u>	<u>5,055</u>
	<u>424</u>	<u>6,503</u>

The reversal of impairment losses amounted to RM1,813,000 in the previous financial year was due to over recognition of impairment losses in previous year. The reversal was allocated as follows:

	Group 2014 RM'000	2013 RM'000 (Restated)
Cost of sales	-	145
Administration expenses	-	1,668
	<u>-</u>	<u>1,813</u>

### 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 eleven years.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

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 7.0% to 12.4% (2013 Restated: 6.5% to 8.1%);
- (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.

Company	Vehicles RM'000	Equipment, Fittings, Etc RM'000	Total RM'000
<b>Cost</b>			
At 1 October 2012	798	103	901
Additions	-	14	14
Written off	-	(13)	(13)
At 30 September 2013	<b>798</b>	<b>104</b>	<b>902</b>
Additions	-	104	104
At 30 September 2014	<b>798</b>	<b>208</b>	<b>1,006</b>
<b>Accumulated depreciation</b>			
At 1 October 2012	573	88	661
Depreciation/Amortisation charge	-	16	16
Written off	-	(13)	(13)
At 30 September 2013	<b>573</b>	<b>91</b>	<b>664</b>
Depreciation/Amortisation charge	-	43	43
At 30 September 2014	<b>573</b>	<b>134</b>	<b>707</b>
<b>Carrying amounts</b>			
At 1 October 2012	<b>225</b>	<b>15</b>	<b>240</b>
At 30 September 2013	<b>225</b>	<b>13</b>	<b>238</b>
At 30 September 2014	<b>225</b>	<b>74</b>	<b>299</b>

Certain freehold land and leasehold land of the Group were revalued by the 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 Company were revalued by the 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 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 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.

The Group has availed itself to the transitional provision when the MASB first issued FRS 116<sup>2004</sup> *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:

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

	2014 RM'000	Group 2013 RM'000 (Restated)	2012 RM'000 (Restated)
Freehold land	21,474	21,636	21,722
Leasehold land	31,966	37,951	38,435
Factory and office buildings	37	86	135
	<b>53,477</b>	<b>59,673</b>	<b>60,292</b>

Certain property, plant and equipment of the Group with a total carrying amount of RM83,723,000 (2013 Restated: Nil) as at end of the current financial year were charged to banks as security for borrowings (Note 35).

The ownership of certain property, plant and equipment of subsidiaries with a carrying amount of RM662,000 (2013: RM922,000) are held in trust by third parties.

The details of the properties held by the Group are shown on pages 137 to 146.

### 13. INVESTMENT PROPERTY

	Freehold Land RM'000	Building RM'000	Total RM'000
<b>Group Cost</b>			
At 1 October 2012, 30 September 2013 and 30 September 2014	<b>11,149</b>	<b>46,428</b>	<b>57,577</b>
<b>Accumulated depreciation</b>			
At 1 October 2012	-	3,671	3,671
Depreciation charge	-	929	929
At 30 September 2013	-	<b>4,600</b>	<b>4,600</b>
Depreciation charge	-	<b>928</b>	<b>928</b>
At 30 September 2014	-	<b>5,528</b>	<b>5,528</b>
<b>Carrying amounts</b>			
At 1 October 2012	<b>11,149</b>	<b>42,757</b>	<b>53,906</b>
At 30 September 2013	<b>11,149</b>	<b>41,828</b>	<b>52,977</b>
At 30 September 2014	<b>11,149</b>	<b>40,900</b>	<b>52,049</b>
	<b>2014 RM'000</b>	<b>2013 RM'000</b>	<b>2012 RM'000</b>
Fair value of investment property	<b>86,000</b>	<b>85,000</b>	<b>80,000</b>

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 40). Subsequent renewals are negotiated with the lessee and on average renewal periods of 1 to 3 years. No contingent rents are charged.

The investment property was charged to a licensed bank as security for borrowings (Note 35). This charge was discharged during the financial year, upon full settlement of the borrowings.

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:

	2014 RM'000	Group 2013 RM'000
Rental income	3,882	3,882
Direct operating expenses	(3,695)	(3,336)

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 14. PREPAID LEASE PAYMENTS

Group	Long Term Leasehold Land RM'000	Short Term Leasehold Land RM'000	Total RM'000
<b>Cost</b>			
At 1 October 2012	-	6,719	6,719
Effects of adoption of FRS 10	31,894	164,909	196,803
At 1 October 2012 (Restated)	31,894	171,628	203,522
Additions	-	15,858	15,858
Acquisition through business combination	-	19,760	19,760
Currency translation differences	-	(3,128)	(3,128)
At 30 September 2013 (Restated)	31,894	204,118	236,012
Additions	-	19,487	19,487
Acquisition through business combination	-	72,447	72,447
Disposal of a sub-subsidiary	-	(12,879)	(12,879)
Currency translation differences	-	(2,548)	(2,548)
At 30 September 2014	31,894	280,625	312,519
<b>Accumulated amortisation and impairment losses</b>			
At 1 October 2012			
Accumulated amortisation	-	1,729	1,729
Accumulated impairment losses	-	1,137	1,137
	-	2,866	2,866
Effects of adoption of FRS 10	2,770	29,606	32,376
At 1 October 2012 (Restated)			
Accumulated amortisation	2,770	30,363	33,133
Accumulated impairment losses	-	2,109	2,109
	2,770	32,472	35,242
Amortisation charge	418	4,256	4,674
Currency translation differences	-	(489)	(489)
At 30 September 2013 (Restated)			
Accumulated amortisation	3,188	34,036	37,224
Accumulated impairment losses	-	2,203	2,203
	3,188	36,239	39,427
Amortisation charge	418	4,871	5,289
Impairment loss	-	19,760	19,760
Disposal of a sub-subsidiary	-	(5,768)	(5,768)
Currency translation differences	-	(553)	(553)
At 30 September 2014			
Accumulated amortisation	3,606	33,652	37,258
Accumulated impairment losses	-	20,897	20,897
	3,606	54,549	58,155
<b>Carrying amounts</b>			
At 1 October 2012 (Restated)	29,124	139,156	168,280
At 30 September 2013 (Restated)	28,706	167,879	196,585
At 30 September 2014	28,288	226,076	254,364

The impairment loss of the Group during the year amounting to RM19,760,000 is in respect of 38,350 hectares of land held under Special Agricultural & Business Lease ("SABL") in Papua New Guinea ("PNG").

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

In December 2013, an interim injunction was obtained in the PNG National Court, against PNG Government and the customary owners, restraining the entry or conduct of any activities on this land. PNG Government had chosen not to defend the suit and had entered into a Consent Order resulting in the SABL over the leasehold land being quashed. The Group complies with the terms of the Consent Order and accordingly the carrying amount of this land amounting to RM19,760,000 (2013 Restated: Nil) is impaired and included in other operating expenses.

The Memorandum of Transfer of a long term leasehold land in favour of a sub-subsiary, KLK Bioenergy Sdn Bhd with carrying amount of RM3,063,000 (2013 Restated: RM3,114,000), was presented for registration at the relevant land registry. This matter is now pending issuance of the original document of the title from the said relevant land registry.

The title deed of a long term leasehold land with carrying amount of RM20,459,000 (2013 Restated: RM20,739,000) belonging to another sub-subsiary, Palm-Oleo (Klang) Sdn Bhd, is with the relevant authorities and is in the process of being registered in the name of the sub-subsiary.

A short term leasehold land of the Group was revalued by the 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 137 to 146.

## 15. BIOLOGICAL ASSETS

	Group	
	2014 RM'000	2013 RM'000 (Restated)
<b>Plantation development expenditure (included under non-current assets)</b>		
<b>Cost/Valuation</b>		
At beginning of the year	2,163,869	63,562
Effects of adoption of FRS 10	-	2,061,957
As restated	2,163,869	2,125,519
Additions	230,136	174,218
Acquisition through business combination	41,664	-
Transfer to plasma plantation project	-	(11,381)
Disposal	(689)	(27)
Currency translation differences	(49,651)	(124,460)
At end of the year	<b>2,385,329</b>	<b>2,163,869</b>
<b>Accumulated amortisation</b>		
At beginning of the year	191,803	5,479
Effects of adoption of FRS 10	-	167,964
As restated	191,803	173,443
Amortisation charge	48,820	40,941
Currency translation differences	(9,390)	(22,581)
At end of the year	<b>231,233</b>	<b>191,803</b>
<b>Carrying amounts</b>	<b>2,154,096</b>	<b>1,972,066</b>



# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

**Biological assets are included at cost or valuation as follows:**

	2014 RM'000	Group 2013 RM'000 (Restated)	2012 RM'000 (Restated)
Cost	2,138,310	1,916,490	1,878,113
Valuation	247,019	247,379	247,406
	<b>2,385,329</b>	<b>2,163,869</b>	<b>2,125,519</b>

The biological assets of the Group stated at valuation, previously included in property, plant and equipment, were revalued by the 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<sub>2004</sub> *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 RM112,743,000 (2013 Restated: RM112,886,000).

	2014 RM'000	Group 2013 RM'000 (Restated)	2012 RM'000 (Restated)
<b>Biological assets (included under current assets)</b>			
At net realisable value			
Growing crops	25,204	15,983	9,114
Livestock	2,082	1,828	1,647
	<b>27,286</b>	<b>17,811</b>	<b>10,761</b>

### 16. LAND HELD FOR PROPERTY DEVELOPMENT

	2014 RM'000	Group 2013 RM'000 (Restated)
<b>Freehold land at cost</b>		
At beginning of the year (Restated)	190,962	193,372
Additions	289	-
Transfer from property, plant and equipment	96	-
Transfer to property development costs	-	(2,410)
At end of the year	<b>191,347</b>	<b>190,962</b>
<b>Development expenditure at cost</b>		
At beginning of the year (Restated)	25,970	45,723
Additions	609	4,370
Transfer to property development costs	-	(24,123)
At end of the year	<b>26,579</b>	<b>25,970</b>
<b>Total</b>	<b>217,926</b>	<b>216,932</b>

The details of the land held for property development by the Group are shown on page 144 to 145.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 17. GOODWILL ON CONSOLIDATION

	2014 RM'000	Group 2013 RM'000 (Restated)
<b>Cost</b>		
At beginning of the year	326,511	12,005
Effects of adoption of FRS 10	-	302,121
As restated	326,511	314,126
Acquisition through business combination	-	4,957
Impairment loss (Note 5)	(3,680)	(177)
Currency translation differences	(7,503)	7,605
At end of the year	315,328	326,511

Impairment of goodwill arose from the under-performance of certain subsidiaries' and sub-subsidiaries' 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

	2014 RM'000	Group 2013 RM'000 (Restated)
<b>Cost</b>		
At beginning of the year (Restated)	48,151	42,982
Additions	191	781
Currency translation differences	(2,144)	4,388
At end of the year	46,198	48,151

#### Accumulated amortisation and impairment losses

At beginning of the year (Restated)		
Accumulated amortisation	22,466	16,960
Accumulated impairment losses	6,112	5,413
	28,578	22,373
Amortisation charge	3,653	3,410
Impairment loss	-	442
Currency translation differences	(1,271)	2,353
At end of the year		
Accumulated amortisation	24,908	22,466
Accumulated impairment losses	6,052	6,112
	30,960	28,578

#### Carrying amounts

	15,238	19,573
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#### The amortisation is allocated as follows:

Administration expenses	3,653	3,380
Other operating expenses	-	30
	3,653	3,410

The impairment loss of RM442,000 in the previous financial year arose from under-performance of a sub-subsidiary's operations and was included in other operating expenses.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

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

	2014 RM'000	Company 2013 RM'000 (Restated)	2012 RM'000 (Restated)
<b>Investments in subsidiaries</b>			
Unquoted shares at cost	300,452	278,452	240,202
Quoted shares at cost	439,916	439,916	439,916
	<b>740,368</b>	<b>718,368</b>	<b>680,118</b>

### 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 42.

### Amounts owing by subsidiaries

Amounts owing by subsidiaries are trade and non-trade, unsecured with no fixed terms of repayment and non-interest bearing except for a total amount of RM6,016,000 (2013: Nil) which is subject to interest charge ranging from 4.55% to 4.65% (2013: Nil) per annum.

	2014 RM'000	Company 2013 RM'000
Impairment in amount owing by a subsidiary		
At beginning of year	-	-
Impairment loss	4,172	-
At end of year	<b>4,172</b>	-

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

### 20. INVESTMENTS IN ASSOCIATES

	2014 RM'000	Group 2013 RM'000 (Restated)	2012 RM'000 (Restated)	2014 RM'000	Company 2013 RM'000 (Restated)	2012 RM'000 (Restated)
<b>Shares at cost</b>						
In overseas quoted corporation	-	-	37,839	-	-	-
In unquoted corporations	117,120	59,906	52,068	3,898	3,898	-
	<b>117,120</b>	<b>59,906</b>	<b>89,907</b>	<b>3,898</b>	<b>3,898</b>	-
<b>Post-acquisition reserves</b>	<b>47,621</b>	<b>44,460</b>	<b>23,780</b>	-	-	-
	<b>164,741</b>	<b>104,366</b>	<b>113,687</b>	<b>3,898</b>	<b>3,898</b>	-
<b>Impairment in value of investments</b>						
At beginning of the year	-	(31,114)	(31,114)	-	-	-
Reversal of impairment loss	-	31,114	-	-	-	-
At end of the year	-	-	(31,114)	-	-	-
	<b>164,741</b>	<b>104,366</b>	<b>82,573</b>	<b>3,898</b>	<b>3,898</b>	-
<b>Amount owing by an associate</b>	<b>13,854</b>	<b>13,765</b>	<b>12,957</b>	-	-	-
	<b>178,595</b>	<b>118,131</b>	<b>95,530</b>	<b>3,898</b>	<b>3,898</b>	-
<b>Market value of shares</b>						
In overseas quoted corporation	-	-	26,548	-	-	-

The Group does not have any associate which is individually material to the Group as at 30 September 2014, 30 September 2013 and 30 September 2012.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

	2014 RM'000	Group 2013 RM'000 (Restated)	2012 RM'000 (Restated)
Summary of financial information of associates:			
Total assets	688,897	455,115	551,612
Total liabilities	246,637	228,276	287,219
Revenue	905,824	895,237	905,714
Profit for the year	17,479	35,158	(6,072)

The amount owing by an associate, denominated in United States Dollar, was given by an overseas sub-subsidiary which was incorporated in British Virgin Islands. This amount is non-trade, unsecured with no fixed term of repayment and non-interest bearing.

Details of the associates are shown in Note 42.

### 21. AVAILABLE-FOR-SALE INVESTMENTS

	2014 RM'000	Group 2013 RM'000 (Restated)	2012 RM'000 (Restated)	2014 RM'000	Company 2013 RM'000	2012 RM'000
Shares at cost						
In unquoted corporations	15,660	14,850	14,849	13,990	13,990	13,990
Shares at fair value						
In Malaysia quoted corporations	39,829	33,265	40,793	-	-	-
In overseas quoted corporations	865,634	868,204	557,171	6,592	5,299	5,199
	905,463	901,469	597,964	6,592	5,299	5,199
	921,123	916,319	612,813	20,582	19,289	19,189
Impairment in value of investments						
At beginning of the year	(5,532)	(5,826)	-	-	-	-
Impairment loss	(423)	(149)	(5,826)	-	-	-
Reversal of impairment loss	1,204	443	-	-	-	-
At end of the year	(4,751)	(5,532)	(5,826)	-	-	-
	916,372	910,787	606,987	20,582	19,289	19,189
Market value of shares						
In quoted corporations	900,712	895,937	592,138	6,592	5,299	5,199

### 22. 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% (2013 Restated: 8%) per annum.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 23. DEFERRED TAXATION

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

Group	Liabilities			Assets			Net		
	2014 RM'000	2013 RM'000 (Restated)	2012 RM'000 (Restated)	2014 RM'000	2013 RM'000 (Restated)	2012 RM'000 (Restated)	2014 RM'000	2013 RM'000 (Restated)	2012 RM'000 (Restated)
Property, plant and equipment									
Capital allowances	230,973	223,965	213,432	(16,915)	(14,633)	(13,684)	214,058	209,332	199,748
Revaluation	101,947	92,077	88,581	-	-	-	101,947	92,077	88,581
Unutilised tax losses	-	-	-	(85,491)	(73,205)	(37,144)	(85,491)	(73,205)	(37,144)
Unutilised reinvestment allowance	-	-	-	(23)	(316)	(10,982)	(23)	(316)	(10,982)
Derivative financial instruments	1,949	1,726	10,655	(3,144)	(2,066)	(541)	(1,195)	(340)	10,114
Other items	1,122	6,326	5,242	(77,842)	(65,286)	(57,882)	(76,720)	(58,960)	(52,640)
Tax liabilities/(assets)	335,991	324,094	317,910	(183,415)	(155,506)	(120,233)	152,576	168,588	197,677
Set off of tax	(55,122)	(52,027)	(65,002)	55,122	52,027	65,002	-	-	-
Net tax liabilities/(assets)	280,869	272,067	252,908	(128,293)	(103,479)	(55,231)	152,576	168,588	197,677

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:

Group	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 Allowances	Revaluation							
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 October 2012	21,638	489	(293)	(578)	(2,994)	(7,151)	-	(1,008)	10,103
Effects of adoption of FRS 10	191,794	88,092	5,535	(36,566)	(10,690)	(3,831)	10,114	(56,874)	187,574
As restated	213,432	88,581	5,242	(37,144)	(13,684)	(10,982)	10,114	(57,882)	197,677
Recognised in profit or loss	8,324	(5,236)	1,761	(42,380)	(395)	10,496	(10,804)	(559)	(38,793)
Recognised in equity	-	-	-	-	-	-	-	(2,956)	(2,956)
Addition through business combination	-	7,585	-	-	-	-	-	-	7,585
Under/(Over)-provision in respect of previous years	1,796	-	(441)	332	(771)	170	10	(216)	880
Currency translation differences	413	1,147	(236)	5,987	217	-	340	(3,673)	4,195
At 30 September 2013 (Restated)	223,965	92,077	6,326	(73,205)	(14,633)	(316)	(340)	(65,286)	168,588
Recognised in profit or loss	8,731	(8,574)	(1,308)	(17,845)	(2,410)	293	(772)	(6,408)	(28,293)
Recognised in equity	-	-	-	-	-	-	-	(8,314)	(8,314)
Addition through business combination	-	16,950	-	-	-	-	-	-	16,950
Changes in tax rate	-	2,054	-	-	-	-	-	-	2,054
Under/(Over)-provision in respect of previous years	(242)	-	(3,781)	1,990	10	-	33	(1,203)	(3,193)
Currency translation differences	(1,481)	(560)	(115)	3,569	118	-	(116)	3,369	4,784
At 30 September 2014	230,973	101,947	1,122	(85,491)	(16,915)	(23)	(1,195)	(77,842)	152,576

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

	2014 RM'000	Group 2013 RM'000 (Restated)	2012 RM'000 (Restated)
No deferred tax assets/(liabilities) have been recognised for the following items:			
Unabsorbed capital allowances	85,533	66,005	75,960
Deductible temporary differences	-	60,221	62,001
Unutilised tax losses	326,239	317,357	308,391
Property, plant and equipment	(376,133)	(323,168)	(290,104)
	<b>35,639</b>	<b>120,415</b>	<b>156,248</b>

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

The Group's unutilised tax losses of RM282,639,000 (2013 Restated: RM248,563,000) do not expire under current tax legislation.

	2014 RM'000	Group 2013 RM'000 (Restated)	2012 RM'000 (Restated)
Unutilised tax losses of RM43,600,000 (2013 Restated: RM68,794,000) will expire as follows:			
Year of expiry			
2013	-	-	35,996
2014	-	12,717	552
2015	33,561	2,452	34,143
2016	9,908	37,896	11,891
2017	-	13,043	2,195
2018	-	2,686	-
2019	131	-	-
	<b>43,600</b>	<b>68,794</b>	<b>84,777</b>

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 RM664,312,000 (2013 Restated: RM610,907,000) 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.

### 24. INVENTORIES

	2014 RM'000	Group 2013 RM'000 (Restated)	2012 RM'000 (Restated)
At cost			
Inventories of produce	881,319	636,019	700,042
Developed property held for sale	11,349	1,072	1,874
Stores and materials	426,073	316,031	328,385
	<b>1,318,741</b>	<b>953,122</b>	<b>1,030,301</b>
At net realisable value			
Inventories of produce	130,846	127,398	183,258
Stores and materials	38,906	15,601	39,910
	<b>1,488,493</b>	<b>1,096,121</b>	<b>1,253,469</b>

Inventories recognised in cost of sales of the Group were RM8,875,828,000 (2013 Restated: RM7,124,965,000).

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 25. TRADE RECEIVABLES

	2014 RM'000	Group 2013 RM'000 (Restated)	2012 RM'000 (Restated)
Trade receivables	1,087,950	939,738	877,148
Impairment losses	(9,595)	(11,543)	(8,024)
	<b>1,078,355</b>	<b>928,195</b>	<b>869,124</b>
Accrued billings	3,599	18,376	21,090
	<b>1,081,954</b>	<b>946,571</b>	<b>890,214</b>

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
<b>Group</b>				
<b>2014</b>				
Not past due	945,547	-	-	945,547
Past due 1 - 30 days	111,848	-	-	111,848
Past due 31 - 60 days	7,231	-	-	7,231
Past due 61 - 90 days	1,218	-	-	1,218
Past due 91 - 120 days	98	-	-	98
Past due more than 120 days	22,008	9,595	-	12,413
	<b>1,087,950</b>	<b>9,595</b>	<b>-</b>	<b>1,078,355</b>
<b>2013 (Restated)</b>				
Not past due	763,824	-	-	763,824
Past due 1 - 30 days	138,934	-	-	138,934
Past due 31 - 60 days	9,837	-	-	9,837
Past due 61 - 90 days	2,671	-	-	2,671
Past due 91 - 120 days	3,215	2,039	-	1,176
Past due more than 120 days	21,257	9,451	53	11,753
	<b>939,738</b>	<b>11,490</b>	<b>53</b>	<b>928,195</b>
<b>2012 (Restated)</b>				
Not past due	668,183	14	-	668,169
Past due 1 - 30 days	142,865	-	-	142,865
Past due 31 - 60 days	10,697	13	-	10,684
Past due 61 - 90 days	30,529	65	-	30,464
Past due 91 - 120 days	16,543	29	-	16,514
Past due more than 120 days	8,331	7,856	47	428
	<b>877,148</b>	<b>7,977</b>	<b>47</b>	<b>869,124</b>

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

	2014 RM'000	Group 2013 RM'000 (Restated)
At beginning of the year (Restated)	11,543	8,024
Impairment losses	1,978	3,148
Reversal of impairment losses	(756)	(541)
Impairment losses written off	(1,946)	(128)
Disposal of a sub-subsidiary	(643)	-
Currency translation differences	(581)	1,040
At end of the year	<b>9,595</b>	<b>11,543</b>

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

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

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 120 (2013 Restated: 7 to 120) days. Other credit terms are assessed and approved on a case-by-case basis.

### 26. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2014 RM'000	Group 2013 RM'000 (Restated)	2012 RM'000 (Restated)	2014 RM'000	Company 2013 RM'000	2012 RM'000
Other receivables	515,027	301,840	246,448	1	76	69
Prepayments	86,923	59,289	57,494	-	-	-
Refundable deposits	21,979	10,961	9,467	8	8	13
	<b>623,929</b>	<b>372,090</b>	<b>313,409</b>	<b>9</b>	<b>84</b>	<b>82</b>

### 27. PROPERTY DEVELOPMENT COSTS

	2014 RM'000	Group 2013 RM'000 (Restated)	2012 RM'000 (Restated)
Property development costs comprise:			
Land costs	3,845	1,785	2,544
Development costs	36,967	6,755	28,386
	<b>40,812</b>	<b>8,540</b>	<b>30,930</b>
Transfer from land held for property development			
Land costs	-	2,410	-
Development costs	-	24,123	-
	-	<b>26,533</b>	-
Costs incurred during the year			
Development costs	84,598	124,402	98,931
	<b>125,410</b>	<b>159,475</b>	<b>129,861</b>
Costs recognised as an expense in current year profit or loss	(60,409)	(118,556)	(121,321)
Transfer to inventories	(10,685)	(107)	-
	<b>54,316</b>	<b>40,812</b>	<b>8,540</b>



# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 28. 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
<b>Group</b>			
<b>2014</b>			
Forward foreign exchange contracts	(987,708)	4,623	(15,943)
Commodities future contracts	79,698	71,962	(71,283)
Total derivative financial instruments		<u>76,585</u>	<u>(87,226)</u>
<b>2013 (Restated)</b>			
Forward foreign exchange contracts	(834,163)	254	(16,468)
Commodities future contracts	(311,475)	7,878	(3,322)
Put option to sell shares in an investment	-	6,026	-
Total derivative financial instruments		<u>14,158</u>	<u>(19,790)</u>
<b>2012 (Restated)</b>			
Forward foreign exchange contracts	(1,082,901)	15,435	(2,169)
Commodities future contracts	(255,833)	39,701	(3,934)
Total derivative financial instruments		<u>55,136</u>	<u>(6,103)</u>

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.

On 5 April 2013, a wholly-owned sub-subsidiary entered into a Put Option Agreement with a third party granting this sub-subsidiary the right to sell its investment of 8,535,976 shares in Pearl River Tyre (Holdings) Ltd, which is listed on the Hong Kong Stock Exchange, at HKD4.28 per share to the third party. During the financial year ended 30 September 2014, this sub-subsidiary has exercised the Put Option.

The Group does not have any other financial liabilities which are measured at fair value through profit or loss except for derivative financial instruments.

### 29. ASSET HELD FOR SALE

The Directors of a wholly-owned sub-subsidiary in England, Standard Soap Company Ltd ("Standard Soap"), decided to cease the manufacturing operations in Standard Soap after the financial year ended 30 September 2012.

The financial statements of Standard Soap for the year ended 30 September 2013 had been prepared on the break up basis. The freehold property which was presented in the statement of financial position as property, plant and equipment in the previous years had been reclassified as asset held for sale as at 30 September 2013. The asset held for sale had been revalued to fair value as at 30 September 2013. The freehold property was disposed of during the financial year.

	Group	
	2014 RM'000	2013 RM'000 (Restated)
<b>Freehold property at fair value</b>		
At beginning of the year (Restated)	11,610	12,345
Disposal	(11,610)	-
Fair value adjustment	-	(1,456)
Currency translation differences	-	721
At end of the year	<u>-</u>	<u>11,610</u>

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 30. CASH AND CASH EQUIVALENTS

	2014 RM'000	Group 2013 RM'000 (Restated)	2012 RM'000 (Restated)	2014 RM'000	Company 2013 RM'000	2012 RM'000
Deposits with licensed banks	673,450	736,482	932,768	390	30	-
Short term funds	872,778	1,334,362	1,294,034	337,315	474,489	-
Cash and bank balances	354,247	392,896	285,764	125,790	104,819	86,641
	<b>1,900,475</b>	<b>2,463,740</b>	<b>2,512,566</b>	<b>463,495</b>	<b>579,338</b>	<b>86,641</b>

#### Short term funds comprise:

Investment in fixed income trust funds in Malaysia  
At fair value through profit or loss

	872,778	1,334,362	1,294,034	337,315	474,489	-
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Investment in fixed income trust funds in Malaysia represents short term investments in highly liquid money market. These investments are readily convertible to cash and have insignificant risk of changes in value.

Included in the Group's cash and bank balances is RM37,536,000 (2013 Restated: RM91,801,000), the utilisation of which is subject to the Housing Developers (Housing Development Account) (Amendment) Regulations 2002.

The effective interest rates per annum of deposits with licensed banks and short term funds at reporting dates were as follows:

	2014	Group 2013 (Restated)	2012 (Restated)	2014	Company 2013	2012
Deposits with licensed banks	0.01% to 10.75%	0.05% to 9.70%	0.01% to 10.75%	3.15%	3.15%	-
Short term funds	3.20% to 3.80%	2.73% to 3.30%	2.73% to 3.80%	3.42% to 3.58%	3.14%	-

The maturities and repricing of deposits with licensed banks and short term funds as at the end of the financial year were as follows:

	2014 RM'000	Group 2013 RM'000 (Restated)	2012 RM'000 (Restated)	2014 RM'000	Company 2013 RM'000	2012 RM'000
Within one year						
Deposits with licensed banks	673,450	719,401	913,446	390	30	-
Short term funds	872,778	1,334,362	1,294,034	337,315	474,489	-
	<b>1,546,228</b>	<b>2,053,763</b>	<b>2,207,480</b>	<b>337,705</b>	<b>474,519</b>	<b>-</b>
More than five years						
Deposits with licensed bank	-	17,081	19,322	-	-	-
	<b>1,546,228</b>	<b>2,070,844</b>	<b>2,226,802</b>	<b>337,705</b>	<b>474,519</b>	<b>-</b>

Deposit with a licensed bank of RM16,293,000 (2013 Restated: RM17,081,000) of a subsidiary 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.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 31. SHARE CAPITAL

	2014 Number of Shares '000	Group and Company 2014 RM'000	2013 Number of Shares '000	2013 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
Issued and fully paid At 1 October and 30 September	435,951	435,951	435,951	435,951
Treasury Shares	26,746	330,723	21,256	223,387

#### 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 19 February 2014. 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 5,489,700 of its issued shares from the open market for a total cost of RM107,336,383. The average price paid for the shares bought back was RM19.49 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, 26,746,200 (2013: 21,256,500) are held as treasury shares by the Company as at 30 September 2014. As at this date, the number of outstanding shares issued and fully-paid, after deducting treasury shares held is 409,204,800 (2013: 414,694,500) shares of RM1 each.

### 32. RESERVES

	2014 RM'000	Group 2013 RM'000 (Restated)	2012 RM'000 (Restated)	2014 RM'000	Company 2013 RM'000	2012 RM'000
Non-distributable						
Capital reserve	331,743	331,743	331,743	-	-	-
Revaluation reserve	4,810	5,766	5,766	16	16	16
Exchange fluctuation reserve	(195,851)	(117,259)	(51,067)	-	-	-
Capital redemption reserve	27,682	26,459	24,274	-	-	-
Fair value reserve	325,003	366,350	231,046	1,219	(72)	(172)
	493,387	613,059	541,762	1,235	(56)	(156)
Distributable						
Capital reserve	488,233	487,158	486,723	32,555	32,555	32,555
General reserve	7,035	7,035	7,035	6,739	6,739	6,739
Retained earnings	3,543,118	3,247,676	3,031,197	579,751	564,510	510,038
	4,038,386	3,741,869	3,524,955	619,045	603,804	549,332
	4,531,773	4,354,928	4,066,717	620,280	603,748	549,176

#### Capital and general reserve

Non-distributable capital reserve mainly comprises share of associates' capital reserve and 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.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### Revaluation reserve

The Group's and 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. Included in fair value reserve of the Group was an amount of RM219,898,000 (2013 Restated: RM219,898,000), which represented the fair value adjustments on deemed acquisition of a subsidiary in accordance with FRS 10.

### Retained earnings

Of the Company's retained earnings at year end, RM330,723,375 was utilised for the purchase of the treasury shares and is considered as non-distributable. Details of treasury shares are disclosed in Note 31.

## 33. DEFERRED INCOME

	Group	
	2014 RM'000	2013 RM'000 (Restated)
<b>Government grants</b>		
At cost		
At beginning of the year (Restated)	80,107	24,808
Received during the year	29,361	55,208
Addition through business combination	3,059	-
Refund during the year	(3,134)	-
Currency translation differences	(31)	91
At end of the year	<u>109,362</u>	<u>80,107</u>
<b>Accumulated amortisation</b>		
At beginning of the year (Restated)	1,132	133
Amortisation charge	1,779	991
Currency translation differences	(1)	8
At end of the year	<u>2,910</u>	<u>1,132</u>
<b>Carrying amounts</b>	<u>106,452</u>	<u>78,975</u>
Deferred income is disclosed under:		
Non-current liabilities	101,495	72,010
Current liabilities	4,957	6,965
	<u>106,452</u>	<u>78,975</u>

The sub-subsidiaries, namely KL-Kepong Oleomas Sdn Bhd, Palm-Oleo (Klang) Sdn Bhd and Davos Life Science Sdn Bhd received government grants from Malaysian Palm Oil Board ("MPOB") which were conditional upon the construction of specific projects. The government grants are to be amortised over the life of the assets when the assets are commissioned.

Another sub-subsidiary, Davos Life Science Pte Ltd ("Davos") received government grant from MPOB for the financing of research and development project in the previous year. However, during the financial year, Davos refunded the government grant to MPOB as a result of the termination of the research and development project due to certain technical compliance issue.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 34. PROVISION FOR RETIREMENT BENEFITS

	2014 RM'000	Group 2013 RM'000 (Restated)	2012 RM'000 (Restated)	2014 RM'000	Company 2013 RM'000	2012 RM'000
Present value of funded obligations	154,791	140,913	206,186	-	-	-
Fair value of plan assets	(145,171)	(133,012)	(176,084)	-	-	-
	9,620	7,901	30,102	-	-	-
Unfunded obligations	277,418	255,908	222,115	30	22	19
Present value of net obligations	287,038	263,809	252,217	30	22	19

#### Defined benefit obligations

- (i) The Group's plantation operations operate defined benefit plans in Malaysia and Indonesia based on the terms of the union's collective agreements in Malaysia and the labour law in Indonesia. 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 in Malaysia and the Labour Law in Indonesia.

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 is made.

- (ii) 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 2014.

- (iii) A sub-subsidiary in Switzerland, Kolb Distribution Ltd, 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 2014 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 2014. The plan assets are stated at their market value as at 30 September 2014.

- (iv) A sub-subsidiary in England, Standard Soap Company Ltd ("Standard Soap"), operated a defined benefit plan that provided pension benefits for employees upon retirement.

Following the cessation of operations during the financial year ended 30 September 2013, the directors of Standard Soap had decided to liquidate the company and to settle the pension liabilities. Subsequently, Standard Soap entered into a Company Voluntary Arrangement ("CVA") with the United Kingdom Pensions Regulator on 18 June 2013. A CVA is an insolvency procedure under the United Kingdom company law whereby a company can come to an agreement with its creditors to settle the outstanding amounts at an agreed recovery rate and timeline.

Under the terms of the CVA, the full and final settlement of the pension liabilities were estimated at RM5,225,000 with the Pensions Regulator. Accordingly, the pension liabilities had been revalued and stated at RM5,225,000 under other payables as at 30 September 2013 (Note 37). The pension liabilities were fully settled during the financial year ended 30 September 2014.

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 RM5,434,000 in contribution to be paid to the defined benefit plans in the next financial year.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

<b>Movement in Net Defined Benefit Liabilities</b>	<b>Present Value of Funded Obligations RM'000</b>	<b>Unfunded Obligations RM'000</b>	<b>Fair Value of Plan Assets RM'000</b>	<b>Net Defined Benefit Liabilities RM'000</b>
<b>Group</b>				
At 1 October 2012	-	3,739	-	3,739
Effects of adoption of FRS 10	206,186	218,376	(176,084)	248,478
As restated	206,186	222,115	(176,084)	252,217
<b>Included in profit or loss</b>				
Service cost	6,158	24,305	-	30,463
Overprovision	-	(57)	-	(57)
Interest cost	2,969	211	-	3,180
Expected return on plan assets	-	-	(3,948)	(3,948)
Past service cost	-	81	-	81
Remeasurements	-	17	-	17
Actuarial loss on obligation	-	410	-	410
	9,127	24,967	(3,948)	30,146
<b>Included in other comprehensive income</b>				
Remeasurement loss/(gain)				
Actuarial loss/(gain) from:				
- Financial assumptions	-	6,099	-	6,099
- Experience assumptions	(4,534)	-	(5,123)	(9,657)
	(4,534)	6,099	(5,123)	(3,558)
<b>Other</b>				
Contribution paid by employer	-	(15,699)	(5,091)	(20,790)
Employee contributions	3,639	-	(3,639)	-
Benefits paid	(15,842)	-	15,842	-
Liquidation of the plan	(68,949)	-	55,176	(13,773)
Currency translation differences	11,286	18,426	(10,145)	19,567
At 30 September 2013 (Restated)	140,913	255,908	(133,012)	263,809
<b>Included in profit or loss</b>				
Service cost	5,013	32,474	-	37,487
Underprovision	-	91	-	91
Interest cost/(income)	3,122	225	(2,956)	391
	8,135	32,790	(2,956)	37,969
<b>Included in other comprehensive income</b>				
Remeasurement loss/(gain)				
Actuarial loss/(gain) from:				
- Financial assumptions	9,418	25,892	-	35,310
- Experience assumptions	6,160	-	-	6,160
Return on plan assets excluding interest income	-	-	(13,187)	(13,187)
	15,578	25,892	(13,187)	28,283
<b>Other</b>				
Contribution paid by employer	-	(21,443)	(5,147)	(26,590)
Employee contributions	3,649	-	(3,649)	-
Benefits paid	(5,854)	-	5,854	-
Currency translation differences	(7,630)	(15,729)	6,926	(16,433)
At 30 September 2014	154,791	277,418	(145,171)	287,038

The amount of remeasurement loss of RM19,969,000 (2013 Restated: RM6,514,000 gain) recognised in other comprehensive income is net of deferred tax of RM8,314,000 (2013 Restated: RM2,956,000) (Note 23).

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

	2014 RM'000	Group 2013 RM'000 (Restated)	2012 RM'000 (Restated)
<b>Plan assets</b>			
Plan assets comprise:			
Equities	42,409	38,206	54,244
Bonds	66,548	60,386	78,853
Real estate	25,344	23,865	23,915
Cash and cash equivalents	4,057	4,135	-
Other assets	6,813	6,420	19,072
	<b>145,171</b>	<b>133,012</b>	<b>176,084</b>

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 2014 RM'000	2013 RM'000
<b>Unfunded obligations</b>		
Movement in the unfunded defined benefit obligations		
At beginning of the year	22	19
Benefits paid	-	(24)
Expense recognised in profit or loss	8	27
At end of the year	<b>30</b>	<b>22</b>
Expense recognised in profit or loss		
Current service cost	2	1
Interest cost	1	1
Underprovision	5	25
	<b>8</b>	<b>27</b>

	2014 %	Group 2013 % (Restated)	2012 % (Restated)
<b>Actuarial Assumptions</b>			
Principal actuarial assumptions of the funded plans (expressed as weighted averages):			
Discount rates	1.6	2.2	2.2 to 4.1
Future salary increases	1.5	1.5	1.5
Principal assumptions of the unfunded plan used by plantations subsidiaries in Indonesia:			
Discount rate	4.6 to 9.0	4.6 to 9.0	4.3 to 7.5
Future salary increases	3.0 to 6.5	3.0 to 7.9	3.5 to 6.1
Principal actuarial assumptions of the unfunded plan operated by the sub-subsidiary in Germany:			
Discount rate	2.3	3.3	3.5
Future salary increase	2.8	2.8	2.8
Future pension increase	2.0	2.0	2.0

As at end of the reporting period, the weighted average duration of the funded defined benefit obligation was 14.9 years (2013 Restated: 9.7 years).

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 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 Increase RM'000	Obligation Decrease RM'000
<b>2014</b>		
Discount rate (0.25% movement)	(5,573)	5,981
Future salary growth (0.25% movement)	725	(715)
Life expectancy (1 year movement)	<u>2,838</u>	<u>(2,886)</u>

Although the analysis does not account to the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

### 35. BORROWINGS

	2014 RM'000	Group 2013 RM'000 (Restated)	2012 RM'000 (Restated)	2014 RM'000	Company 2013 RM'000	2012 RM'000
<b>Current</b>						
Secured						
Term loans	808	7,568	8,891	-	-	-
Unsecured						
Bank overdrafts	30,923	3,088	32,853	-	-	-
Trade financing	332,384	-	-	-	-	-
Term loans	39,118	335,687	112,864	-	-	-
Export credit refinancing	63,744	39,565	69,223	-	-	-
Bankers' acceptance	285,819	97,599	203,258	-	-	-
Revolving credit	341,377	313,187	279,778	-	-	-
	<u>1,093,365</u>	<u>789,126</u>	<u>697,976</u>	-	-	-
	<u>1,094,173</u>	<u>796,694</u>	<u>706,867</u>	-	-	-
<b>Non-Current</b>						
Secured						
Term loans	1,944	-	7,568	-	-	-
Unsecured						
Term loans	514,299	279,227	504,276	-	-	-
Islamic medium term notes	1,800,000	1,800,000	1,300,000	500,000	500,000	-
	<u>2,314,299</u>	<u>2,079,227</u>	<u>1,804,276</u>	<u>500,000</u>	<u>500,000</u>	-
	<u>2,316,243</u>	<u>2,079,227</u>	<u>1,811,844</u>	<u>500,000</u>	<u>500,000</u>	-
<b>Total borrowings</b>	<u>3,410,416</u>	<u>2,875,921</u>	<u>2,518,711</u>	<u>500,000</u>	<u>500,000</u>	-

- (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 issue of the IMTN with the last periodic distribution to be made on the maturity date.



# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

- 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 ("1<sup>st</sup> Programme") at par with a profit of 3.88% per annum.

Salient features of the 1<sup>st</sup> 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 1<sup>st</sup> Programme is up to 5 years from the date of the first issuance of any Notes under the 1<sup>st</sup> 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 1<sup>st</sup> Programme. There will not be profit payable on the ICP issued under the 1<sup>st</sup> 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 1<sup>st</sup> 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 1<sup>st</sup> Programme.
- (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 ("2<sup>nd</sup> Programme") at par with a profit of 4.0% per annum.

Salient features of the 2<sup>nd</sup> 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 2<sup>nd</sup> Programme is up to 10 years from the date of the first issuance of any MCIMTN under the 2<sup>nd</sup> 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 2<sup>nd</sup> 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 2<sup>nd</sup> Programme.
- (d) Certain borrowings of the Group were secured by way of fixed and floating charges on the following assets:

	2014 RM'000	Group 2013 RM'000 (Restated)	2012 RM'000 (Restated)
Property, plant and equipment (Note 12)	83,723	-	4,504
Investment property (Note 13)	-	52,977	53,906
Prepaid lease payments (Note 14)	-	-	2,800
	<b>83,723</b>	<b>52,977</b>	<b>61,210</b>

- (e) Certain unsecured term loans and bank overdrafts are supported by corporate guarantees of RM622.9 million (2013 Restated: RM186.3 million) issued by a subsidiary. The bank overdraft facilities are renewable annually.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

(f) The interest rates per annum applicable to borrowings for the year were as follows:

	2014	Group 2013 (Restated)	2012 (Restated)	2014	Company 2013	2012
Bank overdrafts	0.71% to 6.50%	0.78% to 6.50%	0.79% to 7.50%	-	-	-
Term loans	1.24% to 5.11%	1.04% to 6.40%	1.07% to 7.95%	-	-	-
Trade financing	0.55% to 0.99%	-	-	-	-	-
Export credit refinancing	3.35% to 3.72%	3.35% to 3.45%	3.20% to 3.55%	-	-	-
Bankers' acceptance	3.29% to 4.46%	3.27% to 4.53%	2.73% to 4.13%	-	-	-
Revolving credit	1.05% to 6.60%	0.82% to 7.56%	1.14% to 7.63%	-	-	-
Islamic medium term notes	3.88% to 4.05%	3.88% to 4.05%	3.88% to 4.20%	4.05%	4.05%	-

An amount of RM878,299,000 (2013 Restated: RM400,966,000) 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 the three financial years.

### 36. TRADE PAYABLES

	2014 RM'000	Group 2013 RM'000 (Restated)	2012 RM'000 (Restated)
Trade payables	396,718	370,898	360,095
Progress billings	20,447	217	652
	<b>417,165</b>	<b>371,115</b>	<b>360,747</b>

The normal trade credit terms granted to the Group ranged from 7 to 90 (2013 Restated: 7 to 90) days.

### 37. OTHER PAYABLES

	2014 RM'000	Group 2013 RM'000 (Restated)	2012 RM'000 (Restated)	2014 RM'000	Company 2013 RM'000	2012 RM'000
Other payables	429,819	306,488	373,063	-	-	-
Accruals	208,875	182,705	141,662	9,473	9,119	3,025
Deposit received	591	591	588	-	-	-
Final settlement of pension plan (Note 34)	-	5,225	-	-	-	-
	<b>639,285</b>	<b>495,009</b>	<b>515,313</b>	<b>9,473</b>	<b>9,119</b>	<b>3,025</b>

Included under other payables of the Group is an amount of RM87,120,000 (2013 Restated: Nil) being deposit received from an associate for the purchase of land from a subsidiary.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 38. 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	
	2014 RM'000	2013 RM'000
Rental paid to a subsidiary	96	96

- (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	
	2014 RM'000	2013 RM'000 (Restated)
(i) Transactions with associates		
Processing fee earned	1,079	600
Sales of finished goods	7,858	6,107
Sales of electricity	1,097	898
Purchase of goods	6,189	3,723
Service charges paid	3,778	3,647
Research and development services paid	10,982	9,376
(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	226,988	199,473
Taiko Marketing (Singapore) Pte Ltd	7,864	3,850
Chlor-Al Chemical Pte Ltd	23,337	22,859
Premier Bleaching Earth Sdn Bhd	3,519	5,949
Siam Taiko Marketing Co Ltd	2,175	1,804
Freight income earned		
Chlor-Al Chemical Pte Ltd	1,946	751
Storage tanks rental received		
Taiko Marketing Sdn Bhd	2,904	3,012
Purchase of goods		
Taiko Marketing Sdn Bhd	30,847	28,437
Taiko Marketing (S) Pte Ltd	27,653	18,942
Taiko Acid Works Sdn Bhd	4,232	413
Borneo Taiko Clay Sdn Bhd	4,313	4,396
Bukit Katho Estate Sdn Bhd	3,789	4,292
Kampar Rubber & Tin Co Sdn Bhd	10,240	9,474
Kekal & Deras Sdn Bhd	1,689	1,688
Malay-Rubber Plantations (M) Sdn Bhd	8,204	8,451
PT Agro Makmur Abadi	68,333	45,670
PT Safari Riau	29,299	24,914
PT Taiko Persada Indoprma	18,509	19,299
Taiko Clay Marketing Sdn Bhd	1,645	1,411
Taiko Drum Industries Sdn Bhd	2,925	2,142
Taiko Fertiliser Marketing Sdn Bhd	26,881	57,585
Yayasan Perak-Wan Yuen Sdn Bhd	685	989
Management fees paid		
Farming Management Services Pty Ltd	1,291	1,007
Aircraft operating expenses and management services paid		
Smooth Route Sdn Bhd	1,214	1,145
Supply of contract labours and engineering works		
K7 Engineering Sdn Bhd	2,462	1,633
Sales commissions charged by		
Taiko Marketing Sdn Bhd	7,826	1,890

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

	Group	
	2014 RM'000	2013 RM'000 (Restated)
(ii) Transactions between subsidiaries and their non-controlling interests		
Sales of goods		
Mitsubishi Corporation	73,253	186,617
Mitsui & Co Ltd	127,770	88,958
Tejana Trading & Management Services Sdn Bhd	4,326	5,554

### 39. CAPITAL COMMITMENTS

	2014 RM'000	Group 2013 RM'000 (Restated)	2012 RM'000 (Restated)
Capital expenditure			
Approved and contracted	266,052	506,486	644,876
Approved but not contracted	936,917	783,909	690,716
	<b>1,202,969</b>	<b>1,290,395</b>	<b>1,355,592</b>
Acquisitions of shares in sub-subsidiaries			
Approved and contracted	1,133	3,211	3,641
Acquisition of land for property development			
Approved and contracted	784,080	-	-

### 40. LEASE COMMITMENTS

	Group	
	2014 RM'000	2013 RM'000 (Restated)
<b>Lease as a lessee</b>		
Total future minimum lease payments under non-cancellable operating leases are as follows:		
Less than 1 year	5,884	5,979
Between 1 and 5 years	41,200	37,966
More than 5 years	107,874	111,538
	<b>154,958</b>	<b>155,483</b>
<b>Lease as a lessor</b>		
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	5,748	5,613
Between 1 and 5 years	4,033	4,292
	<b>9,781</b>	<b>9,905</b>

### 41. CONTINGENT LIABILITIES – UNSECURED

- (a) A subsidiary has an unsecured contingent liability of RM622.9 million (2013 Restated: RM186.3 million) in respect of corporate guarantees given to certain banks for credit facilities utilised by certain of its subsidiaries at 30 September 2014.
- (b) A subsidiary has undertaken to provide financial support to certain of its subsidiaries to enable them to continue to operate as going concerns.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 42. SUBSIDIARIES AND ASSOCIATES

(a) The names of subsidiaries and associates are detailed below:

Subsidiaries	Country Of Incorporation	Principal Country Of Operation	Percentage of Equity Held			Principal Activities
			2014	2013 (Restated)	2012 (Restated)	
<b>Held by the Company:</b>						
<b>MANUFACTURING</b>						
<b>CHEMICALS</b>						
See Sen Chemical Berhad †	Malaysia	Malaysia	61	61	61	Manufacturing of chemicals
Malay-Sino Chemical Industries Sendirian Berhad †	Malaysia	Malaysia	86	86	86	Manufacturing of chemicals
<b>INVESTMENT HOLDINGS</b>						
Batu Kawan Holdings Sdn Bhd †	Malaysia	Malaysia	100	100	100	Investment holding
Caruso Enterprises Sdn Bhd †	Malaysia	Malaysia	100	100	100	Money lending
Whitmore Holdings Sdn Bhd †	Malaysia	Malaysia	100	100	100	Investment holding
Enternal Edge Sdn Bhd †	Malaysia	Malaysia	100	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	-	-	Investment holding
<b>PLANTATIONS</b>						
<b>PENINSULAR MALAYSIA</b>						
Kuala Lumpur Kepong Berhad	Malaysia	Malaysia	47	47	47	Plantation
<b>Held through Subsidiaries:</b>						
<b>Malay-Sino Chemical Industries Sendirian Berhad:</b>						
<b>MANUFACTURING</b>						
<b>CHEMICALS</b>						
Malay-Sino Agro-Chemical Products Sdn Bhd †	Malaysia	Malaysia	100	100	100	Manufacture and sale of methyl chloride
Circular Agency Sdn Bhd †	Malaysia	Malaysia	100	100	100	General transportation services
North-South Transport Sdn Bhd †	Malaysia	Malaysia	100	100	100	General transportation services
Malay-Sino Properties Sdn Bhd †	Malaysia	Malaysia	100	100	100	Letting of storage warehouse facilities
Malay-Sino Chemical Holdings Berhad †	Malaysia	Malaysia	100	100	100	Dormant
<b>See Sen Chemical Berhad:</b>						
<b>MANUFACTURING</b>						
<b>CHEMICALS</b>						
See Sen Bulking Installation Sdn Bhd †	Malaysia	Malaysia	100	100	100	Dormant
<b>Whitmore Holdings Sdn Bhd:</b>						
<b>PLANTATIONS</b>						
<b>INDONESIA</b>						
P.T. Satu Sembilan Delapan †	Indonesia	Indonesia	92	92	92	Plantation

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

Subsidiaries	Country Of Incorporation	Principal Country Of Operation	Percentage of Equity Held			Principal Activities
			2014	2013 (Restated)	2012 (Restated)	
<b>Kuala Lumpur Kepong Berhad:</b>						
<b>PLANTATIONS</b>						
<b>PENINSULAR MALAYSIA</b>						
Kulumpang Development Corporation Sdn Bhd	Malaysia	Malaysia	100	100	100	Plantation
Uni-Agro Multi Plantations Sdn Bhd	Malaysia	Malaysia	51	51	51	Plantation
Betatechnic Sdn Bhd	Malaysia	Malaysia	100	100	100	Operations of biogas capture plants
Gunong Pertanian Sdn Bhd	Malaysia	Malaysia	100	100	100	Solvent extraction of palm oil
KL-Kepong Edible Oils Sdn Bhd	Malaysia	Malaysia	100	100	100	Refining of palm products
Taiko Plantations Sdn Bhd †	Malaysia	Malaysia	100	100	100	Management of plantations
Rubber Fibreboards Sdn Bhd	Malaysia	Malaysia	100	100	100	Manufacturing of fibre mat
Golden Complex Sdn Bhd	Malaysia	Malaysia	100	100	100	Investment holding
Jasachem Sdn Bhd	Malaysia	Malaysia	100	100	100	Investment holding
KL-Kepong Plantation Holdings Sdn Bhd	Malaysia	Malaysia	100	100	100	Investment holding
Voray Holdings Ltd †	Hong Kong	Malaysia	-	55	55	Investment holding
The Kuala Pertang Syndicate Ltd † (In Members' Voluntary Liquidation)	England	Malaysia	-	100	100	Liquidated
The Shanghai Kelantan Rubber Estates (1925) Ltd † (In Members' Voluntary Liquidation)	Hong Kong	Malaysia	-	-	100	Liquidated
<b>SABAH</b>						
Bornion Estate Sdn Bhd	Malaysia	Malaysia	63	63	63	Plantation
KL-Kepong (Sabah) Sdn Bhd	Malaysia	Malaysia	100	100	100	Plantation
Sabah Cocoa Sdn Bhd	Malaysia	Malaysia	100	100	100	Plantation
KLK Premier Oils Sdn Bhd	Malaysia	Malaysia	85	85	85	Refining of palm products and kernel crushing
Sabah Holdings Corporation Sdn Bhd	Malaysia	Malaysia	70	70	70	Investment holding
Fajar Palmkel Sdn Bhd	Malaysia	Malaysia	100	100	100	Dormant
Golden Sphere Sdn Bhd (In Members' Voluntary Liquidation)	Malaysia	Malaysia	100	100	100	Dormant
Golden Yield Sdn Bhd	Malaysia	Malaysia	85	85	85	Dormant
Axe Why Zed Sdn Bhd † (In Members' Voluntary Liquidation)	Malaysia	Malaysia	-	100	100	Liquidated
Bandar Merchants Sdn Bhd † (In Members' Voluntary Liquidation)	Malaysia	Malaysia	-	100	100	Liquidated
Gocoa Sdn Bhd (In Members' Voluntary Liquidation)	Malaysia	Malaysia	-	100	100	Liquidated
Golden Peak Development Sdn Bhd (In Members' Voluntary Liquidation)	Malaysia	Malaysia	-	100	100	Liquidated

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

Subsidiaries	Country Of Incorporation	Principal Country Of Operation	Percentage of Equity Held			Principal Activities
			2014	2013 (Restated)	2012 (Restated)	
<b>PLANTATIONS</b>						
<b>SABAH</b>						
Ladang Finari Sdn Bhd (In Members' Voluntary Liquidation)	Malaysia	Malaysia	-	100	100	Liquidated
Ladang Sumundu (Sabah) Sdn Bhd (In Members' Voluntary Liquidation)	Malaysia	Malaysia	-	100	100	Liquidated
Segar Usaha Sdn Bhd † (In Members' Voluntary Liquidation)	Malaysia	Malaysia	-	100	100	Liquidated
Susuki Sdn Bhd † (In Members' Voluntary Liquidation)	Malaysia	Malaysia	-	100	100	Liquidated
Sy Kho Trading Plantation Sdn Bhd (In Members' Voluntary Liquidation)	Malaysia	Malaysia	-	100	100	Liquidated
Syarikat Budibumi Sdn Bhd † (In Members' Voluntary Liquidation)	Malaysia	Malaysia	-	100	100	Liquidated
Syarikat Swee Keong (Sabah) Sdn Bhd (In Members' Voluntary Liquidation)	Malaysia	Malaysia	-	100	100	Liquidated
Kalumpang Estates Sdn Bhd (In Members' Voluntary Liquidation)	Malaysia	Malaysia	-	-	100	Liquidated
Selit Plantations (Sabah) Sdn Bhd (In Members' Voluntary Liquidation)	Malaysia	Malaysia	-	-	100	Liquidated
<b>INDONESIA</b>						
P.T. ADEI Plantation & Industry †	Indonesia	Indonesia	95	95	95	Plantation
P.T. Alam Karya Sejahtera AKS †	Indonesia	Indonesia	62	62	62	Plantation
P.T. Anugrah Surya Mandiri †	Indonesia	Indonesia	95	95	95	Plantation
P.T. Hutan Hijau Mas †	Indonesia	Indonesia	92	92	92	Plantation
P.T. Jabontara Eka Karsa †	Indonesia	Indonesia	95	95	95	Plantation
P.T. Karya Makmur Abadi †	Indonesia	Indonesia	90	90	90	Plantation
P.T. Langkat Nusantara Kepong †	Indonesia	Indonesia	60	60	60	Plantation
P.T. Malindomas Perkebunan †	Indonesia	Indonesia	92	92	92	Plantation
P.T. Menteng Jaya Sawit Perdana †	Indonesia	Indonesia	80	80	80	Plantation
P.T. Mulia Agro Permai †	Indonesia	Indonesia	90	90	90	Plantation
P.T. Parit Sembada †	Indonesia	Indonesia	90	90	90	Plantation
P.T. Steelindo Wahana Perkasa †	Indonesia	Indonesia	95	95	95	Plantation
P.T. Sekarbumi Alamlestari †	Indonesia	Indonesia	65	65	65	Plantation
P.T. KLK Agriservindo †	Indonesia	Indonesia	100	100	100	Management of plantations
P.T. Kreasijaya Adhikarya †	Indonesia	Indonesia	95	95	95	Bulking installation

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

Subsidiaries	Country Of Incorporation	Principal Country Of Operation	Percentage of Equity Held			Principal Activities
			2014	2013 (Restated)	2012 (Restated)	
<b>PLANTATIONS SINGAPORE</b>						
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	69	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	100	Management of plantations
<b>PEOPLE'S REPUBLIC OF CHINA</b>						
Hubei Zhong Chang Vegetable Oil Co Ltd †	People's Republic of China	People's Republic of China	-	33	33	Edible oil refining
Tianjin Voray Bulking Installation Co Ltd †	People's Republic of China	People's Republic of China	-	37	37	Dormant
<b>PAPUA NEW GUINEA</b>						
Ang Agro Forest Management Ltd †	Papua New Guinea	Papua New Guinea	51	51	-	Plantation
Kubahi Marine Services Ltd †	Papua New Guinea	Papua New Guinea	51	51	-	Marine transportation
<b>UNITED KINGDOM</b>						
Equatorial Palm Oil Plc †	United Kingdom	United Kingdom	63	-	-	Investment holding
<b>GUERNSEY</b>						
Equatorial Biofuels (Guernsey) Ltd †	Guernsey	Guernsey	63	-	-	Investment holding
<b>MAURITIUS</b>						
Liberian Palm Developments Ltd †	Mauritius	Mauritius	82	-	-	Investment holding
EBF (Mauritius) Ltd †	Mauritius	Mauritius	82	-	-	Investment holding
EPO (Mauritius) Ltd †	Mauritius	Mauritius	82	-	-	Investment holding
<b>LIBERIA</b>						
Liberia Forest Products Inc †	Liberia	Liberia	82	-	-	Plantation
LIBINC Oil Palm Inc †	Liberia	Liberia	82	-	-	Plantation
Equatorial Palm Oil (Liberia) Incorporated †	Liberia	Liberia	82	-	-	Management of plantations
Liberian Agriculture Developments Corporation †	Liberia	Liberia	82	-	-	Dormant



# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

Subsidiaries	Country Of Incorporation	Principal Country Of Operation	Percentage of Equity Held			Principal Activities
			2014	2013 (Restated)	2012 (Restated)	
<b>PLANTATIONS</b>						
<b>BRITISH VIRGIN ISLANDS</b>						
Double Jump Ltd ††	British Virgin Islands	British Virgin Islands	-	-	100	Liquidated
Tri-Force Element Inc ††	British Virgin Islands	British Virgin Islands	-	-	100	Liquidated
<b>MANUFACTURING</b>						
<b>OLEOCHEMICALS</b>						
Palm-Oleo Sdn Bhd	Malaysia	Malaysia	80	80	80	Manufacturing of oleochemicals
Palm-Oleo (Klang) Sdn Bhd	Malaysia	Malaysia	80	80	80	Manufacturing of oleochemicals
KSP Manufacturing Sdn Bhd	Malaysia	Malaysia	80	80	80	Manufacturing of soap noodles
Palmamide Sdn Bhd	Malaysia	Malaysia	80	80	80	Manufacturing of industrial amides
KL-Kepong Oleomas Sdn Bhd	Malaysia	Malaysia	96	96	96	Manufacturing of fatty alcohol and methyl esters
Davos Life Science Sdn Bhd	Malaysia	Malaysia	100	100	100	Manufacturing of palm oil fatty acids products
KLK Bioenergy Sdn Bhd	Malaysia	Malaysia	96	96	96	Manufacturing of methyl esters
KLK Emmerich GmbH †	Germany	Germany	100	100	100	Manufacturing of fatty acids and glycerine
Taiko Palm-Oleo (Zhangjiagang) Co Ltd †	People's Republic of China	People's Republic of China	100	100	100	Manufacturing of fatty acids, glycerine, soap noodles and soap bars
Shanghai Jinshan Jingwei Chemical Co Ltd †	People's Republic of China	People's Republic of China	100	100	100	Manufacturing of detergents, auxiliary materials for detergents and cosmetics and investment holding
P.T. KLK Dumai †	Indonesia	Indonesia	100	100	100	Manufacturing of basic organic chemicals from agricultural products
Capital Glogalaxy Sdn Bhd	Malaysia	Malaysia	100	100	100	Trading in commodities
KLK Oleo (Shanghai) Co Ltd †	People's Republic of China	People's Republic of China	100	100	100	Trading and distribution of oleochemicals
KL-Kepong Industrial Holdings Sdn Bhd	Malaysia	Malaysia	100	100	100	Investment holding
TensaChem SA #	Belgium	Belgium	100	-	-	Manufacturing of alcohol ether sulphates, alcohol sulphates and sulphonic acids
KLK Premier Capital Ltd ††	British Virgin Islands	British Virgin Islands	100	100	100	Investment holding

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

Subsidiaries	Country Of Incorporation	Principal Country Of Operation	Percentage of Equity Held			Principal Activities
			2014	2013 (Restated)	2012 (Restated)	
<b>MANUFACTURING NON-IONIC SURFACTANTS AND ESTERS</b>						
Dr. W. Kolb AG †	Switzerland	Switzerland	100	100	100	Manufacturing of non-ionic surfactants and esters
Kolb Distribution Ltd †	Switzerland	Switzerland	100	100	100	Distribution of non-ionic surfactants and esters
Dr. W. Kolb Netherlands BV †	Netherlands	Netherlands	100	100	100	Manufacturing of non-ionic surfactants and esters
Kolb Distribution BV †	Netherlands	Netherlands	100	100	100	Distribution of non-ionic surfactants and esters
Kolb France SARL †	France	France	100	100	100	Distribution of non-ionic surfactants and esters
Dr. W. Kolb Deutschland GmbH †	Germany	Germany	100	100	100	Distribution of non-ionic surfactants and esters
Dr. W. Kolb Holding AG †^	Switzerland	Switzerland	-	100	100	Investment holding
Kolb Italia Srl †	Italy	Italy	-	100	100	Liquidated
Kolb Asia Pte Ltd †	Singapore	Singapore	-	-	100	Liquidated
<b>GLOVE PRODUCTS</b>						
KL-Kepong Rubber Products Sdn Bhd †	Malaysia	Malaysia	100	100	100	Manufacturing of household latex gloves
Masif Latex Products Sdn Bhd †	Malaysia	Malaysia	100	100	100	Trading of household latex gloves
<b>PARQUET FLOORING</b>						
B.K.B. Hevea Products Sdn Bhd †	Malaysia	Malaysia	100	100	100	Manufacturing of parquet flooring products
B.K.B. Flooring Sdn Bhd †	Malaysia	Malaysia	100	100	100	Dormant
B.K.B. Europa SARL †† (In Members' Voluntary Liquidation)	France	France	-	100	100	Liquidated
<b>SOAP</b>						
KLK Overseas Investments Ltd ††	British Virgin Islands	British Virgin Islands	100	100	100	Investment holding
Standard Soap Company Ltd †	England	England	100	100	100	Dormant

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

Subsidiaries	Country Of Incorporation	Principal Country Of Operation	Percentage of Equity Held			Principal Activities
			2014	2013 (Restated)	2012 (Restated)	
<b>MANUFACTURING NUTRACEUTICAL, COSMETOCEUTICAL &amp; PHARMACEUTICAL PRODUCTS</b>						
Davos Life Science Pte Ltd †	Singapore	Singapore	100	100	100	Sales of pharmaceutical and bio- pharmaceutical intermediates and fine chemicals and investment holding
Biogene Life Science Pte Ltd †	Singapore	Singapore	100	100	100	Research collaboration and investment holding
Centros Life Science Pte Ltd †	Singapore	Singapore	100	100	100	Sales of pharmaceutical and bio- pharmaceutical intermediates and fine chemicals
Davos Life Science Marketing Pte Ltd †^	Singapore	Singapore	-	-	100	Sales and marketing
Helix Life Science Pte Ltd †^	Singapore	Singapore	-	-	100	Research and experimental development on plant micronutrients
<b>STORAGE &amp; DISTRIBUTION</b>						
Stolthaven (Westport) Sdn Bhd	Malaysia	Malaysia	51	51	51	Storing and distribution of bulk liquid
<b>PROPERTIES</b>						
Austerfield Corporation Sdn Bhd	Malaysia	Malaysia	100	100	100	Investment holding
Brecon Holdings Sdn Bhd	Malaysia	Malaysia	100	100	100	Dormant
Colville Holdings Sdn Bhd	Malaysia	Malaysia	100	100	100	Property development
KL-K Holiday Bungalows Sdn Bhd	Malaysia	Malaysia	100	100	100	Operating holiday bungalows
KL-Kepong Complex Sdn Bhd	Malaysia	Malaysia	100	100	100	Property development
KL-Kepong Country Homes Sdn Bhd	Malaysia	Malaysia	100	100	100	Property development
KL-Kepong Property Development Sdn Bhd	Malaysia	Malaysia	100	100	100	Property development
KL-Kepong Property Management Sdn Bhd	Malaysia	Malaysia	100	100	100	Property management
KLK Land Sdn Bhd (formerly known as KL- Kepong Property Holdings Sdn Bhd)	Malaysia	Malaysia	100	100	100	Investment holding
Kompleks Tanjong Malim Sdn Bhd	Malaysia	Malaysia	80	80	80	Property development

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

Subsidiaries	Country Of Incorporation	Principal Country Of Operation	Percentage of Equity Held			Principal Activities
			2014	2013 (Restated)	2012 (Restated)	
<b>PROPERTIES</b>						
Palermo Corporation Sdn Bhd	Malaysia	Malaysia	100	100	100	Property development
Scope Energy Sdn Bhd	Malaysia	Malaysia	60	-	-	Property development
Selasih Ikhtisas Sdn Bhd	Malaysia	Malaysia	100	100	-	Property development
<b>INVESTMENT HOLDING</b>						
Ablington Holdings Sdn Bhd	Malaysia	Malaysia	100	100	100	Investment holding
Draw Fields Sdn Bhd	Malaysia	Malaysia	100	100	100	Investment holding
KL-Kepong Equity Holdings Sdn Bhd	Malaysia	Malaysia	100	100	100	Investment holding
Ladang Perbadanan-Fima Bhd	Malaysia	Malaysia	100	100	100	Dormant
Ortona Enterprise Sdn Bhd	Malaysia	Malaysia	100	100	100	Money lending
Quarry Lane Sdn Bhd	Malaysia	Malaysia	100	100	100	Investment holding
Richinstock Sawmill Sdn Bhd	Malaysia	Malaysia	100	100	100	Investment holding
KL-Kepong International Ltd ††	Cayman Islands	Cayman Islands	100	100	100	Investment holding
KLKI Holdings Ltd †	England	England	100	100	100	Investment holding
Kuala Lumpur-Kepong Investments Ltd †	England	Malaysia	100	100	100	Investment holding
Kersten Holdings Ltd ††	British Virgin Islands	British Virgin Islands	100	100	100	Investment holding
<b>OTHERS</b>						
Somerset Cuisine Ltd †	England	England	100	100	100	Manufacturing of jams
KLK Farms Pty Ltd #	Australia	Australia	100	100	100	Cereal and sheep farming
KLK Assurance (Labuan) Ltd †	Malaysia	Malaysia	100	100	100	Offshore captive insurance
KLK Capital Resources (L) Ltd	Malaysia	Malaysia	100	100	100	Dormant
KLK Global Resourcing Sdn Bhd	Malaysia	Malaysia	100	100	100	Dormant

† Companies not audited by KPMG

# Companies audited by overseas firms of KPMG International

†† 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.

^ Merged with Kolb Distribution Ltd

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

Associates	Country of Incorporation	Percentage of Equity Held			Principal Activities
		2014	2013 (Restated)	2012 (Restated)	
<b>Held by the Company:</b>					
Smith Zain (Penang) Sdn Bhd	Malaysia	30.0	30.0	-	Dormant
<b>Held through Subsidiaries:</b>					
<b>See Sen Chemical Berhad:</b>					
BASF See Sen Sdn Bhd	Malaysia	30.0	30.0	30.0	Manufacture of sulphuric acid products
<b>Kuala Lumpur Kepong Berhad:</b>					
Applied Agricultural Resources Sdn Bhd	Malaysia	50.0	50.0	50.0	Agronomic service and research
Beijing King Voray Edible Oil Co Ltd	People's Republic of China	-	13.8	13.8	Dormant
Kumpulan Sierramas (M) Sdn Bhd	Malaysia	50.0	50.0	50.0	Property development
Aura Muhibah Sdn Bhd	Malaysia	40.0	-	-	Property development
Malaysia Pakistan Venture Sdn Bhd	Malaysia	37.5	37.5	37.5	Investment holding
MAPAK Edible Oils (Private) Ltd	Pakistan	30.0	30.0	30.0	Manufacturing and marketing of palm and other soft oils
MEO Trading Sdn Bhd	Malaysia	30.0	30.0	30.0	Trading in commodities
FKW Global Commodities (Pvt) Ltd	Pakistan	30.0	-	-	Trading in commodities
Pearl River Tyre (Holdings) Ltd	British Virgin Islands	-	-	30.5	Investment holding and manufacturing of tyres
Phytopharma Co Ltd	Japan	22.8	22.8	22.8	Import, export and distribution of herbal medicine and raw materials thereof, raw materials of pharmaceutical products and cosmetic products
Carham Assets Ltd	Hong Kong	45.0	-	-	Investment holding
Rainbow State Ltd	British Virgin Islands	25.0	25.0	25.0	Owning and operating of aircraft

### (b) Acquisitions of sub-subsidiaries

- (i) On 11 November 2013, a subsidiary of the Company, Kuala Lumpur Kepong Berhad ("KLK"), completed the acquisitions of the following:
- 50.0% equity interest in Liberian Palm Developments Ltd ("LPD") for a cash consideration equivalent to RM56,227,000; and
  - 20.1% equity interest in Equatorial Palm Oil Plc ("EPO") for a cash consideration equivalent to RM10,494,000.

LPD is a company incorporated in Mauritius and is engaged in the oil palm plantations business in Liberia, West Africa through its subsidiaries.

EPO is a company listed on the Alternative Investment Market of the London Stock Exchange and is engaged in the business of oil palm plantations in Liberia via its 50.0% equity interest in LPD.

On date of acquisition, KLK Group's effective ownership interest and voting interest in EPO and LPD were 20.1% and 60.1% respectively. Subsequently, KLK Group had increased its effective ownership interest and voting interest in EPO and LPD to 62.9% and 81.5% respectively. Both EPO and LPD are recognised as subsidiaries of KLK as at 30 September 2014.

The acquisitions of shares in EPO and LPD are in line with KLK's strategy to expand its plantation landbank outside Malaysia and Indonesia, for geographical diversification into the West African region where there is a net deficit of edible oils. LPD's concession land is also agronomically suitable and located within 50 km of deep water ports.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

The recognised amounts of assets acquired and liabilities assumed at the date of acquisition were:

	RM'000
Property, plant and equipment	28,115
Prepaid lease payments	72,447
Biological assets	41,664
Inventories	24,256
Trade and other receivables	30,844
Cash and cash equivalents	158
Trade and other payables	(38,260)
Deferred tax liabilities	(4,308)
Total identifiable net assets	<u>154,916</u>
	RM'000
Purchase consideration settled in cash and cash equivalents	66,722
Non-controlling interests based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquirees	72,347
Fair value of identifiable net assets	<u>(154,916)</u>
Negative goodwill derecognised in other operating income in profit or loss	<u>(15,847)</u>

The negative goodwill was derived from the excess of fair value of identifiable net assets over the purchase consideration.

	RM'000
Purchase consideration settled in cash and cash equivalents	66,722
Cash and cash equivalents acquired	(158)
Net cash outflow arising from acquisition of a sub-subsidiary	<u>66,564</u>

KLK Group incurred acquisition-related costs of RM1.973 million related to external legal fees and due diligence costs which have been included in other operating expenses in profit or loss.

In the 11 months to 30 September 2014, the sub-subsidiaries contributed revenue of RM1.575 million and loss of RM21.947 million. If the acquisition had occurred on 1 October 2013, management of KLK estimates that its consolidated revenue would have been RM11.130 billion and consolidated profit for the financial year would have been RM1.031 billion.

On 26 November 2013, EPO had issued 153,817,648 new ordinary shares of 1 pence each ("the Subscription Shares") under its existing share capital authorities. KLK Group, being a significant shareholder of EPO, had subscribed for the Subscription Shares for a total consideration of RM40.310 million ("the Subscription") in order to consolidate its control of both EPO and LPD.

Following the completion of the Subscription, KLK Group held 54.8% of EPO's enlarged issued share capital and the KLK Group's effective interest in LPD was 77.4%.

As KLK Group's interest in EPO increased to 54.8%, KLK Group has made a mandatory cash offer to acquire all of the shares in EPO that it did not already own, at a price of 5 pence per ordinary share pursuant to Rule 9.1 of the United Kingdom City Code on Takeover and Mergers. KLK Group received valid acceptances in all respects of 29,881,063 EPO shares representing 8.4% of the issued share capital of EPO. After the completion of the mandatory cash offer, the KLK Group's shareholding in EPO increased to 63.2% and its effective interest in LPD increased to 81.6%.

On 23 April 2014, EPO issued 1.95 million new ordinary shares to non-controlling interests, reducing KLK Group's effective ownership interest in EPO from 63.2% to 62.9% and its effective ownership interest in LPD reduced from 81.6% to 81.5%.

The carrying amount of the net assets of EPO and LPD after the Subscription, mandatory cash offer and issuance of shares to non-controlling interests was RM195,734,000. KLK Group recognised a decrease in non-controlling interests of RM24,154,000 and an increase in retained earnings of RM16,116,000.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

The effect of changes in the equity interest in EPO and LPD that is attributable to owners of KLK is summarised below:

	RM'000
Equity interest in EPO and LPD at date of acquisition	66,720
Effect of increase in KLK Group's ownership interest	64,464
Share of comprehensive income	(13,860)
Equity interest in EPO and LPD at 30 September 2014	<u>117,324</u>

- (ii) On 30 September 2014, KLK had completed the acquisition of 100% equity interest in TensaChem SA ("TensaChem") for a cash consideration of RM72,950,000.

TensaChem is a company incorporated in Belgium and manufactures alcohol ether sulphates, alcohol sulphates and sulphonic acids. The acquisition will result in positive synergies for KLK Group's oleochemical operations in Europe and extend the value chain of the oleochemical division's business.

The recognised amounts of assets acquired and liabilities assumed at the date of acquisition were:

	RM'000
Property, plant and equipment	83,971
Inventories	14,826
Trade and other receivables	52,019
Cash and cash equivalents	7,428
Trade and other payables	(66,414)
Tax payable	(427)
Borrowings	(2,752)
Deferred income	(3,059)
Deferred tax liabilities	(12,642)
Total identifiable net assets	<u>72,950</u>

	RM'000
Purchase consideration settled in cash and cash equivalents	72,950
Fair value of identifiable net assets	(72,950)
Goodwill on consolidation	<u>-</u>

	RM'000
Purchase consideration settled in cash and cash equivalents	72,950
Cash and cash equivalents acquired	(7,428)
Net cash outflow arising from acquisition of a sub-subsidiary	<u>65,522</u>

KLK Group incurred acquisition-related costs of RM1.029 million related to external legal fees and due diligence costs which have been included in other operating expenses in profit or loss.

If the acquisition had occurred on 1 October 2013, management of KLK estimates that consolidated revenue of KLK Group would have been RM11.492 billion and consolidated profit for the financial year would have been RM 1.034 billion.

- (iii) Subscription of shares in a sub-subsidiary

On 5 March 2014, KLK Land Sdn Bhd (formerly known as KL-Kepong Property Holdings Sdn Bhd), a wholly-owned subsidiary of KLK Group, subscribed for 60% equity interest in Scope Energy Sdn Bhd ("SESB") for a cash consideration of RM52.950 million.

SESB entered into a Sale and Purchase Agreement in February 2014 to acquire 500 acres of freehold land comprising several parcels of freehold land located in Mukim Tanjung Kupang, District of Johor Bahru, Johor ("Gerbang Land") for a purchase consideration of RM871.2 million. SESB shall develop the Gerbang Land into a proposed mixed residential and commercial development which is expected to be developed over a period of 8 years.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

The proposed development of the Gerbang Land, being KLK Group's first property development outside of Selangor, will enable KLK Group to unlock the value of KLK Group's property development potential in Peninsular Malaysia.

- (iv) On 21 December 2012, the Group had completed the acquisition of 69% equity interest in Collingwood Plantations Pte Ltd and its subsidiary, Ang Agro Forest Management Ltd, for a purchase consideration of RM14,972,000.

The recognised amounts of assets acquired and liabilities assumed at the date of acquisition were:

	Pre-Acquisition Carrying Amount RM'000	Fair Value Adjustments RM'000	Recognised Value on Acquisition RM'000
Property, plant and equipment	1,511	5,524	7,035
Prepaid lease payments	-	19,760	19,760
Trade and other receivables	6,104	-	6,104
Cash and bank balances	332	-	332
Trade and other payables	(11,170)	-	(11,170)
Deferred tax liabilities	-	(7,585)	(7,585)
Net identifiable assets and liabilities	<u>(3,223)</u>	<u>17,699</u>	<u>14,476</u>
Non-controlling interests			<u>(4,461)</u>
			<u>10,015</u>
Goodwill on consolidation			<u>4,957</u>
Purchase price satisfied by cash			<u>14,972</u>
Less: Cash and cash equivalents of sub-subsidiaries acquired			<u>(332)</u>
Cash outflow on acquisition of sub-subsidiaries			<u>14,640</u>

In the 9 months to 30 September 2013, the sub-subsidiaries contributed revenue of RM2,000 and profit after tax expense of RM65,000.

If the acquisition had occurred on 1 October 2012, the Group's revenue and profit for the year would have been RM9,147,325,000 and RM967,898,000 respectively.

### (c) Disposal of a sub-subsidiary

On 14 May 2014, KLK entered into a conditional share sale and purchase agreement to dispose of its 55% equity interest in Voray Holdings Ltd ("Voray") for a cash consideration of RM11,523,000. The disposal was completed in June 2014 and Voray had ceased to be a sub-subsidiary of the Group.

The disposal of Voray allowed KLK to exit from a non-core business and would enable KLK and its management to focus and harness the potential of its core plantations and oleochemical businesses where the returns are significantly higher.

The effect of disposal of shares in Voray on the financial position of the Group is summarised below:

	RM'000
Property, plant and equipment	10,021
Prepaid lease payments	7,111
Inventories	4,545
Trade and other receivables	6,737
Cash and cash equivalents	13,821
Trade and other payables	(8,102)
Borrowings - bank overdraft	(3,357)
Total identifiable net assets	<u>30,776</u>
Non-controlling interests	<u>(21,657)</u>
	<u>9,119</u>
Surplus on disposal of shares in a sub-subsidiary	<u>2,404</u>
Total sale consideration	<u>11,523</u>
Less: Cash and cash equivalents of a sub-subsidiary disposed	<u>(10,464)</u>
Cash inflow on disposal of shares in a sub-subsidiary	<u>1,059</u>



# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### (d) Material non-controlling interests

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

	2014			2013		
	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	<u>3,721,058</u>	<u>513,190</u>	<u>4,234,248</u>	<u>3,600,625</u>	<u>494,024</u>	<u>4,094,649</u>
Profit allocated to NCI	<u>533,874</u>	<u>51,295</u>	<u>585,169</u>	<u>490,384</u>	<u>58,341</u>	<u>548,725</u>
<b>Summary of financial information of subsidiary:</b>						
Total assets	12,887,601			11,747,906		
Total liabilities	4,704,402			3,794,666		
Revenue	11,129,973			9,147,325		
Profit for the year	1,032,694			966,970		
Net decrease in cash and cash equivalents	<u>(467,226)</u>			<u>(561,308)</u>		
Dividend paid to NCI	<u>(82,361)</u>			<u>(23,985)</u>		

### 43. 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 Group's Managing Director reviews 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 and refining of palm products
Manufacturing	Manufacturing of oleochemicals, soap noodles, industrial amides, fatty amines, cationic surfactants, rubber gloves, parquet flooring products, pharmaceutical products, non-ionic surfactants and esters, biofuel, chlor-alkali and sulphur based chemicals, transportation services 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, letting out of office space and car parks, cereal and sheep farming, management services and money lending

The accounting policies of the reportable segments are the same as described in Note 3.27.

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 Group's Managing Director. 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.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### (a) Business segment

	Plantation RM'000	Manufacturing RM'000	Property Development RM'000	Investment Holding/Others RM'000	Elimination RM'000	Consolidated RM'000
<b>2014</b>						
Revenue						
Sale to external customers	5,234,900	5,978,661	117,063	169,040	-	11,499,664
Inter-segment sales	400,158	244	-	333,416	(733,818)	-
Total revenue	<u>5,635,058</u>	<u>5,978,905</u>	<u>117,063</u>	<u>502,456</u>	<u>(733,818)</u>	<u>11,499,664</u>
Results						
Operating results	1,044,381	377,270	45,815	84,761	(32,678)	1,519,549
Finance costs	(17,491)	(17,510)	-	(106,112)	32,678	(108,435)
Share of profits of equity accounted investees, net of tax	7,256	404	498	(1,991)	-	6,167
Segment results	<u>1,034,146</u>	<u>360,164</u>	<u>46,313</u>	<u>(23,342)</u>	<u>-</u>	<u>1,417,281</u>
Profit before taxation						<u>1,417,281</u>
Tax expense						<u>(310,566)</u>
Profit for the year						<u>1,106,715</u>
Assets						
Operating assets	5,372,768	5,496,168	468,004	2,495,518	-	13,832,458
Associates	69,471	6,280	56,883	45,961	-	178,595
Segment assets	<u>5,442,239</u>	<u>5,502,448</u>	<u>524,887</u>	<u>2,541,479</u>	<u>-</u>	<u>14,011,053</u>
Unallocated assets						<u>153,047</u>
Total assets						<u>14,164,100</u>
Liabilities						
Segment liabilities	1,025,538	1,666,407	56,377	2,199,260	-	4,947,582
Unallocated liabilities						<u>345,269</u>
Total liabilities						<u>5,292,851</u>
Other information						
Depreciation of property, plant and equipment	143,213	157,474	484	7,695	-	308,866
Depreciation of investment property	-	-	-	928	-	928
Amortisation of prepaid lease payments	4,502	787	-	-	-	5,289
Amortisation of biological assets	48,820	-	-	-	-	48,820
Non-cash expenses						
Property, plant and equipment written off	1,100	394	-	-	-	1,494
Retirement benefits provision	24,379	13,516	-	74	-	37,969
Amortisation of intangible assets	-	3,653	-	-	-	3,653
Impairment loss						
- property, plant and equipment	-	424	-	-	-	424
- prepaid lease payments	19,760	-	-	-	-	19,760
- goodwill	2,674	-	-	1,006	-	3,680
Negative goodwill derecognised	-	-	-	(15,847)	-	(15,847)

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

	Plantation RM'000	Manufacturing RM'000	Property Development RM'000	Investment Holding/Others RM'000	Elimination RM'000	Consolidated RM'000
2013 (Restated)						
Revenue						
Sale to external customers	4,130,774	5,002,375	208,590	124,506	-	9,466,245
Inter-segment sales	148,169	793	-	403,688	(552,650)	-
Total revenue	<u>4,278,943</u>	<u>5,003,168</u>	<u>208,590</u>	<u>528,194</u>	<u>(552,650)</u>	<u>9,466,245</u>
Results						
Operating results	804,922	405,136	80,932	90,713	(20,314)	1,361,389
Finance costs	(11,115)	(13,670)	-	(84,795)	20,314	(89,266)
Share of profits of equity accounted investees, net of tax	10,315	676	2,695	(18)	-	13,668
Segment results	<u>804,122</u>	<u>392,142</u>	<u>83,627</u>	<u>5,900</u>	<u>-</u>	<u>1,285,791</u>
Profit before taxation						<u>1,285,791</u>
Tax expense						<u>(253,357)</u>
Profit for the year						<u>1,032,434</u>
Assets						
Operating assets	4,653,989	5,086,793	399,715	2,654,248	-	12,794,745
Associates	73,559	5,944	21,085	17,543	-	118,131
Segment assets	<u>4,727,548</u>	<u>5,092,737</u>	<u>420,800</u>	<u>2,671,791</u>	<u>-</u>	<u>12,912,876</u>
Unallocated assets						<u>156,596</u>
Total assets						<u>13,069,472</u>
Liabilities						
Segment liabilities	413,785	1,232,296	28,542	2,429,996	-	4,104,619
Unallocated liabilities						<u>302,712</u>
Total liabilities						<u>4,407,331</u>
Other information						
Depreciation of property, plant and equipment	120,923	141,475	365	5,492	-	268,255
Depreciation of investment property	-	-	-	929	-	929
Amortisation of prepaid lease payments	3,874	800	-	-	-	4,674
Amortisation of biological assets	40,941	-	-	-	-	40,941
Non-cash expenses						
Property, plant and equipment written off	318	922	-	-	-	1,240
Retirement benefits provision	16,600	13,519	-	27	-	30,146
Amortisation of intangible assets	-	3,410	-	-	-	3,410
Impairment loss						
- property, plant and equipment	840	5,663	-	-	-	6,503
- goodwill	-	177	-	-	-	177
- intangible assets	-	442	-	-	-	442
Reversal of impairment of property, plant and equipment	-	(1,813)	-	-	-	(1,813)
Write back of retirement benefits provision	-	(13,773)	-	-	-	(13,773)

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

Additions to non-current assets, other than financial instruments (including investment in associates) 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
<b>2014</b>					
Capital expenditure	562,105	399,712	914	85,756	1,048,487
Land held for property development	-	-	898	-	898
Intangible assets	-	191	-	-	191
	<b>562,105</b>	<b>399,903</b>	<b>1,812</b>	<b>85,756</b>	<b>1,049,576</b>
<b>2013 (Restated)</b>					
Capital expenditure	448,609	480,737	2,122	123,264	1,054,732
Land held for property development	-	-	4,370	-	4,370
Goodwill on consolidation	3,627	-	-	-	3,627
Intangible assets	-	781	-	-	781
	<b>452,236</b>	<b>481,518</b>	<b>6,492</b>	<b>123,264</b>	<b>1,063,510</b>

(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 deferred tax assets.

(i) Revenue from external customers by geographical location of customers

	2014 RM'000	2013 RM'000 (Restated)
Malaysia	2,418,903	2,464,612
Far East	2,621,778	1,374,649
Middle East	194,499	188,014
South East Asia	2,082,112	2,039,095
Southern Asia	651,756	576,625
Europe	2,571,431	2,108,478
North America	451,186	292,947
South America	54,076	48,335
Australia	72,880	59,089
Africa	84,344	66,038
Others	296,699	248,363
	<b>11,499,664</b>	<b>9,466,245</b>

(ii) Non-current assets other than financial instruments (including investment in associates) and deferred tax assets and additions to capital expenditure by geographical location of assets

	Non-current Assets		Additions to Capital Expenditure	
	2014 RM'000	2013 RM'000 (Restated)	2014 RM'000	2013 RM'000 (Restated)
Malaysia	3,874,038	3,678,554	359,844	318,798
Indonesia	2,067,148	1,811,929	467,697	424,928
Australia	274,855	214,845	81,754	123,086
People's Republic of China	218,467	231,935	19,477	35,491
Europe	836,005	781,419	59,745	146,260
Liberia	194,034	-	53,234	-
Others	47,524	65,031	6,736	6,169
	<b>7,512,071</b>	<b>6,783,713</b>	<b>1,048,487</b>	<b>1,054,732</b>

(c) There is no single customer with revenue equal or more than 10% of the Group revenue.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 44. 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
<b>Group</b>					
<b>2014</b>					
<b>Financial assets</b>					
Available-for-sale investments	916,372	-	-	916,372	-
Trade receivables	1,081,954	1,081,954	-	-	-
Other receivables, net of prepayments	537,006	537,006	-	-	-
Derivative financial assets	76,585	-	76,585	-	-
Short term funds	872,778	-	872,778	-	-
Cash, deposits and bank balances	1,027,697	1,027,697	-	-	-
	<b>4,512,392</b>	<b>2,646,657</b>	<b>949,363</b>	<b>916,372</b>	<b>-</b>
<b>Financial liabilities</b>					
Borrowings	3,410,416	-	-	-	3,410,416
Trade payables	417,165	-	-	-	417,165
Other payables	639,285	-	-	-	639,285
Derivative financial liabilities	87,226	-	87,226	-	-
	<b>4,554,092</b>	<b>-</b>	<b>87,226</b>	<b>-</b>	<b>4,466,866</b>
<b>2013 (Restated)</b>					
<b>Financial assets</b>					
Available-for-sale investments	910,787	-	-	910,787	-
Trade receivables	946,571	946,571	-	-	-
Other receivables, net of prepayments	312,801	312,801	-	-	-
Derivative financial assets	14,158	-	14,158	-	-
Short term funds	1,334,362	-	1,334,362	-	-
Cash, deposits and bank balances	1,129,378	1,129,378	-	-	-
	<b>4,648,057</b>	<b>2,388,750</b>	<b>1,348,520</b>	<b>910,787</b>	<b>-</b>
<b>Financial liabilities</b>					
Borrowings	2,875,921	-	-	-	2,875,921
Trade payables	371,115	-	-	-	371,115
Other payables	495,009	-	-	-	495,009
Derivative financial liabilities	19,790	-	19,790	-	-
	<b>3,761,835</b>	<b>-</b>	<b>19,790</b>	<b>-</b>	<b>3,742,045</b>
<b>2012 (Restated)</b>					
<b>Financial assets</b>					
Available-for-sale investments	606,987	-	-	606,987	-
Trade receivables	890,214	890,214	-	-	-
Other receivables, net of prepayments	255,915	255,915	-	-	-
Derivative financial assets	55,136	-	55,136	-	-
Short term funds	1,294,034	-	1,294,034	-	-
Cash, deposits and bank balances	1,218,532	1,218,532	-	-	-
	<b>4,320,818</b>	<b>2,364,661</b>	<b>1,349,170</b>	<b>606,987</b>	<b>-</b>
<b>Financial liabilities</b>					
Borrowings	2,518,711	-	-	-	2,518,711
Trade payables	360,747	-	-	-	360,747
Other payables	515,313	-	-	-	515,313
Derivative financial liabilities	6,103	-	6,103	-	-
	<b>3,400,874</b>	<b>-</b>	<b>6,103</b>	<b>-</b>	<b>3,394,771</b>

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

	Carrying Amounts RM'000	L&R RM'000	FVTPL RM'000	AFS RM'000	FL RM'000
<b>Company</b>					
<b>2014</b>					
<b>Financial assets</b>					
Available-for-sale investments	20,582	-	-	20,582	-
Other receivables, net of prepayments	9	9	-	-	-
Amounts owing by subsidiaries	6,288	6,288	-	-	-
Short term funds	337,315	-	337,315	-	-
Cash, deposits and bank balances	126,180	126,180	-	-	-
	<b>490,374</b>	<b>132,477</b>	<b>337,315</b>	<b>20,582</b>	<b>-</b>
<b>Financial liabilities</b>					
Borrowings	500,000	-	-	-	500,000
Other payables	9,473	-	-	-	9,473
	<b>509,473</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>509,473</b>
<b>2013</b>					
<b>Financial assets</b>					
Available-for-sale investments	19,289	-	-	19,289	-
Other receivables, net of prepayments	84	84	-	-	-
Amounts owing by subsidiaries	4,201	4,201	-	-	-
Short term funds	474,489	-	474,489	-	-
Cash, deposits and bank balances	104,849	104,849	-	-	-
	<b>602,912</b>	<b>109,134</b>	<b>474,489</b>	<b>19,289</b>	<b>-</b>
<b>Financial liabilities</b>					
Borrowings	500,000	-	-	-	500,000
Other payables	9,119	-	-	-	9,119
	<b>509,119</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>509,119</b>
<b>2012</b>					
<b>Financial assets</b>					
Available-for-sale investments	19,189	-	-	19,189	-
Other receivables, net of prepayments	82	82	-	-	-
Amounts owing by subsidiaries	5,456	5,456	-	-	-
Cash, deposits and bank balances	86,641	86,641	-	-	-
	<b>111,368</b>	<b>92,179</b>	<b>-</b>	<b>19,189</b>	<b>-</b>
<b>Financial liabilities</b>					
Other payables	3,025	-	-	-	3,025

(b) Net gains and losses arising from financial instruments

	<b>Group</b>		<b>Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
		(Restated)		
Net (losses)/gains on:				
Financial instruments at fair value through profit or loss	(5,360)	(6,511)	1,509	-
Available-for-sale investments				
- recognised in other comprehensive income	(78,847)	292,432	1,291	100
- reclassified from equity to profit or loss	11,416	2,137	-	-
	(67,431)	294,569	1,291	100
Loans and receivables	53,484	32,848	1,113	411
Financial liabilities measured at amortised cost	(124,910)	(100,339)	(20,250)	(6,436)
	<b>(144,217)</b>	<b>220,567</b>	<b>(16,337)</b>	<b>5,925</b>

(c) Financial risk management

The Group has exposure to the following risks from the use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### (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 statement 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:

	2014 RM'000	Group 2013 RM'000 (Restated)	2012 RM'000 (Restated)
Plantation	183,540	214,166	205,056
Manufacturing	853,923	696,161	652,536
Property development	41,334	34,350	32,091
Others	3,157	1,894	531
	<b>1,081,954</b>	<b>946,571</b>	<b>890,214</b>

#### (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 statement 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 sub-subsidiary would default on repayment.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

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 statement of financial position.

(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.

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
<b>Group</b>							
<b>2014</b>							
Borrowings	3,410,416	0.60% to 4.65%	3,967,202	1,149,993	271,192	854,302	1,691,715
Trade payables	417,165	-	417,165	417,165	-	-	-
Other payables	639,285	-	639,285	639,285	-	-	-
Derivative financial liabilities	87,226	-	87,226	87,226	-	-	-
	<b>4,554,092</b>		<b>5,110,878</b>	<b>2,293,669</b>	<b>271,192</b>	<b>854,302</b>	<b>1,691,715</b>
<b>2013 (Restated)</b>							
Borrowings	2,875,921	0.86% to 6.60%	3,488,044	882,509	192,337	661,233	1,751,965
Trade payables	371,115	-	371,115	371,115	-	-	-
Other payables	495,009	-	495,009	495,009	-	-	-
Derivative financial liabilities	19,790	-	19,790	19,790	-	-	-
	<b>3,761,835</b>		<b>4,373,958</b>	<b>1,768,423</b>	<b>192,337</b>	<b>661,233</b>	<b>1,751,965</b>
<b>2012 (Restated)</b>							
Borrowings	2,518,711	0.79% to 7.63%	3,009,970	767,935	406,358	635,677	1,200,000
Trade payables	360,747	-	360,747	352,565	8,182	-	-
Other payables	515,313	-	515,313	514,048	1,265	-	-
Derivative financial liabilities	6,103	-	6,103	6,103	-	-	-
	<b>3,400,874</b>		<b>3,892,133</b>	<b>1,640,651</b>	<b>415,805</b>	<b>635,677</b>	<b>1,200,000</b>
<b>Company</b>							
<b>2014</b>							
Borrowings	500,000	4.05%	675,870	20,250	20,306	60,750	574,564
Other payables	9,473	-	9,473	9,473	-	-	-
	<b>509,473</b>		<b>685,343</b>	<b>29,723</b>	<b>20,306</b>	<b>60,750</b>	<b>574,564</b>
<b>2013</b>							
Borrowings	500,000	4.05%	696,120	20,250	20,250	60,806	594,814
Other payables	9,119	-	9,119	9,119	-	-	-
	<b>509,119</b>		<b>705,239</b>	<b>29,369</b>	<b>20,250</b>	<b>60,806</b>	<b>594,814</b>
<b>2012</b>							
Other payables	3,025	-	3,025	3,025	-	-	-



# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

(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"), Hong Kong Dollar ("HKD") 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:

Group	Denominated in foreign currencies					
	USD RM'000	GBP RM'000	Euro RM'000	AUD RM'000	SGD RM'000	HKD RM'000
<b>2014</b>						
Trade and other receivables	286,851	19,021	212,877	96	10,501	-
Cash and cash equivalents	154,715	8,886	63,636	10,983	99,407	3
Borrowings	(215,256)	(79,802)	-	-	-	-
Trade and other payables	(29,402)	(444)	(109,918)	-	(85)	-
Forward exchange contracts	(16,355)	7	4,981	-	-	-
Exposure in the statement of financial position	<b>180,553</b>	<b>(52,332)</b>	<b>171,576</b>	<b>11,079</b>	<b>109,823</b>	<b>3</b>
<b>2013 (Restated)</b>						
Trade and other receivables	366,006	13,390	235,406	-	5,788	28,364
Cash and cash equivalents	55,563	23,059	19,462	45,695	105,248	1
Borrowings	(196,493)	(142,487)	(17,622)	-	-	-
Trade and other payables	(44,119)	(577)	(108,478)	(62)	(77)	-
Forward exchange contracts	(13,459)	-	(2,751)	-	(16)	-
Exposure in the statement of financial position	<b>167,498</b>	<b>(106,615)</b>	<b>126,017</b>	<b>45,633</b>	<b>110,943</b>	<b>28,365</b>
<b>2012 (Restated)</b>						
Trade and other receivables	378,511	14,908	151,809	-	6,588	-
Cash and cash equivalents	301,177	11,612	25,661	45	101,235	1
Borrowings	(210,014)	(133,329)	(7,857)	-	-	-
Trade and other payables	(41,887)	(606)	(80,578)	-	(108)	-
Forward exchange contracts	(13,459)	-	(2,751)	-	5	-
Exposure in the statement of financial position	<b>414,328</b>	<b>(107,415)</b>	<b>86,284</b>	<b>45</b>	<b>107,720</b>	<b>1</b>
<b>Company</b>						
<b>2014</b>						
Cash and cash equivalents	<b>20,408</b>	-	-	-	<b>85,415</b>	-
<b>2013</b>						
Cash and cash equivalents	<b>3,294</b>	-	-	-	<b>73,557</b>	-
<b>2012</b>						
Cash and cash equivalents	<b>5</b>	-	-	-	<b>67,764</b>	-

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### *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:

	2014		2013	
	Profit/(Loss) RM'000	Equity RM'000	Profit/(Loss) RM'000 (Restated)	Equity RM'000 (Restated)
<b>Group</b>				
Functional currency/Foreign currency				
RM/GBP	(218)	(14,309)	(383)	(15,941)
RM/Euro	5,402	-	5,436	-
RM/USD	26,630	-	20,299	-
RM/SGD	(4,442)	(1,960)	(4,344)	(971)
CHF/Euro	(6,991)	-	(4,667)	-
Rmb/USD	1,100	-	1,425	-
Euro/USD	(4,179)	-	(2,718)	-
Rp/USD	9,887	-	5,848	-
USD/GBP	3,256	(22,974)	5,699	(25,582)
USD/AUD	(539)	-	(2,177)	-
USD/HKD	-	(414)	(1,343)	(463)
<b>Company</b>				
Functional currency/Foreign currency				
RM/USD	(765)	-	(124)	-
RM/SGD	(3,203)	(330)	(2,758)	(264)

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. Short term funds, 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 in 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:

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

	2014 RM'000	Group 2013 RM'000 (Restated)	2012 RM'000 (Restated)	2014 RM'000	Company 2013 RM'000	2012 RM'000
Fixed rate instruments						
Financial assets	1,546,228	2,070,844	2,226,802	337,705	474,519	-
Financial liabilities	(2,532,117)	(2,441,955)	(2,081,426)	(500,000)	(500,000)	-
	<u>(985,889)</u>	<u>(371,111)</u>	<u>145,376</u>	<u>(162,295)</u>	<u>(25,481)</u>	<u>-</u>
Floating rate instruments						
Financial assets	93,064	73,821	74,120	-	-	-
Financial liabilities	(878,299)	(433,966)	(437,286)	-	-	-
	<u>(785,235)</u>	<u>(360,145)</u>	<u>(363,166)</u>	<u>-</u>	<u>-</u>	<u>-</u>

### Interest rate risk sensitivity analysis

#### Fair value sensitivity analysis for fixed rate instruments

The Group's does not account for any fixed rate financial assets and 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.

	2014 Profit/(Loss) RM'000	Equity RM'000	2013 Profit/(Loss) RM'000 (Restated)	Equity RM'000 (Restated)
<b>Group</b>				
Floating rate instruments				
Increase by 50 basis points	(3,435)	-	(1,547)	-
Decrease by 50 basis points	<u>3,435</u>	<u>-</u>	<u>1,547</u>	<u>-</u>

As the Company did not have any floating rate instruments as at 30 September 2014 and 30 September 2013, 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% strengthening in equity prices at the end of the reporting period would have increased the Group's and the Company's equity by RM41,137,000 (2013 Restated: RM44,544,000) and RM330,000 (2013: RM265,000) respectively. A 5% weakening 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.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### *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:

	2014		2013	
	Profit/(Loss) RM'000	Equity RM'000	Profit/(Loss) RM'000 (Restated)	Equity RM'000 (Restated)
<b>Group</b>				
5% increase in commodities prices	2,722	-	(16,046)	-
5% decrease in commodities prices	(2,722)	-	16,046	-

### (g) Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings 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 statement of financial position, are as follows:

	Carrying Amounts/Fair Value		
	2014 RM'000	2013 RM'000 (Restated)	2012 RM'000 (Restated)
<b>Group</b>			
Quoted shares	900,712	895,937	592,138
Short term funds	872,778	1,334,362	1,294,034
Derivative financial instruments			
Forward foreign exchange contracts	(11,320)	(16,214)	13,266
Commodities future contracts	679	4,556	35,767
Put option to sell shares in an available-for-sale investment	-	6,026	-
Borrowings	1,762,849	2,224,667	1,935,205
	2014 RM'000	2013 RM'000	2012 RM'000
<b>Company</b>			
Quoted shares	6,592	5,299	5,199
Short term funds	337,315	474,489	-
	343,907	479,788	5,199

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.

### *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.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 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 0.60% to 4.65% (2013: 0.86% to 6.60%) and 4.05% (2013: 4.05%) respectively.

#### (h) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable) inputs

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>Group</b>				
<b>2014</b>				
Quoted shares	900,712	-	-	900,712
Short term funds	-	872,778	-	872,778
Derivative financial instruments				
Forward foreign exchange contracts	-	(11,320)	-	(11,320)
Commodities future contracts	679	-	-	679
	<u>901,391</u>	<u>861,458</u>	<u>-</u>	<u>1,762,849</u>
<b>2013 (Restated)</b>				
Quoted shares	895,937	-	-	895,937
Short term funds	-	1,334,362	-	1,334,362
Derivative financial instruments				
Forward foreign exchange contracts	-	(16,214)	-	(16,214)
Commodities future contracts	4,556	-	-	4,556
Put option to sell shares in an available-for-sale investment	-	6,026	-	6,026
	<u>900,493</u>	<u>1,324,174</u>	<u>-</u>	<u>2,224,667</u>
<b>2012 (Restated)</b>				
Quoted shares	592,138	-	-	592,138
Short term funds	-	1,294,034	-	1,294,034
Derivative financial instruments				
Forward foreign exchange contracts	-	13,266	-	13,266
Commodities future contracts	35,767	-	-	35,767
	<u>627,905</u>	<u>1,307,300</u>	<u>-</u>	<u>1,935,205</u>
<b>Company</b>				
<b>2014</b>				
Quoted shares	6,592	-	-	6,592
Short term funds	-	337,315	-	337,315
	<u>6,592</u>	<u>337,315</u>	<u>-</u>	<u>343,907</u>
<b>2013</b>				
Quoted shares	5,299	-	-	5,299
Short term funds	-	474,489	-	474,489
	<u>5,299</u>	<u>474,489</u>	<u>-</u>	<u>479,788</u>
<b>2012</b>				
Quoted shares	<u>5,199</u>	<u>-</u>	<u>-</u>	<u>5,199</u>

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 45. 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:

	<b>Group</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
		<b>(Restated)</b>
Total borrowings (Note 35)	<b>3,410,416</b>	2,875,921
Less: Cash and cash equivalents (Note 30)	<b>(1,900,475)</b>	(2,463,740)
Net debt	<b>1,509,941</b>	412,181
Total equity attributable to equity holders of the Company	<b>4,637,000</b>	4,567,492
Net debt-to-equity ratio	<b>0.33</b>	0.09

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 Sukuk Ijarah Islamic Commercial Paper and Medium Term Notes Programmes and Sukuk Musharakah Islamic Medium Term Notes Programme (Note 35).

### 46. EVENTS SUBSEQUENT TO REPORTING DATE

- (a) KL-Kepong Plantation Holdings Sdn Bhd, a wholly-owned subsidiary of a subsidiary, Kuala Lumpur Kepong Berhad ("KLK"), had on 10 November 2014 entered into a Joint Venture Agreement with PT Astra Agro Lestari Tbk ("PT Astra Agro"), whereby PT Astra Agro will be a 50% shareholder in PT Kreasijaya Adhikarya ("PT Kreasijaya") through the subscription of new shares in PT Kreasijaya ("Proposed Transaction"). PT Kreasijaya is a 95% subsidiary of the KLK Group. With the entry of PT Astra Agro as a 50% shareholder in PT Kreasijaya, PT Kreasijaya shall cease to be a sub-subsidiary of the Group.

The Proposed Transaction is conditional on the fulfilment of various conditions within 3 months from the date of the Joint Venture Agreement and is expected to be completed in the first quarter of calendar year 2015.

The dilution of KLK Group's equity interest to 50% with a loss of control in PT Kreasijaya is considered as a deemed disposal of shares in a subsidiary and the surplus on disposal will be recognised in profit or loss.

The effect of the deemed disposal of shares in PT Kreasijaya on the financial position of the Group is summarised below:

	<b>RM'000</b>
Property, plant and equipment	113,479
Prepaid lease payment	29
Deferred tax assets	7,437
Inventories	47,037
Other receivables	35,253
Cash and cash equivalents	9,217
Other payables	(212,940)
Provision for retirement benefits	(173)
Total identifiable net liabilities	(661)
Surplus on deemed disposal of shares in a sub-subsidiary	10,418
Dilution of net assets in a sub-subsidiary	9,757
Cash outflow on deemed disposal of a sub-subsidiary	(9,217)

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

The Proposed Transaction is to leverage synergies from both parties' expertise. KLK Group will bring in its downstream expertise and PT Astra Agro will provide its local market insight to supply sourcing as well as significant supply of its good quality raw materials.

- (b) KL-Kepong Plantation Holdings Sdn Bhd, a wholly-owned subsidiary of KLK, had on 21 November 2014 entered into a Conditional Share Subscription Agreement ("CSSA") to subscribe for 50,400 shares of Rp1.0 million each, representing a 63% equity interest in PT Perindustrian Sawit Synergi ("PSS"), for a total cash consideration of Rp50.4 billion or equivalent to approximately RM13.8 million ("Proposed Transaction"). The remaining 32% and 3% equity interest in PSS will be held by Gunaria Sdn Bhd, a wholly-owned subsidiary of IJM Plantations Bhd, and Mujib Moosa Modak respectively.

PSS was incorporated in Indonesia on 11 August 2014 and is currently a dormant company. The parties to the Proposed Transaction will collaborate via PSS to establish a palm oil refinery and other downstream businesses at a site in East Kalimantan, Indonesia.

The completion of the Proposed Transaction is subject to the fulfillment of various conditions within 12 months from the date of the CSSA which is expected in the last quarter of calendar year 2015. Following the completion of the Proposed Transaction, PSS shall become a sub-subsidiary of the Group.

The Proposed Transaction is part of KLK's expansion strategy of its palm oil downstream businesses in East Kalimantan, Indonesia.

- (c) The subsidiary, KLK, via its wholly-owned subsidiary, KLKI Holdings Ltd ("KLKIH"), had on 28 February 2014 entered into an unconditional share sale and purchase agreement with Derfield Industries Ltd for KLKIH to dispose of 1,000 ordinary shares of GBP1 each in Somerset Cuisine Ltd representing an equity interest of 100% therein for a consideration of GBP900,000.

The unconditional share sale and purchase agreement had been rescinded in November 2014 due to non-completion.

- (d) Subsequent to 30 September 2014 until the date of this Annual Report, the Company bought back a total of 1,265,900 of its issued shares from the open market for a total cost of RM22,840,000. The average price paid for the shares bought back was RM18.04 per share. The shares bought back were financed by internally generated funds and borrowings and held as treasury shares.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 47. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

The effects of adoption of FRS 10 are applied retrospectively from the deemed acquisition date as follows:

Impact of the application of FRS 10 on the Consolidated Statement of Financial Position of the Group as at 1 October 2012, being the beginning of the earliest comparative period, are summarised as follows:

	1.10.2012			30.9.2013		
	As previously stated	FRS 10 Adjustments	Restated	As previously stated	FRS 10 Adjustments	Restated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Assets</b>						
Property, plant and equipment	254,460	3,146,674	3,401,134	270,464	3,728,605	3,999,069
Investment property	53,906	-	53,906	52,977	-	52,977
Prepaid lease payments	3,853	164,427	168,280	3,356	193,229	196,585
Biological assets	58,083	1,893,993	1,952,076	63,849	1,908,217	1,972,066
Land held for property development	-	239,095	239,095	-	216,932	216,932
Goodwill on consolidation	12,005	302,121	314,126	11,672	314,839	326,511
Intangible assets	-	20,609	20,609	-	19,573	19,573
Investments in associates	3,172,104	(3,076,574)	95,530	3,382,666	(3,264,535)	118,131
Available-for-sale investments	20,648	586,339	606,987	21,365	889,422	910,787
Other receivables	30,577	83,279	113,856	31,124	106,208	137,332
Deferred tax assets	982	54,249	55,231	174	103,305	103,479
<b>Total non-current assets</b>	<b>3,606,618</b>	<b>3,414,212</b>	<b>7,020,830</b>	<b>3,837,647</b>	<b>4,215,795</b>	<b>8,053,442</b>
Inventories	34,244	1,219,225	1,253,469	33,966	1,062,155	1,096,121
Biological assets	-	10,761	10,761	-	17,811	17,811
Trade receivables	77,477	812,737	890,214	84,091	862,480	946,571
Other receivables, deposits and prepayments	17,178	296,231	313,409	22,540	349,550	372,090
Tax recoverable	461	39,086	39,547	922	52,195	53,117
Property development costs	-	8,540	8,540	-	40,812	40,812
Derivative financial assets	6	55,130	55,136	-	14,158	14,158
Asset held for sale	-	12,345	12,345	-	11,610	11,610
Cash and cash equivalents	153,650	2,358,916	2,512,566	706,806	1,756,934	2,463,740
<b>Total current assets</b>	<b>283,016</b>	<b>4,812,971</b>	<b>5,095,987</b>	<b>848,325</b>	<b>4,167,705</b>	<b>5,016,030</b>
<b>Total assets</b>	<b>3,889,634</b>	<b>8,227,183</b>	<b>12,116,817</b>	<b>4,685,972</b>	<b>8,383,500</b>	<b>13,069,472</b>
<b>Equity</b>						
Share capital	435,951	-	435,951	435,951	-	435,951
Reserves	3,487,900	578,817	4,066,717	3,776,112	578,816	4,354,928
	3,923,851	578,817	4,502,668	4,212,063	578,816	4,790,879
Less: Cost of treasury shares	(196,442)	-	(196,442)	(223,387)	-	(223,387)
<b>Total equity attributable to equity holders of the Company</b>	<b>3,727,409</b>	<b>578,817</b>	<b>4,306,226</b>	<b>3,988,676</b>	<b>578,816</b>	<b>4,567,492</b>
Non-controlling interests	66,836	3,774,634	3,841,470	74,564	4,020,085	4,094,649
<b>Total equity</b>	<b>3,794,245</b>	<b>4,353,451</b>	<b>8,147,696</b>	<b>4,063,240</b>	<b>4,598,901</b>	<b>8,662,141</b>
<b>Liabilities</b>						
Deferred tax liabilities	11,085	241,823	252,908	22,004	250,063	272,067
Deferred income	-	22,765	22,765	-	72,010	72,010
Provision for retirement benefits	3,574	248,478	252,052	4,587	259,222	263,809
Borrowings	29,130	1,782,714	1,811,844	521,000	1,558,227	2,079,227
<b>Total non-current liabilities</b>	<b>43,789</b>	<b>2,295,780</b>	<b>2,339,569</b>	<b>547,591</b>	<b>2,139,522</b>	<b>2,687,113</b>
Trade payables	12,110	348,637	360,747	13,015	358,100	371,115
Other payables	24,589	490,724	515,313	41,050	453,959	495,009
Provision for retirement benefits	165	-	165	-	-	-
Deferred income	-	1,910	1,910	-	6,965	6,965
Borrowings	10,800	696,067	706,867	19,568	777,126	796,694
Tax payable	3,934	34,513	38,447	1,492	29,153	30,645
Derivative financial liabilities	2	6,101	6,103	16	19,774	19,790
<b>Total current liabilities</b>	<b>51,600</b>	<b>1,577,952</b>	<b>1,629,552</b>	<b>75,141</b>	<b>1,645,077</b>	<b>1,720,218</b>
<b>Total liabilities</b>	<b>95,389</b>	<b>3,873,732</b>	<b>3,969,121</b>	<b>622,732</b>	<b>3,784,599</b>	<b>4,407,331</b>
<b>Total equity and liabilities</b>	<b>3,889,634</b>	<b>8,227,183</b>	<b>12,116,817</b>	<b>4,685,972</b>	<b>8,383,500</b>	<b>13,069,472</b>



# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

Impact of application of FRS 10 on the Group's profit for the year ended 30 September 2013 are as follows:

	30.9.2013 As previously stated RM'000	FRS 10 Adjustments RM'000	30.9.2013 Restated RM'000
Revenue	362,025	9,104,220	9,466,245
Cost of sales	(268,166)	(7,150,358)	(7,418,524)
Gross profit	93,859	1,953,862	2,047,721
Other operating income	46,549	107,477	154,026
Distribution costs	(23,216)	(275,406)	(298,622)
Administration expenses	(22,880)	(359,437)	(382,317)
Other operating expenses	(160)	(159,259)	(159,419)
Operating profit	94,152	1,267,237	1,361,389
Finance costs	(8,363)	(80,903)	(89,266)
Share of profits of equity accounted investees, net of tax	427,594	(413,926)	13,668
Profit before taxation	513,383	772,408	1,285,791
Tax expense	(20,560)	(232,797)	(253,357)
Profit for the year	492,823	539,611	1,032,434
Attributable to:			
Equity holders of the Company	483,709	-	483,709
Non-controlling interests	9,114	539,611	548,725
	492,823	539,611	1,032,434
	Sen	Sen	Sen
Earnings per share	116.5	-	116.5

Impact of application of FRS 10 on the Group's statement of other comprehensive income for the year ended 30 September 2013 are as follows:

	30.9.2013 As previously stated RM'000	FRS 10 Adjustments RM'000	30.9.2013 Restated RM'000
Profit for the year	492,823	539,611	1,032,434
Other comprehensive (loss)/income that will be reclassified subsequently to profit or loss			
Foreign currency translation differences	(18,532)	(105,902)	(124,434)
Net change in fair value of available-for-sale investments	240	292,192	292,432
Reclassification adjustment for surplus on disposal of available-for-sale investments	-	(2,137)	(2,137)
Share of other comprehensive income of associates	92,398	(92,398)	-
	74,106	91,755	165,861
Other comprehensive income that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit plans (Note 34)	-	6,514	6,514
Total other comprehensive income for the year	74,106	98,269	172,375
Total comprehensive income for the year	566,929	637,880	1,204,809
Attributable to:			
Equity holders of the Company	557,930	-	557,930
Non-controlling interests	8,999	637,880	646,879
	566,929	637,880	1,204,809

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

Impact of application of FRS 10 on cash flows of the Group for the year ended 30 September 2013 are as follows:

	30.9.2013 As previously stated RM'000	FRS 10 Adjustments RM'000	30.9.2013 Restated RM'000
<b>Cash flows from operating activities</b>			
Profit before taxation	513,383	772,408	1,285,791
Adjustments for	(402,362)	709,804	307,442
Operating profit before working capital changes	111,021	1,482,212	1,593,233
Working capital changes	(4,394)	133,952	129,558
Cash generated from operations	106,627	1,616,164	1,722,791
Interest received	2,350	-	2,350
Interest paid	(1,958)	(81,104)	(83,062)
Tax paid	(10,745)	(298,249)	(308,994)
Retirement benefits paid	(204)	(20,586)	(20,790)
Net cash generated from operating activities	96,070	1,216,225	1,312,295
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(49,934)	(814,722)	(864,656)
Payments of prepaid lease	-	(15,858)	(15,858)
Plantation development expenditure	(15,710)	(151,552)	(167,262)
Property development expenditure	-	(4,370)	(4,370)
Purchase of shares in sub-subsidiaries, net of cash acquired	-	(14,640)	(14,640)
Purchase of shares in an associate	(12,564)	5,123	(7,441)
Purchase of available-for-sale investments	(477)	(3,672)	(4,149)
Purchase of intangible assets	-	(781)	(781)
Capital distributions from investments in voluntary liquidation	4,046	-	4,046
Proceeds from disposal of property, plant and equipment	188	3,679	3,867
Compensation from government on land acquired	-	667	667
Proceeds from disposal of shares in an associate	-	27,638	27,638
Proceeds from disposal of available-for-sale investments	-	10,948	10,948
Dividends received	327,130	(274,288)	52,842
Interest received	-	23,775	23,775
Proceeds from disposal of short term funds	288	(288)	-
Net cash used in investing activities	252,967	(1,208,341)	(955,374)
<b>Cash flows from financing activities</b>			
Proceeds from term loans	11,638	-	11,638
Repayment of term loans	(11,000)	(32,694)	(43,694)
Drawdown/(Repayment) of short term borrowings	-	(122,710)	(122,710)
Issuance of Islamic medium term notes	500,000	-	500,000
Dividends paid to shareholders of the Company	(269,719)	-	(269,719)
Dividends paid to non-controlling interests	(1,270)	(393,876)	(395,146)
Issuance of shares to non-controlling interests	-	2,545	2,545
Advance from non-controlling interests	-	440	440
Redemption of redeemable preference shares from non-controlling interests	-	(6,000)	(6,000)
Increase in other receivable	(1,941)	(16,294)	(18,235)
Share buy back	(26,945)	-	(26,945)
Net cash used in financing activities	200,763	(568,589)	(367,826)
Net increase/(decrease) in cash and cash equivalents	549,800	(560,705)	(10,905)
Effects of exchange rate changes	3,356	(11,511)	(8,155)
Cash and cash equivalents at beginning of year	153,650	2,326,062	2,479,712
Cash and cash equivalents at end of year	706,806	1,753,846	2,460,652

Impact of application of FRS 10 on the Consolidated Statement of Changes in Equity of the Group as at 1 October 2012 is disclosed in page 46.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

Impact of the application of FRS 10 on the Consolidated Statement of Financial Position of the Company as at 1 October 2012 are summarised as follows:

	1.10.2012			30.9.2013		
	As previously stated	FRS 10 Adjustments	1.10.2012 Restated	As previously stated	FRS 10 Adjustments	30.9.2013 Restated
Assets	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Investments in subsidiaries	240,202	439,916	680,118	278,452	439,916	718,368
Investments in associates	439,916	(439,916)	-	443,814	(439,916)	3,898
	<u>680,118</u>	<u>-</u>	<u>680,118</u>	<u>722,266</u>	<u>-</u>	<u>722,266</u>

There is no significant impact to the Company's statement of profit or loss, statement of other comprehensive income, statement of cash flows and statement of changes in equity. Hence, no reconciliation is presented.

### 48. AUTHORISATION FOR ISSUE

The financial statements were authorised for issue by the Board of Directors on 15 December 2014.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 49. SUPPLEMENTARY INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued another directive on the disclosure and the prescribed format of presentation.

The breakdown of the retained earnings of the Group and of the Company as at 30 September 2014 into realised and unrealised profits, pursuant to the directive, is as follows:

	Group		Company	
	2014 RM'000	2013 RM'000 (Restated)	2014 RM'000	2013 RM'000
Total retained earnings of the Company and its subsidiaries				
Realised	6,766,700	6,186,884	580,017	561,266
Unrealised	(207,481)	(167,530)	(266)	3,244
	<u>6,559,219</u>	<u>6,019,354</u>	<u>579,751</u>	<u>564,510</u>
Total share of retained earnings from associates				
Realised	61,481	59,573	-	-
Unrealised	32	(237)	-	-
	<u>61,513</u>	<u>59,336</u>	<u>-</u>	<u>-</u>
	<u>6,620,732</u>	<u>6,078,690</u>	<u>579,751</u>	<u>564,510</u>
Consolidation adjustments	(3,077,614)	(2,831,014)	-	-
Total retained earnings at 30 September	<u>3,543,118</u>	<u>3,247,676</u>	<u>579,751</u>	<u>564,510</u>

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.

# BATU KAWAN BERHAD

## Statement by Directors and Statutory Declaration

### Statement by Directors Pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 43 to 129 are drawn up in accordance with the Financial Reporting Standards and the requirements of Companies Act, 1965 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 2014 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 130 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)



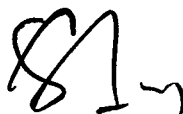
**DATO' YEOH ENG KHOON**  
(Director)

15 December 2014


### Statutory Declaration Pursuant to Section 169(16) of the Companies Act, 1965

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 43 to 130 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.

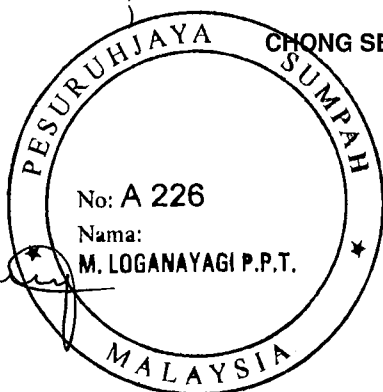
Subscribed and solemnly declared )  
by the abovenamed at Ipoh in the )  
State of Perak Darul Ridzuan )  
on 15 December 2014.



Before me:



**M. LOGANAYAGI P.P.T.**  
Commissioner for Oaths  
Ipoh,  
Perak Darul Ridzuan,  
Malaysia.



NO. 67, 1ST FLOOR,  
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## BATU KAWAN BERHAD

### Independent Auditors' Report to the Members

#### REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Batu Kawan Berhad, which comprise the statements of financial position as at 30 September 2014 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 43 to 129.

#### Directors' responsibility for the financial statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 September 2014 and of their financial performance and cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

#### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 42 to the financial statements. We have also considered the unaudited financial statements of subsidiaries identified in Note 42 to the financial statements.
- (c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports of the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

## BATU KAWAN BERHAD

### Independent Auditors' Report to the Members (Continued)

#### OTHER REPORTING RESPONSIBILITIES

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 49 on page 130 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Financial Reporting Standards in Malaysia. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, 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.

#### OTHER MATTERS

As described in Note 2.1 and Note 47 to the financial statements the comparative information presented as at and for the year ended 30 September 2013 has been restated as a result of a change in the accounting policies of the Group and the Company.

The financial statements of the Group and of the Company as at and for the years ended 30 September 2013 and 30 September 2012 (from which the statement of financial position as at 1 October 2012 has been derived), excluding the adjustments described in Note 2.1 and Note 47 to the financial statements were audited by another auditor who expressed an unmodified opinion on those financial statements on 13 December 2013.

As part of our audit of the financial statements as at and for the year ended 30 September 2014, we audited the adjustments described in Note 2.1 and Note 47 that were applied to restate the comparative information presented as at and for the year ended 30 September 2013 and the statement of financial position as at 1 October 2012. We were not engaged to audit, review, or apply any procedures to the financial statements for the years ended 30 September 2013 or 30 September 2012 (not presented herein) or to the statement of financial position as at 1 October 2012, other than with respect to the adjustments described in Note 2.1 and Note 47 to the financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective financial statements taken as a whole. However, in our opinion, the adjustments described in Note 2.1 and Note 47 are appropriate and have been properly applied.

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



**KPMG**  
Firm Number: AF-0758  
Chartered Accountants



**CHEW BENG HONG**  
Partner  
Approval Number: 2920/02/16 (J)  
Chartered Accountant

Ipoh  
15 December 2014

# BATU KAWAN BERHAD

## Analysis of Shareholdings

At 1 December 2014

Authorised Share Capital : RM1,000,000,000  
 Issued and Fully Paid-up Capital : RM435,951,000 (including 27,447,600 treasury shares)  
 Class of Shares : Shares of RM1.00 each fully paid  
 Voting Rights : One vote per RM1.00 share

### DISTRIBUTION OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
1 – 99	83	1.65	2,827	0.00
100 – 1,000	1,551	30.89	1,137,695	0.28
1,001 – 10,000	2,464	49.06	9,208,961	2.25
10,001 – 100,000	746	14.86	23,203,347	5.68
100,001 – less than 5% of issued holdings	176	3.50	157,826,153	38.64
5% and above of issued holdings	2	0.04	217,124,417	53.15
<b>TOTAL</b>	<b>5,022</b>	<b>100.00</b>	<b>408,503,400</b>	<b>100.00</b>

### THIRTY LARGEST SECURITIES ACCOUNT HOLDERS

Name of Shareholder	No. of Shares	% of Issued Share Capital <sup>^</sup>
1. Arusha Enterprise Sdn Bhd	189,754,667	46.45
2. Lembaga Kemajuan Tanah Persekutuan (FELDA)	27,369,750	6.70
3. Yeoh Chin Hin Investments Sdn Berhad	15,300,000	3.75
4. CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB for Heah Seok Yeong Realty Sdn Berhad	10,000,000	2.45
5. Lee Chan Investments Sdn Berhad	9,159,275	2.24
6. Di-Yi Sdn Bhd	8,780,180	2.15
7. High Quest Holdings Sdn Bhd	8,262,955	2.02
8. Yeoh Meng Ghee	8,005,000	1.96
9. Puan Sri Leong Wan Chin	6,973,705	1.71
10. Yeoh Chin Hin	6,311,250	1.54
11. Teoh Guat Eng	6,132,188	1.50
12. CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB for Heah Seok Yeong Realty Sdn Berhad	4,850,000	1.19
13. Key Development Sdn Berhad	3,376,300	0.83
14. Malay-Sino Formic Acid Sdn Bhd	3,083,450	0.75
15. Malay-Rubber Plantations (Malaysia) Sdn Berhad	2,792,250	0.68
16. HSBC Nominees (Asing) Sdn Bhd - BNP Paribas Sec SVS LUX for Aberdeen Global	2,551,700	0.62
17. Steppe Structure Sdn Bhd	2,224,250	0.55
18. Citigroup Nominees (Asing) Sdn Bhd - CBNY for Dimensional Emerging Markets Value Fund	2,084,450	0.51
19. Meng Hin Holdings Sdn Bhd	1,815,750	0.45
20. Gan Teng Siew Realty Sdn Berhad	1,718,200	0.42
21. HSBC Nominees (Asing) Sdn Bhd - Exempt An for Credit Suisse (SG BR-TST-Asing)	1,517,880	0.37
22. Arusha Enterprise Sdn Bhd	1,500,000	0.37
23. Puan Sri Leong Wan Chin	1,500,000	0.37
24. CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB for Lyne Ching Sdn Berhad (PB)	1,485,000	0.36
25. Chinchoo Investment Sdn Berhad	1,407,600	0.34
26. Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (Aberdeen)	1,340,000	0.33



# BATU KAWAN BERHAD

## Analysis of Shareholdings (Continued)

At 1 December 2014

Name of Shareholder	No. of Shares	% of Issued Share Capital <sup>^</sup>
27. HSBC Nominees (Asing) Sdn Bhd - Exempt An for the Hongkong and Shanghai Banking Corporation Limited (HBAP-SGDIV-ACCL)	1,200,000	0.29
28. Key Development Sdn Berhad	1,134,250	0.28
29. Citigroup Nominees (Tempatan) Sdn Bhd - Kumpulan Wang Persaraan (Diperbadankan) (Aberdeen)	1,109,000	0.27
30. Rengo Malay Estate Sendirian Berhad	1,057,500	0.26
<b>TOTAL</b>	<b>333,796,550</b>	<b>81.71</b>

<sup>^</sup> Calculated based on 408,503,400 shares (excluding 27,447,600 treasury shares)

### SUBSTANTIAL SHAREHOLDERS

According to the Register of Substantial Shareholders required to be kept under Section 69L of the Companies Act, 1965, the following are the substantial shareholders of the Company:

Name	Direct		Deemed		Total	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Arusha Enterprise Sdn Bhd	191,554,667	46.89	5,875,700 <sup>1</sup>	1.44	197,430,367	48.33
Wan Hin Investments Sdn Bhd	8,387	*	197,430,367 <sup>2</sup>	48.33	197,438,754	48.33
Di-Yi Sdn Bhd	8,780,180	2.15	197,438,754 <sup>3</sup>	48.33	206,218,934	50.48
High Quest Holdings Sdn Bhd	8,262,955	2.02	197,438,754 <sup>3</sup>	48.33	205,701,709	50.36
Tan Sri Dato' Seri Lee Oi Hian	854,355	0.21	207,038,934 <sup>4</sup>	50.68	207,893,289	50.89
Dato' Lee Hau Hian	625,230	0.15	205,842,209 <sup>5</sup>	50.39	206,467,439	50.54
Grateful Blessings Inc	-	-	206,218,934 <sup>6</sup>	50.48	206,218,934	50.48
Cubic Crystal Corporation	-	-	205,701,709 <sup>7</sup>	50.35	205,701,709	50.35

Notes:

\* Less than 0.01%.

<sup>1</sup> Deemed interested by virtue of its deemed interests in Malay-Rubber Plantations (Malaysia) Sdn Bhd and Malay-Sino Formic Acid Sdn Bhd.

<sup>2</sup> Deemed interested by virtue of its deemed interests in Arusha Enterprise Sdn Bhd, Malay-Rubber Plantations (Malaysia) Sdn Bhd and Malay-Sino Formic Acid Sdn Bhd.

<sup>3</sup> Deemed interested by virtue of its deemed interests in Arusha Enterprise Sdn Bhd, Wan Hin Investments Sdn Bhd, Malay-Rubber Plantations (Malaysia) Sdn Bhd and Malay-Sino Formic Acid Sdn Bhd.

<sup>4</sup> Deemed interested through the shares of his children and by virtue of his deemed interests in Arusha Enterprise Sdn Bhd, Di-Yi Sdn Bhd (via Grateful Blessings Inc which is wholly-owned by Tan Sri Dato' Seri Lee Oi Hian), Malay-Rubber Plantations (Malaysia) Sdn Bhd, Wan Hin Investments Sdn Bhd, Malay-Sino Formic Acid Sdn Bhd and Congleton Holdings Sdn Bhd.

<sup>5</sup> Deemed interested through the shares of his child and by virtue of his deemed interests in Arusha Enterprise Sdn Bhd, High Quest Holdings Sdn Bhd (via Cubic Crystal Corporation which is wholly-owned by Dato' Lee Hau Hian), Malay-Rubber Plantations (Malaysia) Sdn Bhd, Wan Hin Investments Sdn Bhd, Malay-Sino Formic Acid Sdn Bhd and Cengal Emas Sdn Bhd.

<sup>6</sup> Deemed interested by virtue of its deemed interests in Di-Yi Sdn Bhd.

<sup>7</sup> Deemed interested by virtue of its deemed interests in High Quest Holdings Sdn Bhd.

# BATU KAWAN BERHAD

## Analysis of Shareholdings (Continued)

At 1 December 2014

### DIRECTORS' INTEREST

According to the Register of Directors' Shareholdings required to be kept under Section 134 of the Companies Act, 1965, the Directors' interests in the Company and its subsidiaries and/or related corporations are as follows:

#### Company:

#### Batu Kawan Berhad

Name	Direct		Deemed	
	No. of Shares	%	No. of Shares	%
Tan Sri Dato' Seri Lee Oi Hian	854,355	0.21	207,038,934 <sup>1</sup>	50.68
Dato' Lee Hau Hian	625,230	0.15	205,842,209 <sup>2</sup>	50.39
Dato' Yeoh Eng Khoon	315,000	0.08	15,379,000 <sup>3</sup>	3.76
R. M. Alias	-	-	-	-
Dato' Mustafa bin Mohd Ali	-	-	-	-
Quah Chek Tin	-	-	-	-

#### Notes:

- 1 Deemed interested through the shares of his children and by virtue of his deemed interests in Arusha Enterprise Sdn Bhd, Di-Yi Sdn Bhd (via Grateful Blessings Inc which is wholly-owned by Tan Sri Dato' Seri Lee Oi Hian), Malay-Rubber Plantations (Malaysia) Sdn Bhd, Wan Hin Investments Sdn Bhd, Malay-Sino Formic Acid Sdn Bhd and Congleton Holdings Sdn Bhd.
- 2 Deemed interested through the shares of his child and by virtue of his deemed interests in Arusha Enterprise Sdn Bhd, High Quest Holdings Sdn Bhd (via Cubic Crystal Corporation which is wholly-owned by Dato' Lee Hau Hian), Malay-Rubber Plantations (Malaysia) Sdn Bhd, Wan Hin Investments Sdn Bhd, Malay-Sino Formic Acid Sdn Bhd and Cengal Emas Sdn Bhd.
- 3 Deemed interested through the shares of his spouse and by virtue of his deemed interests in Yeoh Chin Hin Investments Sdn Bhd.

#### Subsidiaries:

#### Kuala Lumpur Kepong Berhad

Name	Direct		Deemed	
	No. of Shares	%	No. of Shares	%
R. M. Alias	337,500	0.03	-	-
Tan Sri Dato' Seri Lee Oi Hian	72,000	0.01	496,350,027	46.61
Dato' Lee Hau Hian	83,250	0.01	496,350,027	46.61
Dato' Yeoh Eng Khoon	335,000	0.03	3,189,850	0.30

#### Malay-Sino Chemical Industries Sendirian Berhad

Name	Direct		Deemed	
	No. of Shares	%	No. of Shares	%
Tan Sri Dato' Seri Lee Oi Hian	-	-	72,945,952	87.95
Dato' Lee Hau Hian	-	-	72,945,952	87.95

#### See Sen Chemical Berhad

Name	Direct		Deemed	
	No. of Shares	%	No. of Shares	%
Tan Sri Dato' Seri Lee Oi Hian	-	-	19,529,996	68.89
Dato' Lee Hau Hian	-	-	19,529,996	68.89

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.

# BATU KAWAN BERHAD

## Properties Held by the Group

At 30 September 2014

Location	Tenure	Year Lease Expiring	Titled Area Hectares <sup>#</sup>	Description / Existing Use	Year of Acquisition / Last Revaluation*	Age of Buildings (Years)	Net Carrying Amounts RM'000
<b>PLANTATIONS</b>							
<b><u>MALAYSIA</u></b>							
<b>Kedah</b>							
Ladang Pelam Kulim	Freehold	–	2,960	Oil palm and rubber estate	1986 1992	–	49,873
Ladang Batu Lintang Serdang	Freehold	–	1,808	Oil palm estate and palm oil mill	1986	28	27,412
Ladang Buntar Serdang	Freehold	–	547	Oil palm estate	1986	–	13,804
<b>Perak</b>							
Ladang Lekir Manjung	Freehold	–	3,327	Oil palm estate	2008	–	177,916
Ladang Changkat Chermin Manjung	Leasehold	2080	2,540	Oil palm estate and palm oil mill	2008	31	109,453
Ladang Raja Hitam Manjung	Freehold	–	1,497	Oil palm estate	2008	–	78,262
Ladang Subur Batu Kurau	Freehold	–	1,290	Oil palm estate	1986	–	14,642
Ladang Glenealy Parit	Freehold	–	1,059	Oil palm and rubber estate	1992	–	15,055
Ladang Serapoh Parit	Freehold	–	936	Oil palm and rubber estate	1979* 1992	–	9,286
Ladang Kuala Kangsar Padang Rengas	Freehold Leasehold	– 2896	510 333	Oil palm and rubber estate	1979*	–	6,017
Ladang Allagar Trong	Freehold Leasehold	– 2908	549 256	Oil palm estate	1986	–	12,899
<b>Selangor</b>							
Ladang Tuan Mee Sungai Buloh	Freehold	–	1,556	Oil palm estate and palm oil mill	1979*	41	18,075
Ladang Changkat Asa Hulu Selangor	Freehold	–	1,544	Oil palm and rubber estate, palm oil mill and rubber factory	1979*	34 39	17,491
Ladang Kerling Kerling	Freehold	–	1,222	Oil palm and rubber estate	1979* 1985 2002	–	53,387

# BATU KAWAN BERHAD

## Properties Held by the Group (Continued)

At 30 September 2014

Location	Tenure	Year Lease Expiring	Titled Area Hectares <sup>#</sup>	Description / Existing Use	Year of Acquisition / Last Revaluation*	Age of Buildings (Years)	Net Carrying Amounts RM'000
<b>Negeri Sembilan</b>							
Ladang Ayer Hitam Bahau	Freehold	–	2,640	Oil palm estate	1985	–	38,617
Ladang Batang Jelai Rompin	Freehold	–	2,162	Oil palm and rubber estate	1985	–	32,801
Ladang Jeram Padang Bahau	Freehold	–	2,114	Oil palm and rubber estate, palm oil mill and rubber factory	1985	25 25	31,134
Ladang Kombok Rantau	Freehold	–	1,915	Oil palm and rubber estate	1985	–	31,965
Ladang Ulu Pedas Pedas	Freehold	–	922	Oil palm estate	1985	–	17,539
Ladang Gunong Pertanian Simpang Durian	Leasehold	2077	686	Oil palm estate	1985	–	9,508
<b>Johor</b>							
Ladang Landak Paloh	Leasehold	2068 and 2078	4,451	Oil palm estate	1979*	–	41,006
Ladang Kekayaan Paloh	Leasehold	2068 and 2078	4,436	Oil palm estate and palm oil mill	1979*	8	61,617
Ladang Voules Segamat	Freehold	–	2,977	Oil palm and rubber estate and rubber factory	1979*	41	25,448
Ladang Fraser Kulai	Freehold	–	2,929	Oil palm estate	1979*	–	34,167
Ladang Paloh Paloh	Freehold	–	2,003	Oil palm estate and palm oil mill	1979*	42	32,295
Ladang New Pogoh Segamat	Freehold	–	1,560	Oil palm and rubber estate	1979*	–	14,290
Ladang Sungei Penggeli Bandar Tenggara	Leased property	2087	942	Oil palm estate	1988	–	9,546
Ladang Ban Heng Pagoh, Muar	Freehold	–	631	Oil palm estate	1979*	–	8,097
Ladang Sungai Bekok Bekok	Freehold	–	625	Oil palm estate	1979*	–	7,945

# BATU KAWAN BERHAD

## Properties Held by the Group (Continued)

At 30 September 2014

Location	Tenure	Year Lease Expiring	Titled Area Hectares <sup>#</sup>	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	–	9,936
KL-Kepong Edible Oils Pasir Gudang	Leasehold	2045	5	Refinery	1985	31	928
<b>Pahang</b>							
Ladang Sungai Kawang Lanchang	Freehold	–	1,889	Oil palm and rubber estate	1979*	–	14,853
Ladang Renjok Bentong	Freehold	–	1,578	Oil palm and rubber estate	1979*	–	15,962
Ladang Tuan Bentong	Freehold Leasehold	– Between 2030 and 2057	910 443	Oil palm and rubber estate	1979*	–	10,117
Ladang Selborne Padang Tengku, Kuala Lipis	Freehold	–	1,258	Rubber estate and rubber factory	1992	45	16,611
Ladang Kemasul Mengkarak	Freehold	–	459	Rubber estate	1983	–	1,037
<b>Kelantan</b>							
Ladang Kuala Gris Kuala Krai	Freehold	–	2,429	Rubber estate and rubber factory	1992	14	29,822
Ladang Kerilla Tanah Merah	Freehold	–	2,176	Oil palm and rubber estate and rubber factory	1992	39	27,678
Ladang Pasir Gajah Kuala Krai	Freehold Leasehold	– 2907	952 1,155	Oil palm estate and palm oil mill	1981*	33	21,307
Ladang Sungai Sokor Tanah Merah	Freehold	–	1,603	Oil palm and rubber estate	1992	–	16,751
Ladang Kuala Hau Machang	Freehold Leasehold	– 2326	305 242	Rubber estate	1980*	–	3,152
<b>Sabah Tawau Region</b>							
Ladang Jatika	Leasehold	Between 2068 and 2083	3,508	Oil palm estate	1991	–	46,311

# BATU KAWAN BERHAD

## Properties Held by the Group (Continued)

At 30 September 2014

Location	Tenure	Year Lease Expiring	Titled Area Hectares <sup>#</sup>	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	–	25,983
Ladang Pangeran	Leasehold	Between 2063 and 2080	2,855	Oil palm estate and palm oil mill	1983	13	42,244
Ladang Sri Kunak	Leasehold	Between 2063 and 2076	2,770	Oil palm estate	1983	–	33,538
Ladang Pang Burong	Leasehold	Between 2063 and 2080	2,548	Oil palm estate	1983	–	32,922
Ladang Pinang	Leasehold	Between 2067 and 2085	2,420	Oil palm estate	1983	–	37,226
Ladang Tundong	Leasehold	Between 2063 and 2073	2,155	Oil palm estate and palm oil mills	1983	27 and 31	24,616
Ladang Ringlet	Leasehold	Between 2067 and 2080	1,834	Oil palm estate	1989	–	15,409
<b>Lahad Datu Region</b>							
Ladang Tungku	Leasehold	2085	3,418	Oil palm estate	1991*	–	27,410
Ladang Bornion	Leasehold	2078	3,233	Oil palm estate and palm oil mill	1992	16	38,082
Ladang Bukit Tabin	Leasehold	2079	2,916	Oil palm estate	1993	–	35,002
Ladang Segar Usaha	Leasehold	2077	2,792	Oil palm estate	1990*	–	31,769
Ladang Rimmer	Leasehold	2085	2,730	Oil palm estate and palm oil mill	1991*	18	24,069
Ladang Sungai Silabukan	Leasehold	2079	2,654	Oil palm estate	1993	–	31,610
Ladang Lungmanis	Leasehold	2085	1,656	Oil palm estate and palm oil mill	1991*	14	16,576
KLK Premier Oils	Leasehold	2066	4	Kernel crushing plant and refinery	1998	11	14,959
	Leasehold	2912	2	PKC warehouse	2007	5	5,983

# BATU KAWAN BERHAD

## Properties Held by the Group (Continued)

At 30 September 2014

Location	Tenure	Year Lease Expiring	Titled Area Hectares <sup>#</sup>	Description / Existing Use	Year of Acquisition / Last Revaluation*	Age of Buildings (Years)	Net Carrying Amounts RM'000
<b>INDONESIA</b>							
<b>Belitung</b>							
Kebun Steelindo Wahana Perkasa	Hak Guna Usaha	2020	14,065	Oil palm estate, palm oil mill and refinery	1994	15 1	48,556
Kebun Parit Sembada	Hak Guna Usaha	2020	3,990	Oil palm estate and palm oil mill	2003	7	14,778
Kebun Alam Karya Sejahtera	Izin Lokasi	–	2,336	Oil palm estate	2010	–	58,497
<b>Sumatra Riau Region</b>							
Kebun Mandau	Hak Guna Usaha	Between 2020 and 2075	14,799	Oil palm and rubber estate, palm oil mill, kernel crushing plant and refinery	1996	11 7 1	95,241
Kebun Nilo	Hak Guna Usaha	2083	12,860	Oil palm estate and palm oil mills	1996	12 and 3	88,930
	Izin Lokasi	–	1,800	Oil palm estate	2005		12,923
Kebun Sekarbumi Alamlestari	Hak Guna Usaha	2049	6,200	Oil palm estate and palm oil mill	2009	18	77,829
PT Kreasijaya Adhikarya	Leased property	2016	3	Refinery	1996	< 1	3,996
<b>Sumatra Utara Region</b>							
Kebun Tanjung Beringin Langkat	Leased property	2039	3,936	Oil palm estate	2009	–	36,839
Kebun Gohor Lama Langkat	Leased property	2039	3,323	Oil palm estate and palm oil mills	2009	36 and < 1	45,326
Kebun Bekiun Langkat	Leased property	2039	2,979	Oil palm estate	2009	–	1,424
Kebun Maryke Langkat	Leased property	2039	2,704	Oil palm estate	2009	–	41,211
Kebun Basilam Langkat	Leased property	2039	2,697	Oil palm estate	2009	–	35,116
Kebun Tanjung Keliling Langkat	Leased property	2039	2,315	Oil palm estate	2009	–	35,048
Kebun Padang Brahrang Langkat	Leased property	2039	1,949	Oil palm estate and palm oil mill	2009	30	9,590

# BATU KAWAN BERHAD

## Properties Held by the Group (Continued)

At 30 September 2014

Location	Tenure	Year Lease Expiring	Titled Area Hectares <sup>#</sup>	Description / Existing Use	Year of Acquisition / Last Revaluation*	Age of Buildings (Years)	Net Carrying Amounts RM'000
Kebun Bukit Lawang Langkat	Leased property	2039	1,377	Oil palm estate	2009	–	19,040
<b>Kalimantan Timur</b>							
Kebun Jabontara Eka Karsa Berau	Hak Guna Usaha	2033	14,086	Oil palm estate	2006	–	147,532
Kebun Malindomas Perkebunan Berau	Hak Guna Usaha	2043	7,971	Oil palm estate	2007	–	118,385
Kebun Hutan Hijau Mas Berau	Hak Guna Usaha	2029 and 2043	7,317	Oil palm estate and palm oil mill	2007 2009	6	103,627
Kebun Anugrah Surya Mandiri Berau	Hak Guna Usaha	2048	2,682	Oil palm estate	2012	–	7,306
Kebun Satu Sembilan Delapan Berau	Leasehold	Between 2029 and 2044	5,728	Oil palm estate and palm oil mill	Between 2008 and 2009	– < 1	92,727
<b>Kalimantan Tengah</b>							
Kebun Karya Makmur Abadi Mentaya Hulu	Izin Lokasi	–	13,148	Oil palm estate	2007	–	139,690
Kebun Mulia Agro Permai Baamang	Hak Guna Usaha	2040	9,056	Oil palm estate and palm oil mill	2006	1	160,944
Kebun Menteng Jaya Sawit Perdana Mentaya Hilir Utara	Izin Lokasi	–	5,893	Oil palm estate	2007	–	42,121
<b><u>LIBERIA</u></b>							
Palm Bay Estate Grand Bassa County	Leasehold	2057	13,007	Oil palm estate	2013	–	125,706
Butaw Estate Sinoe County	Leasehold	2057	8,011	Oil palm estate	2013	–	51,499
<b><u>MANUFACTURING MALAYSIA</u></b>							
KL-Kepong Oleomas Klang, Selangor	Leasehold	2097	19	Oleochemicals factory	2004	5 and 8	42,745
B.K.B. Hevea Products Ipoh, Perak	Leasehold	2089	5	Parquet factory	1994	20	3,735
Palm-Oleo Rawang, Selangor	Freehold	–	15	Oleochemicals, soap noodles and industrial amides factories	1991 1994	18 and 23	12,764



# BATU KAWAN BERHAD

## Properties Held by the Group (Continued)

At 30 September 2014

Location	Tenure	Year Lease Expiring	Titled Area Hectares <sup>#</sup>	Description / Existing Use	Year of Acquisition / Last Revaluation*	Age of Buildings (Years)	Net Carrying Amounts RM'000
Palm-Oleo (Klang) Klang, Selangor	Leased property	2088	7	Oleochemicals factory	2007	23 and 33	31,290
KL-Kepong Rubber Products Ipoh, Perak	Freehold	–	3	Rubber gloves factory	2012	30	15,890
KLK Bioenergy Shah Alam, Selangor	Leasehold	2074	1	Biodiesel plant	2009	29	3,347
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	3 to 16	29,651
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	38 4	3,824 842
Malay-Sino Chemical Industries Lot 541, Kg Acheh Industrial Estate, Sitiawan, Perak	Leasehold	2087	1	Industrial land with warehouse	1996*	25	617
Malay-Sino Properties Lot 9878, Kg Acheh Industrial Estate Sitiawan, Perak	Leasehold	2093	4,282 sq m	Industrial land with warehouse	1996*	19	271
See Sen Chemical Lot 2989 and 3558 Kawasan Perindustrian Teluk Kalung Kemaman, Terengganu	Leasehold	2055	12	Chemical factory	1995	18	4,363
See Sen Chemical Lot 5441 Kawasan Perindustrian Teluk Kalung Kemaman, Terengganu	Leasehold	2056	9,014 sq m	Acid pipeline	2003	–	109
See Sen Chemical PTD 21873, Pasir Gudang Industrial Estate, Pasir Gudang, Johor	Leasehold	2039	2	Chemical factory	1979	29	1,944
See Sen Chemical PT 6326, Bandar Sri Sendayan Seremban, Negeri Sembilan	Freehold	–	2	Chemical factory	2013	1	7,103

# BATU KAWAN BERHAD

## Properties Held by the Group (Continued)

At 30 September 2014

Location	Tenure	Year Lease Expiring	Titled Area Hectares <sup>#</sup>	Description / Existing Use	Year of Acquisition / Last Revaluation*	Age of Buildings (Years)	Net Carrying Amounts RM'000
<b><u>INDONESIA</u></b>							
PT KLK Dumai Dumai Timur, Riau	Leased property	2031	12,876 sq m	Oleochemicals factory	2011	< 1	22,488
	Hak Guna Bangunan	2028	5,862 sq m	Employees quarters	2014	< 1	945
	Pajak Bumi dan Bangunan	–	4,659 sq m	Employees quarters	2014	< 1	654
<b><u>BELGIUM</u></b>							
TensaChem SA Liege	Freehold	–	9	Surfactant factory	2014	7 to 88	16,538
<b><u>CHINA</u></b>							
Taiko Palm-Oleo (Zhangjiagang) Zhangjiagang City, Jiangsu	Leasehold	2054	20	Oleochemicals factory	2004	9	22,618
Shanghai Jinshan Jingwei Chemical Tinglin Town Jinshan, Shanghai	Leasehold	2052	2	Oleochemicals factory	2008	9	6,911
<b><u>GERMANY</u></b>							
KLK Emmerich Emmerich Am Rhein	Freehold	–	21	Oleochemicals factory	2010	21 to 61	14,765
<b><u>NETHERLANDS</u></b>							
Dr. W. Kolb Netherlands BV Moerdijk	Freehold	–	8	Ethoxylation factory	2007	21	68,942
<b><u>SWITZERLAND</u></b>							
Dr. W. Kolb AG Hedingen	Freehold	–	2	Ethoxylation factory	2007	14 to 50	61,057
<b>PROPERTIES</b>							
<b><u>MALAYSIA</u></b>							
KL-Kepong Country Homes	Freehold	–	144	Property development	1979	–	72,109
Ijok, Selangor	Freehold	–	870	Property development	1979	–	21,446
	Leasehold	2082 and 2108	11	operating as oil palm estate	2010		
Colville Holdings Setul, Negeri Sembilan	Freehold	–	422	Property development operating as oil palm estate	1985	–	10,429

# BATU KAWAN BERHAD

## Properties Held by the Group (Continued)

At 30 September 2014

Location	Tenure	Year Lease Expiring	Titled Area Hectares <sup>#</sup>	Description / Existing Use	Year of Acquisition / Last Revaluation*	Age of Buildings (Years)	Net Carrying Amounts RM'000
KL-Kepong Property Development Gombak, Selangor	Freehold	–	403	Property development operating as oil palm estate	2004	–	140,726
Palermo Corporation Bagan Samak, Kedah	Freehold	–	353	Property development operating as oil palm estate	1986	–	13,042
Kompleks Tanjong Malim Tanjong Malim, Perak	Freehold	–	172	Property development operating as oil palm estate	1979	–	7,062
KL-Kepong Property Management Paloh, Johor	Freehold	–	26	Property development operating as oil palm estate	1979*	–	385
KL-Kepong Complex Sungai Buloh, Selangor	Freehold	–	8	Property development	1979	–	2,806
<b>INVESTMENT PROPERTY</b>							
<b><u>MALAYSIA</u></b>							
Batu Kawan Holdings Menara KLK No 1, Jalan PJU 7/6 Mutiara Damansara Petaling Jaya, Selangor	Freehold	–	5,730 sq m	Office building	2003	5	52,049
<b>OTHER PROPERTIES</b>							
<b><u>MALAYSIA</u></b>							
Stolthaven (Westport) Klang, Selangor	Leased property	2024	12	Bulking installation	2006 2014	17	12,212
See Sen Bulking Installation Lot 4735, Kawasan Perindustrian Teluk Kalung Kemaman, Terengganu	Leasehold	2025	5	Vacant industrial land	2010*	–	690
Circular Agency Lot 202186, 202187 and 202188, Zarib Industrial Park, Lahat Ipoh, Perak	Leasehold	2092	1	Land with office building and workshop	1996*	20	1,386
Wisma Taiko, 1, Jalan S.P. Seenivasagam Ipoh, Perak	Freehold	–	2,984 sq m	Head office building	1983	29	4,261
	Leasehold	2892	2,408 sq m		2000		1,608

# BATU KAWAN BERHAD

## Properties Held by the Group (Continued)

At 30 September 2014

Location	Tenure	Year Lease Expiring	Titled Area Hectares <sup>#</sup>	Description / Existing Use	Year of Acquisition / Last Revaluation*	Age of Buildings (Years)	Net Carrying Amounts RM'000
Kelkay Bulking Installation Port Klang, Selangor	Leased property	2013	3,351 sq m	Bulking installation	1975 2014	39	471
<b><u>INDONESIA</u></b>							
SWP Bulking Installation Belitung	Hak Guna Bangunan	2035	20	Bulking installation and jetty	2005	5 and 9 8	5,745
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	7	513
<b><u>UNITED KINGDOM</u></b>							
27, Kelso Place Kensington, London	Freehold	–	489 sq m	Office building	2001	133	24,332
<b><u>AUSTRALIA</u></b>							
Chilimony Farm Northampton Western Australia	Freehold	–	16,189	Sheep and cereal farm	2012 2013	–	82,771
Wyunga Farm Dandaragan Western Australia	Freehold	–	8,466	Cereal farm	2013 2014	–	57,992
Erregulla Farm Mingenew Western Australia	Freehold	–	5,290	Sheep and cereal farm	1989*	–	4,183
Warrening Gully Farm Williams Western Australia	Freehold	–	5,119	Sheep and cereal farm	1989* 2014	–	27,710
Jonlorrie Farm York Western Australia	Freehold	–	4,920	Cereal farm	2013 2014	–	69,561

<sup>#</sup> Titled area is in hectares except otherwise indicated

\* Year of last revaluation

**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 ..... NRIC/Passport No. ....  
 (Full Name in Block Letters)

or failing, him THE CHAIRMAN OF THE MEETING as my/our proxy/proxies 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, 1 Jalan S.P. Seenivasagam, 30000 Ipoh, Perak on Monday, 16 February 2015 at 2.15 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		
2	Re-election of the following Directors in accordance to the Company's Articles of Association: Dato' Lee Hau Hian		
3	Dato' Yeoh Eng Khoon		
4	Re-appointment of Directors pursuant to Section 129(6) of the Companies Act, 1965: R. M. Alias		
5	Dato' Mustafa bin Mohd Ali		
6	Payment of Directors' fees		
7	Re-appointment of Auditors and their remuneration		
8	Proposed Authority to Buy Back Shares		
9	Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		

Please indicate with a tick (✓) how you wish your vote to be cast

.....  
 Signature of Shareholder/Common Seal

Date: .....

**Notes:**

- A member, other than an exempt authorised nominee who may appoint multiple proxies in respect of each Omnibus Account held, is entitled to appoint only one proxy to vote in his stead. The proxy need not be a member of the Company.
- If a member having appointed a proxy to attend a general meeting attends such meeting in person, the appointment of such proxy shall be null and void in respect of such meeting and his proxy shall not be entitled to attend such meeting.
- The instrument appointing a proxy, to be valid, must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the meeting.
- 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.
- 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.
- If neither "for" nor "against" is indicated above, the proxy will vote or abstain as he thinks fit.
- Only members whose names appear in the Register of Members and General Meeting Record of Depositors as at 9 February 2015 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  
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**THE COMPANY SECRETARIES  
BATU KAWAN BERHAD  
WISMA TAIKO  
1 JALAN S.P. SEENIVASAGAM  
30000 IPOH, PERAK  
MALAYSIA**

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