

BATU KAWAN BERHAD (6292-U)

SUMMARY OF PROCEEDINGS OF THE FIFTY-SECOND (52ND) ANNUAL GENERAL MEETING OF THE COMPANY HELD AT ITS REGISTERED OFFICE, WISMA TAIKO, NO. 1, JALAN S.P. SEENIVASAGAM, 30000 IPOH, PERAK DARUL RIDZUAN ON WEDNESDAY, 15 FEBRUARY 2017 AT 2.30 P.M.

PRESENT : Tan Sri Dato' Seri Lee Oi Hian - Chairman
and as per attendance list.

1. COMMENCEMENT OF MEETING

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

2. PRELIMINARY

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

3. NOTICE OF MEETING

On a proposal of the Chairman, the Notice of Meeting dated 30 December 2016 was taken as read.

4. AUDITORS' REPORT

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

The Chairman informed of the conversion of the Auditors' conventional partnership to a limited liability partnership (*Perkongsian Liabiliti Terhad*), with the name of "KPMG PLT" which took effect from 27 December 2016. There will be no change in the Company's relationship with KPMG as its obligations and rights are automatically assumed by KPMG PLT.

5. AUDITED FINANCIAL STATEMENTS AND REPORTS

The Chairman informed that the Audited Financial Statements for the year ended 30 September 2016 ("FY 2016"), together with the Directors' and Auditors' Reports thereon, were tabled in the Meeting for discussion only and were not required to be put forward for voting.

A shareholder requested the Company to consider the issuance of bonus shares to shareholders since there was no such issuance since its incorporation. The Chairman clarified that the Company had issued bonus shares previously in 2007 but the Board takes note of the shareholder's request.

The Chairman went on to inform that the Company had responded to the questions raised by the Minority Shareholder Watchdog Group ("MSWG") in its letter dated 8 February 2017 and the replies thereto (a copy of the MSWG's letter together with the Company's written reply dated 13 February 2017 are attached as **Appendix 1**) had been distributed to all the shareholders attending the Meeting. The MSWG representative informed that they were satisfied with Management's replies but commented that although Recommendation 3.3 of Malaysian Code on Corporate Governance 2012 guideline is voluntary, the BKB Board should consider tabling resolutions for shareholders' approval in future to retain R.M. Alias and Dato' Yeoh Eng Khoon as Independent Directors, since they have served on the BKB Board for a cumulative period of more than nine (9) years to strengthen good compliance and corporate governance culture. The Chairman replied that the Board will re-consider this MSWG recommendation.

The MSWG representative noted that the Company has been actively buying back shares ("SBB") of the Company and further raised the following questions pertaining to the shares bought back by the Company:

- (a) in what form will the shareholders benefit from the Company's active share buyback activities? and
- (b) the Company's proposed treatment of the ensuing treasury shares, if any.

The Chairman explained that the Company can only buy back its own shares up to 10% of the issued and paid-up share capital of BKB and the Company has bought back to-date 7.16% of its shares. The SBB will generate better return for the Company (based on BKB's current dividend yield) compared to if the monies were placed in deposits as interest rates offered by financial institution are lower. The Board has not decided on the treatment of its treasury shares.

A shareholder commented that the Company's SBB exercises have resulted in an increase in BKB share price. He further suggested that the disclosure of the Group Plantation Statistics, which is found on Page 14 of the Company's 2016 Annual Report, be segregated by geographical areas in future. This is to enable the comparison on crop yields achieved by the Malaysian and Indonesian plantations. The Chairman elaborated that, apart from terrain, location and soil types, the crop yield depends largely on the age of the palms. With non-problematic soils, both the Indonesian and Malaysian plantations of the Group can perform relatively well. However, FFB crop last year was badly affected by El Niño resulting in low yields.

There being no further questions, the Audited Financial Statements for the year ended 30 September 2016, together with the Directors' and Auditors' Reports thereon laid before the Meeting in compliance with Section 169(1) of the Companies Act, 1965 [now repealed and replaced by Section 244(2)(a) of the Companies Act 2016] were duly received.

6. RE-APPOINTMENT OF DIRECTOR PURSUANT TO SECTION 129(6) OF THE REPEALED COMPANIES ACT, 1965

The Meeting noted that the resolution on the re-appointment of R.M. Alias pursuant to Section 129(6) of the repealed Companies Act, 1965 does not require to be tabled as there is no equivalent section in the new Companies Act 2016 requiring the re-appointment of directors aged 70 and above to be approved by shareholders. However, the Company would proceed to table this resolution as its notice was issued before the new Companies Act 2016 came into force and this would demonstrate the Board's commitment to maintain high standards of corporate governance.

On behalf of the Board, the Chairman thanked Dato' Mustafa bin Mohd Ali who declined to seek re-appointment at this Meeting, for his contributions to the Company in his 22 years of service as a Director of the Company.

7. ANY OTHER BUSINESS

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

The Meeting then proceeded to electronic poll voting.

8. DECLARATION OF RESULTS

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

Resolution	Vote in Favour		Vote against	
	No. of Shares	%	No. of Shares	%
Ordinary Business				
Resolution 1 Approval of the payment of a final single tier dividend of 40 sen per share for the year ended 30 September 2016	268,460,646	100	0	0
Resolution 2 Re-election of Tan Sri Dato' Seri Lee Oi Hian who retires in accordance with the Company's Constitution	268,233,346	99.996	12,000	0.004
Resolution 3 Re-appointment of R.M. Alias as Director of the Company to hold office until the next Annual General Meeting pursuant to the Section 129(6) of the repealed Companies Act, 1965	261,119,596	99.202	2,100,450	0.798
Resolution 4 Approval of Directors' fees amounting to RM720,000 for the year ended 30 September 2016	268,460,646	100	0	0
Resolution 5 Re-appointment of Auditors and authority to the Directors to fix their remuneration	268,460,646	100	0	0

Resolution	Vote in Favour		Vote against	
	No. of Shares	%	No. of Shares	%
Special Business				
Resolution 6 Proposed Renewal of Authority to Buy Back its Own Shares by the Company	268,460,646	100	0	0
Resolution 7 Proposed Shareholders' Mandate For Recurrent Related Party Transactions of a Revenue or Trading Nature	55,468,122	100	0	0

9. TERMINATION

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



MINORITY SHAREHOLDER WATCHDOG GROUP
Shareholder Activism and Protection of Minority Interest

8 February 2017

BY FAX

(Fax No.: 605-240 8117)

The Board of Directors
BATU KAWAN BERHAD
 Wisma Taiko
 1, Jalan S. P. Seenivasagam
 30000 Ipoh
 Perak Darul Ridzuan

Attention: Mr. Chong See Teck / Ms Yap Mlow Klen/ Ms. Cindy Chiew
Company Secretaries

Dear Sir,

**Re: 52nd Annual General Meeting of BATU KAWAN BERHAD ("The Company"/"BKB")
 on 15 February 2017 at 2.30pm**

In the interest of minority shareholders and all other stakeholders of the Company, we would like to raise the following issues at the 52nd Annual General Meeting of Batu Kawan Berhad.

Strategic & Financial Matters

- 1) As stated in the Chairman's Statement, FFB crop for the year was affected by El Nino resulting in a low FFB yield.
 - (a) Would FFB production expected to improve in FY2017?
 - (b) Are there any contingency plans put in place to alleviate the impact of drastic weather change in future?
- 2) We noted that the Manufacturing Segment contributed about 25% to the Group profit before taxation (PBT) in FY2016. With the downsizing of Sen Sen Chemical Bhd, competitive oleochemicals market due to industry over-capacity, progressive reduction of subsidies for electricity rising operating costs, how would the Board view the outlook of this Segment and the contribution to the Group's bottom line, moving forward?
- 3) The PBT of Investment Holdings/Others Segment increased substantially from RM135 million in FY2015 to RM522 million in FY2016. The Segment includes placement of deposits with licensed banks, investment in fixed income trust funds, letting out of office space and car parks, investment in quoted and unquoted corporation, farming, etc
 - (a) Which were the major contributors in the Segment and would the contributions sustainable in the coming years?

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

(Incorporated in Malaysia • Company No: 524989-M)
 Tingkat 11, Bangunan KWSP, No: 3, Changkat Raja Chulan, Off Jalan Raja Chulan, 50200 KUALA LUMPUR.



- (b) What is the current occupancy rate for Menara KLK?
- 4) To-date, the Group has 6 property development projects in Australia. All the projects are in the master planning and/or planning approval submission stages except Greenvale project in Melbourne which has commenced initial sales of residential lots.
- (a) What is the expected time line for development of these projects and how would the projects be funded?
- (b) What is the take-up rate of Greenvale project as at to-date?

Corporate Governance

Under Recommendation 3.3 of the Malaysian Code on Corporate Governance (MCCG) 2012, the board must justify and seek shareholders' approval in the event that it retains as an independent director, a person who has served in that capacity for more than nine (9) years.

However, we noted that there were no resolutions tabled to retain R.M. Alias and Dato' Yeoh Eng Khoo who have served on the Board as Independent Directors for a cumulating period of more than nine (9) years. The issue had been raised at the last AGM via our letter dated 4 February 2016.

Could the Board explain?

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

Thank you.

Yours sincerely,


LYA RAHMAN
General Manager

BATU KAWAN BERHAD (6292-U)

13 February 2017

BADAN PENGAWAS PEMEGANG SAHAM MINORITY BERHAD
Tingkat 11, Bangunan KWSP
No. 3, Changkat Raja Chulan
Off Jalan Raja Chulan
50200 Kuala Lumpur

Dear Sirs,

BATU KAWAN BERHAD FIFTY-SECOND (52ND) ANNUAL GENERAL MEETING ON 15 FEBRUARY 2017

We refer your letter dated 8 February 2017 in relation to our 52nd Annual General Meeting, raising several questions that may be in the interests of minority shareholders and other stakeholders of the Group and the Company.

Following are our replies to your questions raised:

Strategic & Financial Matters

1. Q: "As stated in the Chairman's Statement, FFB crop for the year was affected by El Niño resulting in a low FFB yield."

(a) "Would FFB production expected to improve in FY 2017?"

We expect FFB production will improve in FY 2017. Crop production has already started to improve, following the onset of rain, but momentum is only expected to pick up during the second half of 2017.

(b) "Are there any contingency plans put in place to alleviate the impact of drastic weather change in future?"

As part of on-going plantation management, measures to improve crop yields have been introduced, and these include measures to minimise the effects of inclement weather. Measures to address moisture deficit include moisture conservation measures through EFB (empty fruit bunch) mulching and use of Ecomat, putting in silt pits and where possible with available water resources, the use of irrigation. To control the effects of flooding, proper drainage and installation of water gates (with water pumps, where necessary) have been effected.

2. **Q: “We noted that the Manufacturing Segment contributed about 25% to the Group profit before taxation (PBT) in FY 2016. With the downsizing of See Sen Chemical Berhad, competitive oleochemicals market due to industry over-capacity, progressive reduction of subsidies for electricity rising operating costs, how would the Board view the outlook of this Segment and the contribution to the Group’s bottom line, moving forward?”**

- *Downsizing of See Sen Chemical Berhad’s (“See Sen”) sulphuric acid manufacturing business operation will improve its future profitability by allowing it to focus on profitable segments of the business. However, annual contribution to the Group’s financial performance from See Sen’s business is not material.*
- *For Oleochemicals, new entry and production capacity increases for basic oleochemicals worldwide, but especially in South East Asia and China, have brought average capacity utilisation down to about 50 to 70% depending on products. In order to remain competitive, the Group have carried out expansion and debottlenecking initiatives to achieve economies of scale. The Group also expanded the specialty products to improve margins through an integrated value supply chain. Utilities costs contribute less than 2% to overall manufacturing cost (inclusive of raw materials) and thus increases in electricity costs have marginal impact.*

Certain oleochemicals products are affected by low oil price through the cheaper petroleum substitutes and cheap feedstock, and from the Indonesian players benefitting from recent Generalised System of Preferences eligibility to the European Union market.

Hence, the oleochemical business will continue to be under pressure and a moderate performance is projected for the coming financial year.

- *The progressive reduction in electricity subsidies will impact our chlor-alkali business, but the impact is gradual, allowing some time for the business to improve its cost efficiency and/or pass on some of the costs to customers. Generally, contribution from the chlor-alkali business to the Group is expected to be lower than in FY 2016.*

3. **Q: “The PBT of Investment Holdings/Others Segment increased substantially from RM135 million in FY 2015 to RM522 million in FY 2016. The Segment includes placement of deposits with licensed banks, investment in fixed income trust funds, letting out of office space and car parks, investment in quoted and unquoted corporation, farming etc.”**

(a) **“Which were the major contributors in the Segment and would the contributions sustainable in the coming years?”**

The major contributor to the increase in PBT in FY 2016 for the “Investment holdings/Others” segment was a one-off RM489.3 million gain for Kuala Lumpur Kepong Berhad Group arising from the sale of 2,500 acres land in their Ladang Fraser to an Associate i.e. a ‘joint-venture company’ between UEM Land Berhad and KLK. Such gains will not be sustainable.

(b) **“What is the current occupancy rate for Menara KLK?”**

In February 2017, the average occupancy rate for Menara KLK is 73%.

4. Q: "To-date, the Group has 6 property development projects in Australia. All the projects are in the master planning and/or planning approval submission stages except Greenvale project in Melbourne which has commenced initial sales of residential lots."

(a) "What is the expected time line for development of these projects and how would the projects be funded?"

These projects are projected to take between 3 to 12 years to complete and are currently being funded by share capital and bank borrowings.

(b) "What is the take-up rate of Greenvale project as at to-date?"

Due to the strong demand in the Melbourne market, 340 lots were released in FY 2016 under the first phase of the Greenvale project and to-date, all lots have been sold.

Corporate Governance

Q: "Under Recommendation 3.3 of the Malaysian Code on Corporate Governance (MCCG) 2012, the board must justify and seek shareholders' approval in the event that it retains as an independent director, a person who has served in that capacity for more than nine (9) years.

However, we noted that there were no resolutions tabled to retain R.M. Alias and Dato' Yeoh Eng Khoon who have served on the Board as Independent Directors for a cumulating period of more than nine (9) years. The issue had been raised at the last AGM via our letter dated 4 February 2016.

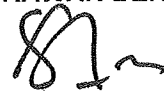
Could the Board explain?"

As clarified in our Annual Report 2016 and earlier Annual Reports, the Board believes that the independence of a Director should not be determined with reference solely to tenure of service. As it has direct interactions with the independent directors, the Board maintains 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 thus bring independence and professional judgement to Board's deliberations.

The Board has assessed and conclude that R.M. Alias and Dato' Yeoh Eng Khoon, who have served the Board as Independent Directors for more than 9 years, are 'independent' as they continue to act independently and are able to bring professionalism and independence to Board Deliberations.

The Malaysian Code of Corporate Governance (MCCG) 2012 Guidelines are voluntary and in this case, the Board, having taken into consideration the above and acting in the best interests of the Company, has decided not to adopt recommendation 3.3 of MCCG. Accordingly, no resolution to retain the two Directors as independent directors was tabled for shareholders' approval.

Yours faithfully
BATU KAWAN BERHAD



(Chong See Teck)
Company Secretary