

**BATU KAWAN BERHAD** (6292-U)  
ANNUAL REPORT FOR THE YEAR ENDED 30 SEPTEMBER

**2015**

# BATU KAWAN BERHAD

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# BATU KAWAN BERHAD

## Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Fifty-First (51<sup>st</sup>) ANNUAL GENERAL MEETING of the members of the Company will be held at its Registered Office, Wisma Taiko, No. 1, Jalan S. P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan, Malaysia on Wednesday, 17 February 2016 at 2.15 p.m. for the following purposes:

1. To receive the Audited Financial Statements for the year ended 30 September 2015 and the Directors' and Auditors' Reports thereon. (Please refer Note 1)
2. To approve the payment of a final single tier dividend of 35 sen per share for the year ended 30 September 2015. (Ordinary Resolution 1)
3. To re-elect the following Director who retires in accordance with the Company's Articles of Association:  
  
Mr. Quah Chek Tin (Ordinary Resolution 2)
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 3)  
(b) Dato' Mustafa bin Mohd Ali (Ordinary Resolution 4)
5. To approve Directors' fees for the year ended 30 September 2015 amounting to RM715,890 (2014: RM749,555). (Ordinary Resolution 5)
6. To re-appoint Auditors and authorise the Directors to fix their remuneration. (Ordinary Resolution 6)
7. As SPECIAL BUSINESS, to consider and, if thought fit, pass the following resolutions:  
  
(a) PROPOSED RENEWAL OF AUTHORITY TO BUY BACK ITS OWN SHARES BY THE COMPANY (Ordinary Resolution 7)

"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 profits 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 8)

"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 2015 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**  
**CHIEW CINDY**  
( Company Secretaries )

Ipoh,  
Perak Darul Ridzuan,  
Malaysia.

30 December 2015

# 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) is entitled to appoint only one proxy to vote in his stead. The proxy may, but need not be a member of the Company and provisions of Section 149(1)(a) to (d) of the Companies Act, 1965 shall not apply to the Company.
- (3) Where a member is an exempt authorised nominee, as defined under the Securities Industry (Central Depositories) Act 1991, which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- (4) The instrument appointing a proxy, to be valid, must be deposited at the Registered Office of the Company at Wisma Taiko, No. 1, Jalan S. P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan, not less than 48 hours before the time for holding the meeting.
- (5) Only members whose names appear on the Record of Depositors as at 11 February 2016 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.
- (6) The final single tier dividend, if approved, will be paid on 17 March 2016 to all shareholders on the Register of Depositors as at 24 February 2016.

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 22 February 2016 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 24 February 2016 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.
- (7) Ordinary Resolution 7 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.
  - (8) Ordinary Resolution 8 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 8 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 7 and 8 mentioned above, further information is set out in the Circular to Shareholders of the Company which is despatched together with the Company's 2015 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 Satu (51) akan diadakan di Pejabat Berdaftar di Wisma Taiko, No. 1, Jalan S. P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan, Malaysia pada hari Rabu, 17 Februari 2016 pada pukul 2.15 petang untuk tujuan-tujuan berikut:

1. Menerima Penyata Kewangan Beraudit bagi tahun berakhir 30 September 2015 berserta Laporan Lembaga Pengarah dan Juruaudit. (Sila Rujuk Nota 1)
2. Meluluskan bayaran dividen akhir setingkat 35 sen sesaham bagi tahun berakhir 30 September 2015. (Resolusi Biasa 1)
3. Melantik semula Pengarah berikut yang bersara menurut Tataurusan Syarikat:  
Encik Quah Chek Tin (Resolusi Biasa 2)
4. Mempertimbangkan dan sekiranya wajar, meluluskan resolusi menurut Seksyen 129(6) Akta Syarikat, 1965 bagi melantik semula penama berikut sebagai Pengarah Syarikat untuk berkhidmat sehingga Mesyuarat Agung Tahunan Syarikat tahun berikutnya:
  - (a) R. M. Alias (Resolusi Biasa 3)
  - (b) Dato' Mustafa bin Mohd Ali (Resolusi Biasa 4)
5. Meluluskan bayaran yuran para Pengarah sebanyak RM715,890 bagi tahun berakhir 30 September 2015 (2014: RM749,555). (Resolusi Biasa 5)
6. Melantik semula Juruaudit dan memberi kuasa kepada para Pengarah untuk menetapkan ganjaran Juruaudit. (Resolusi Biasa 6)
7. Sebagai URUSAN KHAS, untuk mempertimbangkan dan sekiranya bersesuaian meluluskan resolusi-resolusi berikut:
  - (a) CADANGAN MEMBERI KUASA MEMBELI BALIK SAHAM SENDIRI OLEH SYARIKAT (Resolusi Biasa 7)
 

“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 para Pengarah dari masa ke semasa melalui Bursa Malaysia Securities Berhad (“Bursa Malaysia”) mengikut syarat-syarat yang dianggap sesuai dan wajar oleh para Pengarah demi kepentingan Syarikat tertakluk kepada jumlah saham yang dibeli melalui resolusi ini tidak melebihi 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 para 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 para 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 pernamatan jangkamasa dalam tempoh di mana Mesyuarat Agung Tahunan hadapan yang dikehendaki oleh undang-undang perlu diadakan (kecuali dibatalkan atau diubahsuai melalui resolusi biasa pemegang-pemegang saham Syarikat dalam Mesyuarat Agung) tetapi tidak menjejaskan penyempurnaan pembelian oleh Syarikat sebelum tarikh tamat dan, dalam keadaan apa pun, seharusnya mengikut peruntukan dalam garis panduan yang dikeluarkan oleh Bursa Malaysia atau mana-mana pihak berkuasa berkenaan.”

# BATU KAWAN BERHAD

## Notis Mesyuarat Agung Tahunan (Sambungan)

- (b) CADANGAN PEMEGANG-PEMEGANG SAHAM MEMBERI MANDAT UNTUK MELULUSKAN TRANSAKSI DAGANGAN SERING BERULANG DENGAN PIHAK-PIHAK YANG BERKAITAN (Resolusi Biasa 8)

“BAHAWA, tertakluk kepada Akta Syarikat, 1965, Tatacara dan Tataurus 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 2015 yang melibatkan kepentingan para Pengarah atau pemegang saham utama atau pihak-pihak yang berkaitan dengan para 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, para 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**  
**CHIEW CINDY**  
( Setiausaha-setiausaha Syarikat )

Ipoh,  
Perak Darul Ridzuan,  
Malaysia.

30 Disember 2015

# BATU KAWAN BERHAD

## Notis Mesyuarat Agung Tahunan (Sambungan)

### NOTA-NOTA:

- (1) Perkara ini bertujuan sebagai perbincangan sahaja sepertimana di bawah Seksyen 169(1) Akta Syarikat, 1965 dan Tataurusyen 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 yang sah berkecualian sebagai ahli Syarikat) adalah berhak melantik seorang proksi sahaja untuk menghadiri dan mengundi bagi pihaknya. Proksi tersebut tidak semestinya seorang pemegang saham Syarikat dan syarat-syarat perlantikan proksi tidak tertakluk kepada Seksyen 149(1) (a) – (d) Akta Syarikat, 1965.
- (3) Bagi nomini yang sah berkecualian sebagai ahli Syarikat sepertimana yang didefinisikan dalam Akta Industri Sekuriti (Pendeposit Pusat), 1991, yang memegang saham biasa dalam syarikat bagi beberapa pihak pemilik benefisial dalam satu akaun sekuriti (akaun omnibus), tiada had proksi yang boleh dilantik bagi setiap akaun omnibus yang dipegang.
- (4) Suratcara perlantikan proksi, supaya ianya sah, hendaklah didepositkan ke Pejabat Berdaftar Syarikat di Wisma Taiko, No. 1, Jalan S. P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan, tidak kurang daripada 48 jam sebelum mesyuarat ini diadakan.
- (5) Hanya pemegang saham yang namanya terkandung di dalam Rekod Pendeposit atau Rekod Pendaftaran Ahli pada 11 Februari 2016 adalah layak untuk menghadiri mesyuarat ini atau melantik proksi untuk hadir dan mengundi bagi pihaknya.
- (6) Dividen akhir setingkat, jika diluluskan, akan dibayar pada 17 Mac 2016 kepada semua pemegang-pemegang saham yang daftarkan dalam Daftar Pemegang Saham pada 24 Februari 2016.

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

- (a) saham-saham yang didepositkan ke dalam Akaun Sekuriti Pendeposit sebelum pukul 12.30 petang pada 22 Februari 2016 berhubung dengan saham yang dikecualikan daripada deposit mandatori;
  - (b) saham-saham yang dipindahkan ke dalam Akaun Sekuriti Pendeposit sebelum pukul 4.00 petang pada 24 Februari 2016 berhubung dengan pindahan; dan
  - (c) saham-saham yang dibeli di Bursa Malaysia Securities Berhad dengan asas kelayakan menurut Peraturan Bursa Malaysia Securities Berhad.
- (7) Cadangan Resolusi Biasa 7 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 para 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.
  - (8) Cadangan Resolusi Biasa 8 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 8 dan memperbaharui setiap tahun, keperluan untuk mengadakan mesyuarat-mesyuarat yang berasingan dari masa ke semasa 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 dijimatkan tanpa menjejaskan objektif Korporat Kumpulan dan peluang perniagaan yang sedia ada kepada Kumpulan.

Untuk Resolusi Biasa 7 dan 8 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 2015.



# BATU KAWAN BERHAD

## Corporate Information

### BOARD OF DIRECTORS

|                                |   |
|--------------------------------|---|
| Tan Sri Dato' Seri Lee Oi Hian | - Non-Independent Non-Executive Chairman    |
| Dato' Lee Hau Hian             | - Managing Director                         |
| Dato' Yeoh Eng Khoon           | - Senior Independent Non-Executive Director |
| R. M. Alias                    | - Independent Non-Executive Director        |
| Dato' Mustafa bin Mohd Ali     | - Independent Non-Executive Director        |
| Quah Chek Tin                  | - Independent Non-Executive Director        |

### COMPANY SECRETARIES

Chong See Teck  
Yap Miow Kien  
Chiew Cindy

### REGISTERED OFFICE / PRINCIPAL PLACE OF BUSINESS

Wisma Taiko  
No. 1, Jalan S. P. Seenivasagam  
30000 Ipoh  
Perak Darul Ridzuan, Malaysia  
Tel : 605-241 7844  
Fax : 605-254 8054  
Email : cosec@bkawan.com.my  
Website : www.bkawan.com.my

### SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd  
Level 6, Symphony House  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya  
Selangor Darul Ehsan, Malaysia  
Tel : 603-7849 0777  
Fax : 603-7841 8151  
Email : 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

## Profile of Directors



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

*Non-Independent Non-Executive Chairman*

*Member of Nomination and Remuneration Committees*

*Aged 64, Malaysian*

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

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

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

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

*Managing Director*

*Aged 62, Malaysian*

Dato' Lee Hau Hian 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 Hau Hian is a director of KLK, See Sen Chemical Berhad ("See Sen") and Synthomer plc, a company listed on the London Stock Exchange. He is also the President of the Perak Chinese Maternity Association. He also serves as a trustee of Yayasan De La Salle, Yayasan KLK and Tan Sri Lee Loy Seng Foundation.

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



# BATU KAWAN BERHAD

## Profile of Directors (Continued)



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

*Senior Independent Non-Executive Director  
Chairman of Audit and Nomination Committees  
Aged 68, Malaysian*

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

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

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

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

*Independent Non-Executive Director  
Chairman of Remuneration Committee  
Aged 83, 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.



# BATU KAWAN BERHAD

## Profile of Directors (Continued)

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

*Independent Non-Executive Director*

*Member of Audit and Nomination Committees*

*Aged 78, Malaysian*

Dato' Mustafa joined the Board on 31 October 1994. He is an Honours Economic graduate with a 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 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 64, Malaysian*

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

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

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

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

### **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

|  | 2015<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000<br>(Restated) | 2012<br>RM'000<br>(Restated) | 2011<br>RM'000<br>(Restated) |
|--|----------------|----------------|------------------------------|------------------------------|------------------------------|
| Revenue  | 14,055,308     | 11,499,664     | 9,466,245                    | 10,872,828                   | 10,999,589                   |
| Profit before taxation                                     | 1,241,522      | 1,417,281      | 1,285,791                    | 1,622,064                    | 2,119,833                    |
| Profit attributable to equity holders of the Company       | 484,840        | 521,546        | 483,709                      | 605,687                      | 779,468                      |
| Total assets   | 18,620,360     | 14,164,100     | 13,069,472                   | 12,116,817                   | 11,648,984                   |
| Share capital  | 435,951        | 435,951        | 435,951                      | 435,951                      | 435,951                      |
| Treasury shares  | (382,208)      | (330,723)      | (223,387)                    | (196,442)                    | (182,218)                    |
| Reserves   | 5,554,449      | 4,531,773      | 4,354,928                    | 4,066,717                    | 3,996,364                    |
| Total equity attributable to equity holders of the Company | 5,608,192      | 4,637,001      | 4,567,492                    | 4,306,226                    | 4,250,097                    |
| Non-controlling interests                                  | 5,289,444      | 4,234,248      | 4,094,649                    | 3,841,470                    | 3,814,184                    |
| Total equity   | 10,897,636     | 8,871,249      | 8,662,141                    | 8,147,696                    | 8,064,281                    |
| Total liabilities  | 7,722,724      | 5,292,851      | 4,407,331                    | 3,969,121                    | 3,584,703                    |
| Total equity and liabilities                               | 18,620,360     | 14,164,100     | 13,069,472                   | 12,116,817                   | 11,648,984                   |

### FINANCIAL STATISTICS

|   | 2015  | 2014  | 2013<br>(Restated) | 2012<br>(Restated) | 2011<br>(Restated) |
|---|-------|-------|--------------------|--------------------|--------------------|
| Basic earnings per share (sen)  | 119.0 | 126.9 | 116.5              | 145.3              | 186.5              |
| Dividends per share (sen)   | 50.0  | 60.0  | 55.0               | 65.0               | 95.0               |
| Share price as at 30 September (RM)                                     | 16.78 | 19.10 | 18.50              | 18.00              | 14.96              |
| Historical price earnings ratio (times)                                 | 14.1  | 15.1  | 15.9               | 12.4               | 8.0                |
| Dividend yield (%)  | 3.0   | 3.1   | 3.0                | 3.6                | 6.4                |
| Dividend cover (times)  | 2.4   | 2.1   | 2.1                | 2.2                | 2.0                |
| Dividend payout ratio (%)   | 42.0  | 47.3  | 47.2               | 44.7               | 50.9               |
| Net assets per share attributable to equity holders of the Company (RM) | 13.80 | 11.33 | 11.01              | 10.35              | 10.19              |
| Return on shareholders' equity (%)                                      | 8.6   | 11.2  | 10.6               | 14.1               | 18.3               |
| Return on total assets (%)  | 2.6   | 3.7   | 3.7                | 5.0                | 6.7                |
| Net debt-to-equity ratio (%)  | 42.8  | 32.6  | 9.0                | 0.1                | 7.2                |

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

### QUARTERLY FINANCIAL HIGHLIGHTS

|  | Year<br>2015<br>RM'000 | Fourth<br>Quarter<br>RM'000 | Third<br>Quarter<br>RM'000 | Second<br>Quarter<br>RM'000 | First<br>Quarter<br>RM'000 |
|--|------------------------|-----------------------------|----------------------------|-----------------------------|----------------------------|
| Revenue  | 14,055,308             | 4,042,003                   | 3,639,128                  | 3,159,630                   | 3,214,547                  |
| Profit before taxation                               | 1,241,522              | 267,504                     | 334,936                    | 320,808                     | 318,274                    |
| Profit attributable to equity holders of the Company | 484,840                | 115,332                     | 131,662                    | 120,892                     | 116,954                    |
| Basic earnings per share (sen)                       | 119.0                  | 28.3                        | 32.3                       | 29.6                        | 28.6                       |
| Net dividends per share (sen)                        | 50.0                   | 35.0                        | -                          | 15.0                        | -                          |



# BATU KAWAN BERHAD

## Group Plantation Statistics

|   |                     | 2015           | 2014           | 2013<br>(Restated) | 2012<br>(Restated) | 2011<br>(Restated) |
|---|---------------------|----------------|----------------|--------------------|--------------------|--------------------|
| <b>OIL PALM</b>   |                     |                |                |                    |                    |                    |
| FFB Production  |                     |                |                |                    |                    |                    |
| - own estates   | (mt)                | 3,882,487      | 3,823,787      | 3,687,225          | 3,316,197          | 3,328,622          |
| - sold  | (mt)                | 36,373         | 150,375        | 240,840            | 179,528            | 124,250            |
| - purchased   | (mt)                | 936,140        | 1,084,985      | 960,987            | 819,796            | 653,200            |
| - total processed   | (mt)                | 4,782,254      | 4,758,397      | 4,407,372          | 3,956,465          | 3,857,572          |
| Yield per mature hectare  | (mt FFB)            | 21.97          | 22.47          | 22.52              | 21.27              | 22.07              |
| Profit per mature hectare<br>(before replanting<br>expenditure) | (RM)                | 4,641          | 6,283          | 4,547              | 7,156              | 9,691              |
| Average selling prices  |                     |                |                |                    |                    |                    |
| - FFB   | (RM/mt)             | 462            | 519            | 353                | 520                | 621                |
| - Palm kernels  | (RM/mt ex-mill)     | 1,417          | 1,576          | 1,105              | 1,580              | 2,141              |
| - Palm kernel cakes   | (RM/mt ex-mill)     | 262            | 430            | 401                | 286                | 406                |
| - Palm kernel oil   | (RM/mt ex-mill)     | 3,205          | 3,294          | 2,225              | 3,295              | 4,611              |
| - Crude palm oil  | (RM/mt ex-mill)     | 2,102          | 2,396          | 2,275              | 2,829              | 2,958              |
| - Refined palm<br>products                                      | (RM/mt ex-refinery) | 2,227          | 2,519          | 2,460              | 3,220              | 3,317              |
| <b>RUBBER</b>   |                     |                |                |                    |                    |                    |
| Production  |                     |                |                |                    |                    |                    |
| - own estates   | ('000 kg)           | 15,224         | 16,547         | 17,531             | 18,997             | 20,847             |
| - sold  | ('000 kg)           | -              | 70             | 189                | -                  | 165                |
| - purchased   | ('000 kg)           | 1,314          | 1,726          | 2,104              | 2,524              | 2,634              |
| - total processed   | ('000 kg)           | 16,538         | 18,203         | 19,466             | 21,521             | 23,316             |
| Yield per mature hectare  | (kg)                | 1,413          | 1,328          | 1,166              | 1,191              | 1,214              |
| Profit per mature hectare<br>(before replanting<br>expenditure) | (RM)                | 1,551          | 2,421          | 3,577              | 7,210              | 10,466             |
| Average selling price<br>(net of cess)                          | (sen/kg)            | 681            | 800            | 942                | 1,220              | 1,409              |
| <b>PLANTED AREA</b><br>(Weighted average hectares):             |                     |                |                |                    |                    |                    |
| <b>OIL PALM</b>   |                     |                |                |                    |                    |                    |
| Mature  |                     | 176,730        | 170,204        | 163,751            | 155,916            | 150,798            |
| Immature  |                     | 37,816         | 39,880         | 37,989             | 42,009             | 40,921             |
| <b>RUBBER</b>   |                     |                |                |                    |                    |                    |
| Mature  |                     | 10,777         | 12,456         | 15,029             | 15,957             | 17,175             |
| Immature  |                     | 3,500          | 3,678          | 3,670              | 3,623              | 4,057              |
| <b>TOTAL PLANTED AREA</b>                                       |                     | <b>228,823</b> | <b>226,218</b> | <b>220,439</b>     | <b>217,505</b>     | <b>212,951</b>     |

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

# BATU KAWAN BERHAD

## Area Statement

|                     |              |          | 2015         |                         |          | 2014         |                         |
|---------------------|--------------|----------|--------------|-------------------------|----------|--------------|-------------------------|
|                     | Age In Years | Hectares | % Under Crop | % of Total Planted Area | Hectares | % Under Crop | % of Total Planted Area |
| OIL PALM            | 4 to 9       | 63,973   | 30           |                         | 58,999   | 29           |                         |
|                     | 10 to 18     | 71,974   | 34           |                         | 77,592   | 37           |                         |
|                     | 19 and above | 42,293   | 20           |                         | 35,075   | 17           |                         |
|                     |              |          |              |                         |          |              |                         |
|                     | Mature       | 178,240  | 84           | 79                      | 171,666  | 83           | 78                      |
|                     | Immature     | 34,679   | 16           | 15                      | 34,234   | 17           | 16                      |
|                     | Total        | 212,919  | 100          | 94                      | 205,900  | 100          | 94                      |
| RUBBER              | 6 to 10      | 1,569    | 11           |                         | 1,017    | 7            |                         |
|                     | 11 to 15     | 2,247    | 16           |                         | 2,555    | 18           |                         |
|                     | 16 to 20     | 2,516    | 18           |                         | 2,262    | 16           |                         |
|                     | 21 and above | 4,603    | 33           |                         | 5,575    | 38           |                         |
|                     | Mature       | 10,935   | 78           | 5                       | 11,409   | 79           | 5                       |
|                     | Immature     | 2,981    | 22           | 1                       | 3,070    | 21           | 1                       |
|                     | Total        | 13,916   | 100          | 6                       | 14,479   | 100          | 6                       |
| TOTAL PLANTED       |              | 226,835  |              | 100                     | 220,379  |              | 100                     |
| Plantable Reserves  |              | 24,981   |              |                         | 34,775   |              |                         |
| Conservation Areas  |              | 12,864   |              |                         | 12,253   |              |                         |
| Building sites, etc |              | 10,490   |              |                         | 8,358    |              |                         |
| GRAND TOTAL         |              | 275,170  |              |                         | 275,765  |              |                         |

\* The area statement above did not include 6,628 hectares of leased land in Papua New Guinea.

# BATU KAWAN BERHAD

## Chairman's Statement

For the financial year ended 30 September 2015, the Batu Kawan Berhad ("the Company" or "BKB") Group – which since the last financial year now includes the results of Kuala Lumpur Kepong Berhad ("KLK") – achieved a group profit before tax of RM1.24 billion against RM1.41 billion the previous year. Revenues were RM14.05 billion, 22% higher than last year's RM11.49 billion.

After-tax profit attributable to shareholders of BKB was RM484.84 million, 7% lower than last year's after-tax profit of RM521.54 million. Earnings per share achieved was 119.0 sen versus 126.9 sen the previous year.

The lower profit reflected the lower commodity prices for rubber and palm oil, lower manufacturing profits from KLK's oleochemical operations, and the lower profits from our chemical operations. Good harvests of competing oilseeds and high stocks of palm oil and rubber have resulted in their low prices, amidst economic slowdowns in several regional areas.

In view of the low commodity prices and reduced profits, the Board is recommending a final dividend of 35 sen (FY 2014: 45 sen), which together with the interim dividend of 15 sen per share paid earlier, would represent a payout of 50 sen in respect of the 2015 financial year.

Our holding of Treasury shares was further increased to 29,605,731 shares in the Company after 2,859,531 shares were bought under share buybacks during the year.

### MAIN SUBSIDIARY – KLK

Despite higher revenues of RM13.64 billion, KLK achieved a 13% lower pre-tax profit of RM1.13 billion, compared to RM1.31 billion the previous year. Profit attributable to equity holders of KLK was RM869.9 million compared to RM991.7 million previously, a decrease of 12%.

Due to lower commodity prices, Plantation profits were 24% lower at RM766.80 million against RM1.01 billion the previous year. Unfavourable weather conditions also affected crop yields, particularly for oil palm, and the budgeted total FFB production was not achieved.

Average CPO price achieved was RM2,106/mt, which was 12% lower than the previous year's average price of RM2,396/mt. Profit contribution from rubber decreased significantly to RM4.72 million compared to RM20.58 million last year, reflecting the low rubber price and the decline in production volume as the remaining rubber areas in Indonesia, which are of low productivity, have since all been felled for conversion to oil palm.

The Oleochemical operations had a challenging year, faced with raw materials price volatility which resulted in some inventory write-downs; while initial commissioning issues, since resolved, of some of its capacity expansion projects also affected production volumes. Two selective acquisitions of existing oleochemical businesses in Belgium and Germany have since been made in order to supplement the group's European oleochemical assets with a view to improving the supply chain.

The Property division continues to develop the Bandar Seri Coalfields township project and has since launched into Phase 2 stage of the development. Sales have been satisfactory to-date but looking ahead, the property sector in the Klang Valley is likely to soften. Meanwhile the division continues to do preparatory planning work on several other areas for eventual development in KLK's land holdings.

### INDUSTRIAL OPERATIONS

Our chemical and related logistics operations reported profits of RM74.3 million, some 12% lower than last year.

Our chlor-alkali operations under Malay-Sino Chemical Industries ("Malay-Sino") achieved satisfactory results, with growing products off-take volume from a major customer. During the year, it successfully restructured its long term product supply agreement with this customer to better reflect the latter's actual product requirements and to deepen our business relationship.



# BATU KAWAN BERHAD

## Chairman's Statement (Continued)

With growing transport volumes, our chemical transport companies continue to operate satisfactorily. They have started a fleet replacement initiative, a process that will take place over several years.

As mentioned in last year's Chairman's Statement, See Sen Chemical faced difficult competition from cheaper smelter acid imports which eroded its sales and this year, it reported a small loss. Product prices were lower despite higher raw material costs. A reduction in its business scope and a plant closure may be eventually necessary and management continues to explore options to deal with it.

### PLANTATION SUBSIDIARIES

Normal maintenance activities continue at PT Satu Sembilan Delapan ("SSD"), now that 5,297 ha are fully planted. To-date, 3,417 ha are mature with progressive maturity of the balance areas. The new palm oil mill is operating well and has achieved a good oil extraction rate of 25%. FFB harvested was lower than anticipated due to the impact of extended period of dry weather. Profit was lower due to weaker palm oil prices.

During the year, the group obtained the necessary governmental approvals and completed the acquisition of its 90% shareholding in PT Tekukur Indah, which owns 2,911 ha of unplanted land in Berau, Kalimantan Timur, Indonesia. The area will be planted with oil palm and as these lands are adjacent to SSD's plantation, their development will help bring economies of scale to our existing plantation operations.

### OVERSEAS PROPERTY INVESTMENTS

At the time of writing, BKB through its subsidiaries have since invested in four property development projects in Australia. Two of the projects are in the vicinity of Melbourne, Victoria state and the other two in Perth, Western Australia.

These projects are all greenfield projects involving principally the preparation of land for sub-division and subsequent sale of sub-lots to retail buyers for building their houses. Some have a smaller commercial portion. In most cases, conversion approvals have been received. Each project is differently located, has different target customers and different developmental challenges, thus diversifying our risk exposure. They are all managed by professional Australian property developers, with successful and credible track records, who will manage and run the property developments for a management fee. In all cases, the Company has co-invested with either the property developer and/or with other investors, and our equity interests in the projects range from 14.75% to 50%. Developable area ranges from 28 ha to 137 ha per project, for a total area of 338 ha. Investment commitment costs will be some A\$40 million. Completions of these projects are targeted to vary between four to nine years and therefore initial profit contributions will still be some years ahead.

The Board believes that investing in property developments in Australia can offer the Company a future source of investment opportunities in a stable advanced country with an established legal and regulatory environment as well as an economy that promotes home ownership. Our current investment in these projects would also provide the group with valuable experience as well as build relationship as the group have management representation in the project companies. These investments will also utilise some of our RM500 million Sukuk funds which were raised in 2013.

### INVESTMENT PROPERTY

Our Menara KLK remains fully tenanted.

# BATU KAWAN BERHAD

## Chairman's Statement (Continued)

### OUTLOOK

With signs of a slowing world economy along with falls in both hard and soft commodity prices, the outlook appears to be increasingly challenging. The current weak Ringgit would also increase the cost of our imported raw materials.

However, the overall financial position remains strong, with cash generation still healthy.

For BKB with availability of its surplus cash, a challenging and slow growth environment may present investment opportunities that it can take advantage of, as the Board and the management continue to look for suitable sectors to invest its surplus funds.

Meanwhile, the expectation of a severe "El Nino" changing rainfall and weather patterns in the near term has not yet resulted in improved palm oil prices. Given that the Group has experienced the cyclical effects of commodity price changes before, I am confident that better prices will eventually return again. In the meanwhile, management will focus on improving operational efficiencies while continuing to seek growth in certain areas.

**Tan Sri Dato' Seri Lee Oi Hian**

Chairman

2 December 2015

# BATU KAWAN BERHAD

## Kenyataan Pengerusi

Bagi tahun kewangan berakhir 30 September 2015, Kumpulan Batu Kawan Berhad (“Syarikat” atau “BKB”) – yang turut merangkumi Kuala Lumpur Kepong Berhad (“KLK”) sejak tahun kewangan yang lepas – telah mencapai keuntungan kumpulan sebelum cukai sebanyak RM1.24 bilion berbanding RM1.41 bilion pada tahun sebelumnya. Hasil yang dicatat pula adalah sebanyak RM14.05 bilion, 22% lebih tinggi daripada RM11.49 bilion pada tahun lepas.

Keuntungan selepas cukai yang boleh diagihkan kepada pemegang saham BKB adalah sebanyak RM484.84 juta, 7% lebih rendah berbanding keuntungan selepas cukai tahun lepas sebanyak RM521.54 juta. Perolehan sesaham yang diperoleh adalah 119.0 sen berbanding 126.9 sen pada tahun sebelumnya.

Keuntungan yang lebih rendah mencerminkan harga komoditi yang lebih rendah untuk getah dan minyak kelapa sawit, keuntungan perkilangan yang lebih rendah daripada operasi oleokimia KLK, dan keuntungan yang lebih rendah daripada operasi kimia kami. Hasil penuaian yang baik bagi biji minyak saingan dan stok yang tinggi untuk minyak sawit dan getah telah menyebabkan penurunan harga dan pada masa yang sama, kelembapan ekonomi berlaku di beberapa kawasan serantau.

Memandangkan harga komoditi yang rendah dan keuntungan yang berkurangan, Lembaga Pengarah mengesyorkan dividen akhir sebanyak 35 sen (TK 2014: 45 sen), serta dividen interim sebanyak 15 sen sesaham yang dibayar sebelum ini, menjadikan jumlah dividen dibayar sebanyak 50 sen bagi tahun kewangan 2015.

Pegangan saham Perbendaharaan kami telah meningkat kepada 29,605,731 saham dalam Syarikat setelah 2,859,531 saham dibeli di bawah pembelian balik saham sepanjang tahun.

### **ANAK SYARIKAT UTAMA - KLK**

Walaupun pendapatan dicatatkan lebih tinggi iaitu sebanyak RM13.64 bilion, KLK telah mencapai keuntungan sebelum cukai yang 13% lebih rendah, iaitu sebanyak RM1.13 bilion, berbanding RM1.31 bilion pada tahun sebelumnya. Keuntungan yang boleh diagihkan kepada pemegang ekuiti KLK adalah RM869.9 juta, berbanding RM991.7 juta sebelumnya, menyusut sebanyak 12%.

Disebabkan harga komoditi yang lebih rendah, keuntungan Perladangan adalah 24% lebih rendah pada RM766.80 juta berbanding RM1.01 bilion pada tahun sebelumnya. Keadaan cuaca yang kurang memuaskan turut menjejaskan hasil tanaman, terutamanya bagi kelapa sawit, dan sasaran jumlah pengeluaran Buah Tandan Segar (“BTS”) tidak dapat dicapai.

Harga purata Minyak Sawit Mentah (“MSM”) yang diperoleh adalah RM2,106 per tan metrik, iaitu 12% lebih rendah daripada harga purata tahun sebelumnya, iaitu sebanyak RM2,396 per tan metrik. Sumbangan keuntungan daripada getah menurun dengan ketara kepada RM4.72 juta berbanding RM20.58 juta pada tahun lepas, mencerminkan harga getah yang rendah dan penurunan jumlah pengeluaran. Ini adalah kerana baki kawasan getah di Indonesia yang mengalami produktiviti rendah telah ditebang untuk ditanam dengan kelapa sawit.

Operasi oleokimia mengalami tahun yang mencabar, dengan turun naik harga bahan mentah yang menyebabkan penurunan dan susut nilai inventori; manakala isu-isu pentauliahan awal berkaitan beberapa projek pembesaran kapasiti, meskipun telah diselesaikan, turut menjejaskan jumlah pengeluaran. Dua pengambilalihan terpilih perniagaan oleokimia sedia ada di Belgium dan Jerman telah dilaksanakan untuk menambah aset oleokimia Kumpulan di Eropah dengan tujuan untuk meningkatkan rantai bekalan.

Bahagian Hartanah meneruskan pembangunan projek perbandaran Bandar Seri Coalfields dan telah melancarkan Fasa 2 peringkat pembangunan tersebut. Jualan yang diperoleh setakat ini adalah memuaskan, tetapi sektor hartanah di Lembah Klang dijangka mungkin menurun pada masa akan datang. Sementara itu, Bahagian Hartanah juga meneruskan kerja-kerja perancangan persediaan di beberapa kawasan lain dalam kawasan pegangan tanah KLK.

# BATU KAWAN BERHAD

## Kenyataan Pengerusi (Sambungan)

### OPERASI PERINDUSTRIAN

Operasi kimia dan logistik berkaitan melaporkan keuntungan sebanyak RM74.3 juta, kira-kira 12% lebih rendah berbanding tahun lepas.

Operasi klor-alkali kami di bawah Malay-Sino Chemical Industries ("Malay-Sino") mencapai hasil yang memuaskan, dengan volum jualan produk yang semakin meningkat oleh satu pelanggan utama. Pada tahun ini, ia berjaya menstrukturkan semula perjanjian bekalan produk jangka panjang dengan pelanggan ini untuk lebih mencerminkan keperluan produk pelanggan yang sebenar dan mengukuhkan lagi hubungan perniagaan.

Dengan jumlah volum pengangkutan yang berkembang, syarikat pengangkutan kimia kami terus menunjukkan operasi yang memuaskan. Mereka telah memulakan inisiatif penggantian kenderaan, yang merupakan satu proses yang akan mengambil masa beberapa tahun.

Seperti yang dinyatakan dalam Penyata Pengerusi tahun lepas, See Sen Chemical menghadapi saingan yang sukar daripada asid kilang peleburan diimport yang lebih murah dan ini telah menjejaskan jualan. Pada tahun ini, ia mencatatkan suatu kerugian yang kecil. Harga produk adalah lebih rendah walaupun kos bahan mentah lebih tinggi. Langkah pengurangan skop perniagaan dan penutupan kilang mungkin akhirnya diperlukan. Sementara itu, pihak pengurusan akan terus meneroka pilihan lain untuk menangani isu ini.

### ANAK SYARIKAT PERLADANGAN

Aktiviti penyelenggaraan lazim diteruskan di PT Satu Sembilan Delapan ("SSD"), di mana kawasan seluas 5,297 hektar ini telah ditanam sepenuhnya. Sehingga kini, 3,417 hektar telah matang dan baki kawasan seterusnya akan matang secara progresif. Kilang minyak sawit yang baharu sedang beroperasi dengan baik dan telah mencapai kadar perahan minyak yang baik sebanyak 25%. Penuaian BTS adalah kurang daripada yang dijangka akibat kesan daripada tempoh lanjutan cuaca kering. Keuntungan adalah lebih rendah disebabkan oleh harga minyak sawit yang lemah.

Pada tahun ini, Kumpulan mendapat kelulusan kerajaan yang diperlukan dan telah menyelesaikan pengambilalihan pegangan saham sebanyak 90% dalam PT Tekukur Indah, yang memiliki 2,911 hektar tanah yang tidak ditanam di Berau, Kalimantan Timur, Indonesia. Kawasan ini akan ditanam dengan kelapa sawit dan oleh kerana tanah-tanah ini terletak bersebelahan dengan ladang SSD, pembangunannya akan membantu membawa ekonomi skala kepada operasi perladangan kami yang sedia ada.

### PELABURAN HARTANAH LUAR NEGARA

Pada ketika penulisan ini, BKB melalui anak-anak syarikatnya, telah melabur dalam empat projek pembangunan hartanah di Australia. Dua projek terletak di kawasan sekitar Melbourne, Victoria dan dua projek yang lain di Perth, Australia Barat.

Semua projek ini merupakan projek baharu (greenfield) yang kebanyakannya melibatkan penyediaan tanah untuk dibahagikan kepada sublot dan seterusnya penjualan sublot kepada pembeli runcit untuk membina rumah mereka. Ada antara mereka ini mempunyai bahagian perdagangan yang lebih kecil. Dalam kebanyakan kes, kelulusan penukaran telah diterima. Setiap projek terletak di lokasi yang berbeza, mempunyai pelanggan sasaran yang berbeza dan cabaran pembangunan yang berbeza, sekaligus mempelbagaikan pendedahan risiko kami. Kesemuanya diuruskan oleh pemaju hartanah Australia profesional yang mempunyai rekod prestasi yang berjaya dan boleh dipercayai, yang akan menguruskan dan menjalankan pembangunan hartanah, dengan mengenakan fi pengurusan. Dalam semua kes, Syarikat melakukan pelaburan bersama dengan pemaju hartanah dan/atau pelabur-pelabur lain, dan kepentingan ekuiti kami dalam projek-projek ini adalah antara 14.75% hingga 50%. Kawasan yang boleh dibangunkan adalah antara 28 hektar hingga 137 hektar bagi setiap projek, dengan jumlah keseluruhan kawasan seluas 338 hektar. Kos komitmen pelaburan adalah dalam lingkungan A\$40 juta. Projek-projek ini disasarkan akan siap dalam tempoh empat hingga sembilan tahun. Oleh itu, sumbangan keuntungan akan mengambil masa beberapa tahun dari sekarang.

# BATU KAWAN BERHAD

## Kenyataan Pengerusi (Sambungan)

Pihak Lembaga Pengarah percaya bahawa pelaburan dalam pembangunan hartanah di Australia boleh menawarkan peluang memiliki sumber pelaburan strategik masa depan dalam sebuah negara maju yang stabil dengan persekitaran undang-undang dan peraturan yang mantap, serta ekonomi yang menggalakkan pemilikan rumah. Pelaburan semasa kami dalam projek-projek ini juga menawarkan pengalaman yang bernilai bagi Kumpulan, di samping membina perhubungan di mana Kumpulan akan mempunyai wakil pengurusan dalam syarikat-syarikat projek tersebut. Pelaburan ini juga akan menggunakan sebahagian daripada RM500 juta dana Sukuk kami yang telah dijana pada tahun 2013.

### HARTANAH PELABURAN

Menara KLK kami kini telah disewa sepenuhnya.

### TINJAUAN

Dengan tanda-tanda yang menunjukkan ekonomi dunia semakin perlahan, serta kejatuhan dalam kedua-dua harga komoditi galian dan komoditi pertanian, tinjauan ke hadapan kelihatan semakin mencabar. Kelemahan semasa Ringgit juga akan meningkatkan kos bahan mentah diimport.

Walau bagaimanapun, kedudukan kewangan keseluruhan kekal kukuh, dengan penjanaan tunai yang masih sihat.

Bagi BKB yang mempunyai wang tunai lebihan, persekitaran yang mencabar dan pertumbuhan yang perlahan mungkin membuka peluang pelaburan yang boleh diambil kesempatan. Pihak Lembaga Pengarah dan pihak pengurusan akan terus meninjau sektor yang sesuai untuk melaburkan lebihan dana syarikat.

Sementara itu, jangkaan kesan "El Nino" yang mengubah corak taburan hujan dan cuaca dalam tempoh terdekat ini masih belum mempengaruhi dan meningkatkan harga minyak sawit. Memandangkan kesan kitaran perubahan harga komoditi telah dialami oleh Kumpulan sebelum ini, saya yakin bahawa harga akan kembali pulih dan meningkat. Sementara itu, pihak pengurusan akan menumpukan perhatian kepada peningkatan kecekapan operasi di samping mencari pertumbuhan dalam bidang tertentu.

**Tan Sri Dato' Seri Lee Oi Hian**

Pengerusi

2 Disember 2015

# 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 stakeholders.

The Board is pleased to present the statement on the Company’s Corporate Governance practices which is made in compliance with Paragraphs 15.25 and 15.08A of the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad. The Board is satisfied that for the financial year ended 30 September 2015, the Company has complied with the principles and recommendations of the Malaysian Code of Corporate Governance 2012 (“the Code”) unless stated otherwise.

### 1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

#### Clear Functions of the Board and Management

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

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

#### Clear Roles and Responsibilities

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

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

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

#### Code of Conduct of Directors

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

The Code of Conduct is made available on the Company’s website, [www.bkawan.com.my](http://www.bkawan.com.my).

#### Sustainability Strategies

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

The corporate social responsibility programmes of the Group are disclosed on pages 28 to 29 of the Annual Report.

# BATU KAWAN BERHAD

## Corporate Governance Statement (Continued)

### 1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (cont'd)

#### Access to Information and Advice

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

All Directors are provided with an agenda and a set of Board papers to Board meetings. 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.

Senior management is requested to attend Board meetings to present and provide additional information on matters being discussed and to respond to any queries that the Directors may have. All Directors have access to the 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.

#### Board Charter

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

The Board Charter is published on the Company's website, [www.bkawan.com.my](http://www.bkawan.com.my).

### 2. STRENGTHEN COMPOSITION

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

#### 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               | Attended |
| Dato' Yeoh Eng Khoon           | 2                  | 2        |
| Dato' Mustafa bin Mohd Ali     | 2                  | 2        |
| Tan Sri Dato' Seri Lee Oi Hian | 2                  | 2        |

# BATU KAWAN BERHAD

## Corporate Governance Statement (Continued)

### 2. STRENGTHEN COMPOSITION (cont'd)

#### Nomination Committee (cont'd)

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 the composition of the Board on its required mix of skills, experience and other qualities of the Board;
- (3) Reviewed the composition of the Committees on their compliance with the provisions of the regulations;
- (4) Assessed the individual Director, overall Board and its Committees' performance and effectiveness as a whole;
- (5) Reviewed the independence of Independent Directors and their tenure of service;
- (6) Assessed the adequacy and effectiveness of the adoption of policy on boardroom diversity to the Board;
- (7) Reviewed the succession plans of the Board and Senior Management; and
- (8) Assessed Directors' training needs to ensure all Directors receive appropriate continuous training.

#### Recruitment Process and Annual Assessment of Directors

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.

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 (1/3) 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.

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.

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 a policy of non-discrimination on the basis of race, religion and gender.

The Board will strive to encourage a dynamic and diverse composition of the Board by nurturing suitable and potential candidates equipped with the competency, skills, experience, character, time commitment, integrity and other qualities in meeting the future needs of the Company. 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.



# BATU KAWAN BERHAD

## Corporate Governance Statement (Continued)

### 2. STRENGTHEN COMPOSITION (cont'd)

#### Remuneration Committee

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

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

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

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

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

The Remuneration Committee carries out the function established by the Board to have formal and transparent remuneration policies and procedures in order to retain 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 paid a meeting allowance for each Board meeting they attend. Similarly, members of 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<br>(RM'000) | Salaries<br>(RM'000) | Incentive<br>(RM'000) | Other Emoluments<br>(RM'000) |
|---------------------------|------------------|----------------------|-----------------------|------------------------------|
| 1 Executive Director      | -                | 1,710                | 1,500                 | 641                          |
| 5 Non-Executive Directors | 716              | -                    | -                     | 21                           |

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

| Range of Remuneration      | Executive Director | Non-Executive Directors |
|----------------------------|--------------------|-------------------------|
| RM100,001 to RM150,000     | -                  | 4                       |
| RM150,001 to RM200,000     | -                  | 1                       |
| RM3,850,000 to RM3,900,000 | 1                  | -                       |

# BATU KAWAN BERHAD

## Corporate Governance Statement (Continued)

### 3. REINFORCE INDEPENDENCE

#### Annual Assessment of Independent Directors

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

#### Tenure of Independent Directors

The Board further noted the Code 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 services 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.

#### Separation of positions of the Chairman and Managing Director

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

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

#### Composition of the Board

The Board currently has six (6) members, comprising five (5) Non-Executive Directors (including the Chairman) and one (1) Executive Director, with four (4) of the six (6) Directors being Independent Directors. 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.

# BATU KAWAN BERHAD

## Corporate Governance Statement (Continued)

### 4. FOSTER COMMITMENT

#### Time Commitment

The Board meets at least four (4) times a year, with additional meetings convened as and when necessary. During the financial year ended 30 September 2015, 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               | 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        |

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.

#### 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, some Board members visited the Group's operating plants in Kemaman, Terengganu Darul Iman. The Directors have also attended various seminars, courses and training to keep abreast with the developments on a variety of areas relevant to the Group's business. The conferences, seminars and training programmes attended by Directors were as follows:

- Oils and Fats International Congress 2014
- Palm and Lauric Oils Price Outlook Conference & Exhibition 2015
- Invest Malaysia 2015
- 12th ASEAN Leadership Forum
- Global Trader Summit & Dialogue 2015
- Asean Business Club Forum 2015
- Plantation Operations in the Current Sustainability Landscape
- Palm Oil Industry Leadership Forum
- Board Strategic Leadership – Innovation & Growth in Uncertain Times
- Proposed Changes under the Companies Bill
- Strengthening Corporate Governance Disclosure amongst the Listed Issuers
- Great companies deserve Great Boards
- Impact of Cyber Security at Board levels
- Audit Committee Conference 2015 – Rising to new challenges
- Regional & Malaysia Property Outlook

### 5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

#### Compliance with applicable financial reporting standards

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

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

# BATU KAWAN BERHAD

## Corporate Governance Statement (Continued)

### 5. UPHOLD INTEGRITY IN FINANCIAL REPORTING (cont'd)

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

#### **Assessment of suitability and independence of External Auditors**

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

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

### 6. RECOGNISE AND MANAGE RISKS

#### **Sound risk management framework**

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

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

- (a) review of the Group's significant risks and risk changes;
- (b) review of the Risk Consequence Rating Parameters for the financial year 2015;
- (c) review of the Top 20 Operational Risks by Operating Centres;
- (d) review of the Safety Report Risk Profile summary; and
- (e) review of the Group HSE performance.

#### **Internal Audit functions**

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

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

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

# BATU KAWAN BERHAD

## Corporate Governance Statement (Continued)

### 7. TIMELY AND HIGH QUALITY DISCLOSURE

#### Corporate Disclosure Policies and Procedures

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

#### Effective Dissemination of Information

Announcements and release of financial results on a quarterly basis provide the shareholders and the investing public with an overview of the Group's performance and operations. Summaries of the Group's 2<sup>nd</sup> and 4<sup>th</sup> quarterly financial results are advertised in a major national daily and copies of the full announcements are provided on request.

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

### 8. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

#### Shareholders' Participation at Annual General Meeting

The Annual General Meeting which is held in February each year, provides a means of communication with shareholders. The Company despatches its notice of Annual General Meeting to shareholders at least 21 days before the meeting. This allows the shareholders to make necessary arrangements to attend and participate in person or by corporate representative, proxy or attorney. Shareholders who are unable to attend are allowed to appoint a proxy to attend and vote on their behalf. Members of the Board as well as the Auditors of the Company are present to answer questions raised at the meeting. In addition, the shareholders have the right, as provided for in the Articles, to call for poll voting.

#### Effective Communication and Proactive Engagements

At the Fiftieth (50<sup>th</sup>) Annual General Meeting of the Company, all six (6) Directors were present in person to engage directly with the shareholders at the meeting. The proceedings of the meeting included the Questions and Answers sessions during which the Chairman invited shareholders to raise questions pertaining to the Company's Financial Statements and other items for adoption at the meeting. The Directors, Management and External Auditors responded to the shareholders' queries. The shareholders were also provided with the Company's responses to questions submitted in advance of the meeting by the Minority Shareholder Watchdog Group before the commencement of the meeting to ensure transparency.

# BATU KAWAN BERHAD

## Corporate Social Responsibility

The Group acknowledges the importance of its corporate social responsibilities ("CSR") and is committed to the welfare of its employees and the communities of the environment in which it operates. Management recognises that for long-term sustainability, its strategic orientation will need to cater beyond the financial parameters.

The Group focus 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, our employees and customers, and stakeholders.

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 organized by local authorities and government agencies.

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

### WORKPLACE

#### (1) Sports and Recreational Activities

Sports activities within and outside the workplace have been organised with the objective of promoting healthy work-life balance and at the same time, to encourage employees to foster bonding and teamwork spirit. Sports tournaments such as badminton and football, bowling and futsal have been successfully organised. Other than competitions within the Group, our employees also participated in sports competitions held by the local authorities at Pasir Gudang.

#### (2) HSE Awareness Program 2015

An awareness campaign was launched by our operating centre on 1 September 2015 to ensure all our employees, in-house contractors and contract workers are aware of the importance of safety, health and environment in the workplace. The activities carried out during the HSE Awareness Program were briefings given to the employees by a panel doctor and Safety Practitioner on healthy lifestyle and eye and hearing protection respectively.

#### (3) Welfare and Charity

As part of the Group's 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 Pertubuhan Jagaan Kanak-Kanak Setia Silibin, Praise Boys and Girls Home, Rumah Anak Yatim Nurul Iman, Arut Perum Jothy Home Children 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 supports succession planning 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 such as ERT (Fire Squad) Refresher Internal training for the ERT members at the Pasir Gudang plant. Several safety trainings were conducted on-site and at customers' premises for our employees as well as our customers, to educate them of various risks involved at work.

# BATU KAWAN BERHAD

## Corporate Social Responsibility (Continued)

### (5) Sustainable Development

In December 2014, our subsidiary, Kuala Lumpur Kepong Berhad (“KLK”) launched its Sustainability policy. The policy brings together and expands on KLK’s current sustainability commitments and practices. The policy focuses on the following main areas which are:

- No Deforestation;
- Protection of Peat Areas;
- Driving of positive Socio-Economic Impact for People and Communities;
- Traceability; and
- Continuous Stakeholder Engagement

### COMMUNITY

#### (1) Community Services

We assisted a few government bodies by offering them donations to organise activities related to the community such as Persatuan Sukan dan Kebajikan Anggota-Anggota Bomba dan Penyelamat Negeri Terengganu, Badan Kebajikan Masyarakat Bekas Tentera, MPPG Tabung Yayasan Pasir Gudang, Majlis Perbandaran Pasir Gudang, Persatuan Sukan Kelab Kebajikan (PSKK) Bomba Pasir Gudang and Persatuan Bekas Polis Malaysia.

During the year, our representatives from the chemical plant in Lahat gave presentations at the National Chemical Engineering Symposium 2014 of Universiti Teknologi Petronas (“UTP”) and Poster Competition 2015 of Universiti Tunku Abdul Rahman (“UTAR”). The chemical engineering students of UTP were provided with an insight on the chemical manufacturing and operation processes in Lahat chemical plant while the UTAR students were educated on the importance of hazard management in safeguarding the health, safety and welfare of people at work.

Our chemical plant in Lahat has also donated 3,600 kg of Sodium Hypochlorite to SMJK Ave Maria Convent, Ipoh for use as disinfectant to treat their swimming pool water.

Our plantation company in Indonesia also participated in various charitable events to give away donations to the governmental and non-governmental bodies for them to organise activities contributing to the community. Such activities include building of schools and mosque, repair of roads, health checks for children and donation with food giveaway in conjunction with National Health Day, Indonesian Independence Day, and other festive seasons. It participates in the “Kredit Koperasi Primer untuk Anggotanya” (Plasma Plantation) or Primary Co-operative Members Loan, whereby the company assists in the development of oil palm plantation for the benefit of communities in the vicinity of its operation.

#### (2) Internship Program

The Group has given opportunities to students from local university, 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 the financial year, sixteen (16) undergraduate students have undergone industrial training stints at 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 Organization (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 Optimization.

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

#### • 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.



# BATU KAWAN BERHAD

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

### CONTROL ENVIRONMENT & ACTIVITIES (cont'd)

- 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 and 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 to the scope set out in the Recommended Practice Guide ("RPG") 5 (Revised), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants for inclusion in the Annual Report for the Group for the year ended 30 September 2015, 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 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 11 December 2015.

# 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 2015.

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 2015. The members of the Committee and their attendance at the meetings, are as follows:

| Name of Directors                                  | Number of Meetings |          |
|--|--------------------|----------|
|  | Held               | Attended |
| Dato' Yeoh Eng Khoon (Chairman)                    |                    |          |
| - <i>Senior Independent Non-Executive Director</i> | 5                  | 5        |
| Quah Chek Tin                                      |                    |          |
| - <i>Independent Non-Executive Director</i>        | 5                  | 5        |
| Dato' Mustafa bin Mohd Ali                         |                    |          |
| - <i>Independent Non-Executive Director</i>        | 5                  | 5        |

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 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)

### FUNCTIONS OF THE COMMITTEE (cont'd)

- (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;
  - any appraisal or assessment of the performance of members 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 and provide the resigning staff member 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.
- (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 2015 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;
- (h) review the risk management activities of the Company and its subsidiaries; and
- (i) review the Audit Committee Report, Corporate Governance Statement, 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 and presented quarterly internal audit report summaries to the Audit Committee during the year, on the Group's operating centres with appropriate audit recommendations.

Great importance is placed on effective and fair communication with auditees and other stakeholders. Open channels of communications are maintained to facilitate this. In striving for continuous improvement, the Internal Audit Department will endeavor 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 2015 were RM4,896,000 (2014: 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 2015, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Directors also consider that all applicable Financial Reporting Standards in Malaysia have been followed and 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 provisions 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 RM1,371,000 (2014: RM968,000) 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 2015 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 41 to 42.

# 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 ("MSCI") | Purchases and sales of raw materials, finished goods, other products and services  | See Sen Chemical Berhad ("SSCB")  | 4,484                               |
|  | Provision of transportation services and rental of transport vehicles earned and incurred  | <u>Interested Directors</u><br>Tan Sri Dato' Seri Lee Oi Hian ("LOH")<br>Dato' Lee Hau Hian ("LHH")   | 2,827                               |
|  | Purchases of electricity   | <u>Interested Major Shareholders #</u>  | 5,994                               |
|  | Sales and purchases of finished goods, raw materials, other products and services including transportation services and rental of premises | Taiko Marketing Sdn. Bhd. Group ("TMK Group")<br><br><u>Interested Directors</u><br>LOH, LHH<br><br><u>Interested Major Shareholders #</u>  | 183,516                             |
|  | Purchase and sale of products and services which relate to core chemical business  | Taiko Marketing (Singapore) Pte Ltd ("TMK(S)")<br><br><u>Interested Directors</u><br>LOH, LHH<br><br><u>Interested Major Shareholders #</u> | 23,436                              |
| SSCB Group   | Purchase and sale of products and services which relate to core chemical business  | Chlor-Al Chemical Pte Ltd ("CAC")<br><br><u>Interested Directors</u><br>LOH, LHH<br><br><u>Interested Major Shareholders #</u>              | 9,800                               |
|  | Sales and purchases of raw materials, finished goods, other products and services  | MSCI Group<br><br><u>Interested Directors</u><br>LOH, LHH<br><br><u>Interested Major Shareholders #</u>                                     | 4,484                               |
|  | Procurement of transportation services and rental of transport vehicles earned and incurred  | MSCI Group<br><br><u>Interested Directors</u><br>LOH, LHH   | 2,827                               |
|  | Sale of electricity  | <u>Interested Major Shareholders #</u>  | 5,994                               |

# BATU KAWAN BERHAD

## Additional Compliance Information (Continued)

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

| Company                  | Type of Transactions  | Related Party and nature of relationship   | Transactions aggregate value RM'000 |
|--------------------------|---|--|-------------------------------------|
| SSCB Group               | Purchases of raw materials, finished goods, other products and services         | TMK Group<br><u>Interested Directors</u><br>LOH, LHH   | 7,118                               |
|                          | Sales of finished goods and other products and services                         | <u>Interested Major Shareholders #</u>   | 60,166                              |
|                          | Purchases and sales of products and services                                    | CAC<br><u>Interested Directors</u><br>LOH, LHH<br><u>Interested Major Shareholders #</u>   | 12,472                              |
|                          | Purchases and sales of products and services                                    | Taiko Chemical Industries Sdn. Bhd. Group ("TCI")<br><u>Interested Directors</u><br>LOH, LHH<br><u>Interested Major Shareholders #</u> | 443                                 |
|                          | Sale of electricity and provision of other chemical-based products and services | BASF See Sen Sdn Bhd<br><u>Interested Directors</u><br>LOH, LHH<br><u>Interested Major Shareholders #</u>                              | 6,789                               |
| PT Satu Sembilan Delapan | Sales of fresh fruit bunches ("FFB") and palm products                          | Kuala Lumpur Kepong Berhad ("KLK") Group<br><u>Interested Directors</u><br>LOH, LHH<br><u>Interested Major Shareholders #</u>          | 67,415                              |
|                          | Purchase of fresh fruit bunches ("FFB") and palm products                       | KLK Group<br><u>Interested Directors</u><br>LOH, LHH<br><u>Interested Major Shareholders #</u>   | 21,871                              |
|                          | Logistics charges incurred  | KLK Group<br><u>Interested Directors</u><br>LOH, LHH<br><u>Interested Major Shareholders #</u>   | 2,399                               |

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 Berhad ("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.*

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

#### 1. **SSCB Group**

- (a) SSCB is a 61% subsidiary company of BKB.
- (b) 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. **TCI Group**

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

#### 3. **TMK(S) / CAC**

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

#### 4. **TMK Group**

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

#### 5. **MSCI Group**

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

#### 6. **BASF See Sen Sdn Bhd**

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

#### 7. **KLK Group**

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

# BATU KAWAN BERHAD

## Reports and Audited Financial Statements

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# 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 2015.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries, associates and joint ventures are as disclosed in Note 42 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<br>RM'000 | Company<br>RM'000 |
|-------------------------------|-----------------|-------------------|
| Profit before taxation        | 1,241,522       | 290,765           |
| Tax expense                   | (271,054)       | (105)             |
| Profit for the year           | 970,468         | 290,660           |
| Attributable to:              |                 |                   |
| Equity holders of the Company | 484,840         | 290,660           |
| Non-controlling interests     | 485,628         | -                 |
|                               | 970,468         | 290,660           |

### DIVIDENDS

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

- a final single tier dividend of 45 sen per share amounting to RM183,453,390 in respect of the financial year ended 30 September 2014 was paid on 19 March 2015; and
- an interim single tier dividend of 15 sen per share amounting to RM61,022,230 in respect of the financial year ended 30 September 2015 was paid on 13 August 2015.

The Directors recommend the payment of a final single tier dividend of 35 sen per share amounting to RM142,204,000 for the year ended 30 September 2015 which, subject to shareholders' approval at the forthcoming Annual General Meeting of the Company, will be paid on 17 March 2016 to shareholders on the Company's register at the close of business on 24 February 2016.

### RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year except as disclosed in the statements of changes in equity and Note 32 to the financial statements.

### TREASURY SHARES

During the financial year, the Company bought back a total of 2,859,531 of its issued shares from the open market for a total cost of RM51,485,028. Details of the shares bought back and retained as treasury shares were as follows:

| Month         | No. of shares<br>bought back | Highest price<br>paid per share<br>RM | Lowest price<br>paid per share<br>RM | Average price<br>paid per share<br>RM | Total<br>consideration<br>RM |
|---------------|------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|------------------------------|
| October 2014  | 218,000                      | 18.50                                 | 17.72                                | 18.01                                 | 3,940,573                    |
| November 2014 | 587,800                      | 18.50                                 | 18.22                                | 18.38                                 | 10,841,035                   |
| December 2014 | 655,000                      | 17.80                                 | 16.94                                | 17.43                                 | 11,458,684                   |
| February 2015 | 103,800                      | 18.50                                 | 18.24                                | 18.32                                 | 1,908,739                    |
| March 2015    | 183,300                      | 18.34                                 | 18.00                                | 18.26                                 | 3,359,483                    |
| May 2015      | 66,000                       | 18.24                                 | 18.06                                | 18.20                                 | 1,205,582                    |
| June 2015     | 155,100                      | 18.20                                 | 18.00                                | 18.14                                 | 2,824,971                    |
| July 2015     | 482,031                      | 18.38                                 | 18.18                                | 18.34                                 | 8,874,048                    |

# BATU KAWAN BERHAD

## Report of the Directors (Continued)

| Month          | No. of shares bought back | Highest price paid per share<br>RM | Lowest price paid per share<br>RM | Average price paid per share<br>RM | Total consideration<br>RM |
|----------------|---------------------------|------------------------------------|-----------------------------------|------------------------------------|---------------------------|
| August 2015    | 113,300                   | 18.26                              | 18.08                             | 18.16                              | 2,065,923                 |
| September 2015 | 295,200                   | 17.30                              | 16.44                             | 16.90                              | 5,005,990                 |
|                | <u>2,859,531</u>          |                                    |                                   |                                    | <u>51,485,028</u>         |

As at 30 September 2015, the Company retained as treasury shares a total of 29,605,731 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 2015. Such treasury shares are held at a carrying amount of RM382,208,393 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 16 February 2015 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 7.

### DIRECTORS' SHAREHOLDINGS

The Directors holding office at the end of the financial year and the details of the Directors' shareholdings in the Company and its subsidiaries as recorded in the Register of Directors' Shareholdings are as follows:

|   | Balance as at<br>1 October 2014 | Additions<br>(Disposals)     | Balance as at<br>30 September 2015 |
|---|---------------------------------|------------------------------|------------------------------------|
| Company:<br>Batu Kawan Berhad                       | ←                               | Number of shares of RM1 each | →                                  |
| <b>Direct interest</b>                              |                                 |                              |                                    |
| Tan Sri Dato' Seri Lee Oi Hian                      | 854,355                         | -                            | 854,355                            |
| Dato' Lee Hau Hian                                  | 625,230                         | 583,000                      | 1,208,230                          |
| 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                        |
| Dato' Yeoh Eng Khoon                                | 15,379,000                      | 12,000                       | 15,391,000                         |
| <b>Subsidiaries:<br/>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>                              |                                 |                              |                                    |
| 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                          |

# BATU KAWAN BERHAD

## Report of the Directors (Continued)

|                                       | Balance as at<br>1 October 2014 | Additions<br>(Disposals)<br>Number of shares of RM1 each | Balance as at<br>30 September 2015 |
|---------------------------------------|---------------------------------|--|------------------------------------|
| <b>Subsidiaries:</b>                  |                                 |  |                                    |
| <b>Malay-Sino Chemical Industries</b> |                                 |  |                                    |
| <b>Sendirian Berhad</b>               |                                 |  |                                    |
| <b>Deemed interest</b>                |                                 |  |                                    |
| Tan Sri Dato' Seri Lee Oi Hian        | 72,945,952                      | 751,774  | 73,697,726                         |
| Dato' Lee Hau Hian                    | 72,945,952                      | 751,774  | 73,697,726                         |

### **See Sen Chemical Berhad**

|                                |            |   |            |
|--------------------------------|------------|---|------------|
| <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 or of related corporations) by reason of a contract made by the Company or of related corporations 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.

### **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.

# BATU KAWAN BERHAD

## Report of the Directors (Continued)

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 except as disclosed in Note 41 to the financial statements.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 30 September 2015 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 11 December 2015.

**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 2015

|  |      | Group          |                | Company        |                |
|--|------|----------------|----------------|----------------|----------------|
|  | Note | 2015<br>RM'000 | 2014<br>RM'000 | 2015<br>RM'000 | 2014<br>RM'000 |
| Revenue  | 4    | 14,055,308     | 11,499,664     | 290,603        | 274,004        |
| Cost of sales  |      | (11,950,518)   | (9,252,763)    | -              | -              |
| Gross profit   |      | 2,104,790      | 2,246,901      | 290,603        | 274,004        |
| Other operating income   |      | 255,303        | 117,532        | 27,580         | 1,509          |
| Distribution costs   |      | (263,818)      | (305,893)      | -              | -              |
| Administration expenses  |      | (525,552)      | (388,611)      | (7,168)        | (11,460)       |
| Other operating expenses   |      | (202,346)      | (150,380)      | -              | -              |
| Operating profit   | 5    | 1,368,377      | 1,519,549      | 311,015        | 264,053        |
| Finance costs  | 6    | (124,799)      | (108,435)      | (20,250)       | (20,250)       |
| Share of profits of equity<br>accounted associates,<br>net of tax  |      | 12,420         | 6,167          | -              | -              |
| Share of loss of equity<br>accounted joint ventures,<br>net of tax |      | (14,476)       | -              | -              | -              |
| Profit before taxation   |      | 1,241,522      | 1,417,281      | 290,765        | 243,803        |
| Tax expense  | 9    | (271,054)      | (310,566)      | (105)          | (2,389)        |
| Profit for the year  |      | 970,468        | 1,106,715      | 290,660        | 241,414        |
| Attributable to:   |      |                |                |                |                |
| Equity holders of the Company                                      |      | 484,840        | 521,546        | 290,660        | 241,414        |
| Non-controlling interests  |      | 485,628        | 585,169        | -              | -              |
|  |      | 970,468        | 1,106,715      | 290,660        | 241,414        |
|  |      | Sen            | Sen            | Sen            | Sen            |
| Earnings per share   | 10   | 119.0          | 126.9          | 71.3           | 58.7           |

*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 2015

|  | Group            |                | Company        |                |
|--|------------------|----------------|----------------|----------------|
|  | 2015<br>RM'000   | 2014<br>RM'000 | 2015<br>RM'000 | 2014<br>RM'000 |
| Profit for the year  | <b>970,468</b>   | 1,106,715      | <b>290,660</b> | 241,414        |
| Other comprehensive income/(loss) that will be reclassified subsequently to profit or loss |                  |                |                |                |
| Currency translation differences   | <b>913,877</b>   | (155,758)      | -              | -              |
| Net change in fair value of available-for-sale investments                                 | <b>666,753</b>   | (78,847)       | <b>325</b>     | 1,291          |
| Realisation of fair value of available-for-sale investments                                | <b>(1,466)</b>   | (11,416)       | -              | -              |
| Currency translation differences on deemed disposal of a sub-subsidiary                    | <b>4,319</b>     | -              | -              | -              |
| Effect of changes in tax rate on revaluation reserve (Note 24)                             | -                | (2,054)        | -              | -              |
|  | <b>1,583,483</b> | (248,075)      | <b>325</b>     | 1,291          |
| Other comprehensive loss that will not be reclassified subsequently to profit or loss      |                  |                |                |                |
| Remeasurement of defined benefit plans (Note 34)   | <b>(15,991)</b>  | (19,969)       | -              | -              |
| Total other comprehensive income/(loss) for the year                                       | <b>1,567,492</b> | (268,044)      | <b>325</b>     | 1,291          |
| Total comprehensive income for the year  | <b>2,537,960</b> | 838,671        | <b>290,985</b> | 242,705        |
| Attributable to:   |                  |                |                |                |
| Equity holders of the Company  | <b>1,215,555</b> | 395,514        | <b>290,985</b> | 242,705        |
| Non-controlling interests  | <b>1,322,405</b> | 443,157        | -              | -              |
|  | <b>2,537,960</b> | 838,671        | <b>290,985</b> | 242,705        |

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



# BATU KAWAN BERHAD

## Statements of Financial Position

At 30 September 2015

|   | Note | Group             |                   | Company          |                  |
|---|------|-------------------|-------------------|------------------|------------------|
|   |      | 2015<br>RM'000    | 2014<br>RM'000    | 2015<br>RM'000   | 2014<br>RM'000   |
| <b>Assets</b>   |      |                   |                   |                  |                  |
| Property, plant and equipment                                     | 12   | 5,095,818         | 4,503,070         | 260              | 299              |
| Investment property   | 13   | 51,120            | 52,049            | -                | -                |
| Prepaid lease payments  | 14   | 296,303           | 254,364           | -                | -                |
| Biological assets   | 15   | 2,480,204         | 2,154,096         | -                | -                |
| Land held for property development                                | 16   | 226,353           | 217,926           | -                | -                |
| Goodwill on consolidation   | 17   | 359,064           | 315,328           | -                | -                |
| Intangible assets   | 18   | 15,297            | 15,238            | -                | -                |
| Investments in subsidiaries                                       | 19   | -                 | -                 | 743,851          | 740,368          |
| Investments in associates   | 20   | 160,974           | 178,595           | 3,898            | 3,898            |
| Investments in joint ventures                                     | 21   | 181,169           | -                 | -                | -                |
| Available-for-sale investments                                    | 22   | 1,836,879         | 916,372           | 20,887           | 20,582           |
| Other receivables   | 23   | 204,825           | 150,977           | -                | -                |
| Amounts owing by subsidiaries                                     | 19   | -                 | -                 | 44,537           | -                |
| Deferred tax assets   | 24   | 148,496           | 128,293           | -                | -                |
| <b>Total non-current assets</b>                                   |      | <b>11,056,502</b> | <b>8,886,308</b>  | <b>813,433</b>   | <b>765,147</b>   |
| Inventories   | 25   | 1,657,476         | 1,488,493         | -                | -                |
| Biological assets   | 15   | 32,599            | 27,286            | -                | -                |
| Trade receivables   | 26   | 1,799,832         | 1,081,954         | -                | -                |
| Other receivables, deposits and prepayments                       | 27   | 963,266           | 623,929           | 14,621           | 9                |
| Amounts owing by subsidiaries                                     | 19   | -                 | -                 | 412              | 6,288            |
| Tax recoverable   |      | 38,290            | 24,754            | -                | 72               |
| Property development costs  | 28   | 59,964            | 54,316            | -                | -                |
| Derivative financial assets                                       | 29   | 315,825           | 76,585            | -                | -                |
| Cash and cash equivalents   | 30   | 2,696,606         | 1,900,475         | 402,035          | 463,495          |
| <b>Total current assets</b>                                       |      | <b>7,563,858</b>  | <b>5,277,792</b>  | <b>417,068</b>   | <b>469,864</b>   |
| <b>Total assets</b>   |      | <b>18,620,360</b> | <b>14,164,100</b> | <b>1,230,501</b> | <b>1,235,011</b> |
| <b>Equity</b>   |      |                   |                   |                  |                  |
| Share capital   | 31   | 435,951           | 435,951           | 435,951          | 435,951          |
| Reserves  | 32   | 5,554,449         | 4,531,773         | 666,789          | 620,280          |
|   |      | 5,990,400         | 4,967,724         | 1,102,740        | 1,056,231        |
| Less: Cost of treasury shares                                     | 31   | (382,208)         | (330,723)         | (382,208)        | (330,723)        |
| <b>Total equity attributable to equity holders of the Company</b> |      | <b>5,608,192</b>  | <b>4,637,001</b>  | <b>720,532</b>   | <b>725,508</b>   |
| Non-controlling interests   |      | 5,289,444         | 4,234,248         | -                | -                |
| <b>Total equity</b>   |      | <b>10,897,636</b> | <b>8,871,249</b>  | <b>720,532</b>   | <b>725,508</b>   |
| <b>Liabilities</b>  |      |                   |                   |                  |                  |
| Deferred tax liabilities  | 24   | 285,066           | 280,869           | -                | -                |
| Deferred income   | 33   | 113,154           | 101,495           | -                | -                |
| Provision for retirement benefits                                 | 34   | 363,079           | 287,038           | 42               | 30               |
| Borrowings  | 35   | 3,181,221         | 2,316,243         | 500,000          | 500,000          |
| <b>Total non-current liabilities</b>                              |      | <b>3,942,520</b>  | <b>2,985,645</b>  | <b>500,042</b>   | <b>500,030</b>   |
| Trade payables  | 36   | 723,645           | 417,165           | -                | -                |
| Other payables  | 37   | 745,856           | 639,285           | 9,786            | 9,473            |
| Deferred income   | 33   | 6,728             | 4,957             | -                | -                |
| Borrowings  | 35   | 1,914,940         | 1,094,173         | -                | -                |
| Tax payable   |      | 32,556            | 64,400            | 141              | -                |
| Derivative financial liabilities                                  | 29   | 356,479           | 87,226            | -                | -                |
| <b>Total current liabilities</b>                                  |      | <b>3,780,204</b>  | <b>2,307,206</b>  | <b>9,927</b>     | <b>9,473</b>     |
| <b>Total liabilities</b>  |      | <b>7,722,724</b>  | <b>5,292,851</b>  | <b>509,969</b>   | <b>509,503</b>   |
| <b>Total equity and liabilities</b>                               |      | <b>18,620,360</b> | <b>14,164,100</b> | <b>1,230,501</b> | <b>1,235,011</b> |

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

## For The Year Ended 30 September 2015

| Attributable to the equity holders of the Company |                 |                     |                 |                            |                              |                    |                 |                   |           |        |
|---|-----------------|---------------------|-----------------|----------------------------|------------------------------|--------------------|-----------------|-------------------|-----------|--------|
| Non-distributable                                 |                 |                     |                 | Distributable              |                              |                    | Total           |                   |           |        |
| Share Capital                                     | Treasury Shares | Revaluation Reserve | Capital Reserve | Capital Redemption Reserve | Exchange Fluctuation Reserve | Fair Value Reserve | General Reserve | Retained Earnings | Total     |        |
| RM'000  | RM'000          | RM'000              | RM'000          | RM'000                     | RM'000                       | RM'000             | RM'000          | RM'000            | RM'000    | RM'000 |
| 435,951   | (223,387)       | 5,766               | 818,901         | 26,459                     | (117,259)                    | 366,350            | 7,035           | 3,247,676         | 4,567,492 |        |
| -   | -               | -                   | -               | -                          | -                            | (36,030)           | -               | -                 | (36,030)  |        |
| -   | -               | -                   | -               | -                          | -                            | (5,317)            | -               | -                 | (5,317)   |        |
| -   | -               | -                   | 1,173           | 1,223                      | (4,260)                      | -                  | -               | 1,864             | -         |        |
| -   | -               | -                   | -               | -                          | -                            | -                  | -               | (9,299)           | (9,299)   |        |
| -   | -               | (956)               | -               | -                          | -                            | -                  | -               | -                 | (956)     |        |
| -   | -               | -                   | (98)            | -                          | (74,332)                     | -                  | -               | -                 | (74,430)  |        |
| -   | -               | (956)               | 1,075           | 1,223                      | (78,592)                     | (41,347)           | -               | (7,435)           | (126,032) |        |
| -   | -               | -                   | -               | -                          | -                            | -                  | -               | 521,546           | 521,546   |        |
| -   | -               | (956)               | 1,075           | 1,223                      | (78,592)                     | (41,347)           | -               | 514,111           | 395,514   |        |
| -   | -               | -                   | -               | -                          | -                            | -                  | -               | -                 | -         |        |
| -   | -               | -                   | -               | -                          | -                            | -                  | -               | -                 | -         |        |
| -   | -               | -                   | -               | -                          | -                            | -                  | -               | 7,504             | 7,504     |        |
| -   | -               | -                   | -               | -                          | -                            | -                  | -               | -                 | -         |        |
| -   | (107,336)       | -                   | -               | -                          | -                            | -                  | -               | -                 | -         |        |
| -   | -               | -                   | -               | -                          | -                            | -                  | -               | (164,776)         | (107,336) |        |
| -   | -               | -                   | -               | -                          | -                            | -                  | -               | (61,397)          | (164,776) |        |
| -   | -               | -                   | -               | -                          | -                            | -                  | -               | -                 | (61,397)  |        |
| -   | -               | -                   | -               | -                          | -                            | -                  | -               | -                 | -         |        |
| -   | (107,336)       | -                   | -               | -                          | -                            | -                  | -               | (218,669)         | (326,005) |        |
| 435,951   | (330,723)       | 4,810               | 819,976         | 27,682                     | (195,851)                    | 325,003            | 7,035           | 3,543,118         | 4,637,001 |        |
| Note 32   |                 |                     |                 |                            |                              |                    |                 |                   |           |        |

\* Included in Capital Reserve is RM488,233,000 which is distributable.

## For The Year Ended 30 September 2015

| Attributable to the equity holders of the Company |                           |                               |                           |                                      |  |                              |                           |                             |                 |
|---|---------------------------|-------------------------------|---------------------------|--------------------------------------|--|------------------------------|---------------------------|-----------------------------|-----------------|
| Non-distributable                                 |                           |                               |                           | Distributable                        |  | Distributable                |                           |                             |                 |
| Share Capital<br>RM'000                           | Treasury Shares<br>RM'000 | Revaluation Reserve<br>RM'000 | Capital Reserve<br>RM'000 | Capital Redemption Reserve<br>RM'000 | Exchange Fluctuation Reserve<br>RM'000 | Fair Value Reserve<br>RM'000 | General Reserve<br>RM'000 | Retained Earnings<br>RM'000 | Total<br>RM'000 |
| 435,951   | (330,723)                 | 4,810                         | 819,976                   | 27,682                               | (195,851)                              | 325,003                      | 7,035                     | 3,543,118                   | 4,637,001       |
| -   | -                         | -                             | -                         | -                                    | -                                      | 309,081                      | -                         | -                           | 309,081         |
| -   | -                         | -                             | -                         | -                                    | -                                      | (682)                        | -                         | -                           | (682)           |
| -   | -                         | -                             | 1,312                     | 57                                   | -                                      | -                            | -                         | (1,369)                     | -               |
| -   | -                         | -                             | -                         | -                                    | -                                      | -                            | -                         | (7,446)                     | (7,446)         |
| -   | -                         | -                             | -                         | -                                    | 2,011                                  | -                            | -                         | -                           | 2,011           |
| -   | -                         | -                             | 444                       | 4                                    | 427,303                                | -                            | -                         | -                           | 427,751         |
| -   | -                         | -                             | 1,756                     | 61                                   | 429,314                                | 308,399                      | -                         | (8,815)                     | 730,715         |
| -   | -                         | -                             | -                         | -                                    | -                                      | -                            | -                         | 484,840                     | 484,840         |
| -   | -                         | -                             | 1,756                     | 61                                   | 429,314                                | 308,399                      | -                         | 476,025                     | 1,215,555       |
| -   | -                         | -                             | -                         | -                                    | -                                      | -                            | -                         | -                           | -               |
| -   | -                         | -                             | -                         | -                                    | -                                      | -                            | -                         | 51,597                      | 51,597          |
| -   | (51,485)                  | -                             | -                         | -                                    | -                                      | -                            | -                         | (51,485)                    | (51,485)        |
| -   | -                         | -                             | -                         | -                                    | -                                      | -                            | -                         | (183,453)                   | (183,453)       |
| -   | -                         | -                             | -                         | -                                    | -                                      | -                            | -                         | (61,023)                    | (61,023)        |
| -   | -                         | -                             | -                         | -                                    | -                                      | -                            | -                         | -                           | -               |
| -   | (51,485)                  | -                             | -                         | -                                    | -                                      | -                            | -                         | (192,879)                   | (244,364)       |
| 435,951   | (382,208)                 | 4,810                         | 821,732                   | 27,743                               | 233,463                                | 633,402                      | 7,035                     | 3,826,264                   | 5,608,192       |

*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 2015

|  | Non-distributable |                 |                     |                    | Distributable   |                 |                   |           |
|--|-------------------|-----------------|---------------------|--------------------|-----------------|-----------------|-------------------|-----------|
|  | Share Capital     | Treasury Shares | Revaluation Reserve | Fair Value Reserve | Capital Reserve | General Reserve | Retained Earnings | Total     |
|  | RM'000            | RM'000          | RM'000              | RM'000             | RM'000          | RM'000          | RM'000            | RM'000    |
| At 1 October 2013  | 435,951           | (223,387)       | 16                  | (72)               | 32,555          | 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 - 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                  | 1,219              | 32,555          | 6,739           | 579,751           | 725,508   |
| Net change in fair value of available-for-sale investments | -                 | -               | -                   | 325                | -               | -               | -                 | 325       |
| Total other comprehensive income for the year              | -                 | -               | -                   | 325                | -               | -               | -                 | 325       |
| Profit for the year  | -                 | -               | -                   | -                  | -               | -               | 290,660           | 290,660   |
| Total comprehensive income for the year                    | -                 | -               | -                   | 325                | -               | -               | 290,660           | 290,985   |
| Share buy back   | -                 | (51,485)        | -                   | -                  | -               | -               | -                 | (51,485)  |
| Dividends paid - 2014 final                                | -                 | -               | -                   | -                  | -               | -               | (183,453)         | (183,453) |
| - 2015 interim   | -                 | -               | -                   | -                  | -               | -               | (61,023)          | (61,023)  |
| Total transactions with owners of the Company              | -                 | (51,485)        | -                   | -                  | -               | -               | (244,476)         | (295,961) |
| At 30 September 2015                                       | 435,951           | (382,208)       | 16                  | 1,544              | 32,555          | 6,739           | 625,935           | 720,532   |
|  | 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 2015

|  | 2015<br>RM'000 | 2014<br>RM'000 |
|--|----------------|----------------|
| <b>Cash flows from operating activities</b>  |                |                |
| Profit before taxation   | 1,241,522      | 1,417,281      |
| Adjustments for:   |                |                |
| Depreciation of property, plant and equipment  | 359,759        | 308,866        |
| Amortisation of prepaid lease payments   | 6,703          | 5,289          |
| Depreciation of investment property  | 929            | 928            |
| Amortisation of intangible assets  | 3,843          | 3,653          |
| Amortisation of biological assets  | 51,057         | 48,820         |
| Amortisation of deferred income  | (5,522)        | (1,779)        |
| Impairment of property, plant and equipment  | -              | 424            |
| Impairment of prepaid lease payments   | -              | 19,760         |
| Impairment of goodwill   | -              | 3,680          |
| Impairment in value of available-for-sale investment                                 | 1,396          | 423            |
| Property, plant and equipment written off  | 2,924          | 1,494          |
| Gain on disposal of property, plant and equipment                                    | (5,686)        | (1,867)        |
| Surplus on government acquisition of land  | (23,731)       | (4,675)        |
| Surplus on disposal of land  | (13,011)       | (2,224)        |
| Surplus on disposal of available-for-sale investments                                | (2,364)        | (11,765)       |
| Surplus on disposal of shares in a sub-subsidiary                                    | -              | (2,404)        |
| Surplus on deemed disposal of a sub-subsidiary                                       | (12,266)       | -              |
| Release of inter-company interest capitalised on deemed disposal of a sub-subsidiary | (12,639)       | -              |
| Negative goodwill derecognised   | (237)          | (15,847)       |
| Retirement benefits provision  | 29,777         | 37,969         |
| Finance costs  | 124,799        | 108,435        |
| Dividend income  | (98,780)       | (59,673)       |
| Interest income  | (48,421)       | (40,930)       |
| Exchange (gain)/loss   | (87,451)       | 3,920          |
| Net change in fair value of derivatives measured at fair value                       | 63,889         | 10,641         |
| Share of profits of equity accounted associates, net of tax                          | (12,420)       | (6,167)        |
| Share of loss of equity accounted joint ventures, net of tax                         | 14,476         | -              |
| Fair value (gain)/loss on rental deposit received                                    | (7)            | 17             |
| Operating profit before working capital changes                                      | 1,578,539      | 1,824,269      |
| Working capital changes:   |                |                |
| Property development costs   | (2,515)        | (21,970)       |
| Inventories  | (228,312)      | (347,494)      |
| Biological assets  | (5,313)        | (9,475)        |
| Trade and other receivables  | (877,344)      | (332,318)      |
| Trade and other payables   | 540,035        | 88,970         |
| Deferred income  | 17,121         | 26,227         |
| Cash generated from operations   | 1,022,211      | 1,228,209      |
| Interest received  | 1,654          | 899            |
| Interest paid  | (120,036)      | (108,718)      |
| Tax paid   | (340,976)      | (279,177)      |
| Retirement benefits paid   | (25,164)       | (26,590)       |
| Net cash generated from operating activities   | 537,689        | 814,623        |

# BATU KAWAN BERHAD

## Consolidated Statement of Cash Flows (Continued)

For The Year Ended 30 September 2015

|  | 2015<br>RM'000   | 2014<br>RM'000     |
|--|------------------|--------------------|
| <b>Cash flows from investing activities</b>  |                  |                    |
| Purchase of property, plant and equipment  | (750,292)        | (798,864)          |
| Payments of prepaid lease  | (23,733)         | (19,487)           |
| Plantation development expenditure   | (206,036)        | (222,405)          |
| Property development expenditure   | (8,975)          | (898)              |
| Purchase of shares in a subsidiary/sub-subsidiaries,<br>net of cash acquired (Note B)  | (5,216)          | (132,086)          |
| Subscription of shares in associates   | -                | (36,807)           |
| Purchase of shares in an associate   | -                | (29,736)           |
| Purchase of shares from non-controlling interests                                      | (3,563)          | (8,175)            |
| Purchase of available-for-sale investments   | (115,550)        | (99,142)           |
| Purchase of intangible assets  | (871)            | (191)              |
| Proceeds from disposal of property, plant and equipment                                | 8,899            | 18,705             |
| Compensation from government on land acquired  | 25,463           | 5,516              |
| Proceeds from disposal of shares in a sub-subsidiary,<br>net of cash disposed (Note C) | 151,632          | 1,059              |
| Proceeds from deemed disposal of a sub-subsidiary, net of cash disposed                | (35,089)         | -                  |
| Proceeds from disposal of available-for-sale investments                               | 10,117           | 23,178             |
| Proceeds from disposal of land   | 10,266           | -                  |
| Dividends received   | 95,673           | 55,931             |
| Interest received  | 31,904           | 31,954             |
| Repayment from a joint venture   | 10,454           | -                  |
| Purchase of a joint venture  | (11,408)         | -                  |
| Net cash used in investing activities  | <u>(816,325)</u> | <u>(1,211,448)</u> |
| <b>Cash flows from financing activities</b>  |                  |                    |
| Term loans received  | 147,582          | -                  |
| Repayment of term loans  | (307,245)        | (64,288)           |
| Drawdown of short term borrowings  | 598,558          | 574,146            |
| Issuance of Islamic medium term notes  | 1,100,000        | -                  |
| Dividends paid to shareholders of the Company  | (244,476)        | (226,173)          |
| Dividends paid to non-controlling interests  | (364,045)        | (370,013)          |
| Issuance of shares to non-controlling interests  | -                | 35,807             |
| Redemption of redeemable preference shares from non-controlling interests              | -                | (4,500)            |
| Increase in other receivable   | (18,214)         | (9,744)            |
| Share buy back   | (51,485)         | (107,336)          |
| Net cash generated from/(used in) financing activities                                 | <u>860,675</u>   | <u>(172,101)</u>   |
| Net increase/(decrease) in cash and cash equivalents                                   | 582,039          | (568,926)          |
| Effects of exchange rate changes   | 217,847          | (22,174)           |
| Cash and cash equivalents at beginning of year   | 1,869,552        | 2,460,652          |
| Cash and cash equivalents at end of year (Note A)                                      | <u>2,669,438</u> | <u>1,869,552</u>   |
| <b>Notes to the consolidated statement of cash flows</b>                               |                  |                    |
| <b>A. Cash and cash equivalents</b>  |                  |                    |
| Cash and cash equivalents consist of:  |                  |                    |
| Cash and bank balances   | 458,521          | 354,247            |
| Deposits with licensed banks   | 829,159          | 673,450            |
| Short term funds   | 1,408,926        | 872,778            |
| Cash and cash equivalents (Note 30)  | 2,696,606        | 1,900,475          |
| Bank overdrafts (Note 35)  | (27,168)         | (30,923)           |
|  | <u>2,669,438</u> | <u>1,869,552</u>   |

**BATU KAWAN BERHAD**  
**Consolidated Statement of Cash Flows (Continued)**  
For The Year Ended 30 September 2015

|  | 2015<br>RM'000 | 2014<br>RM'000 |
|--|----------------|----------------|
| <b>B. Analysis of purchase of shares in a subsidiary/sub-subsidiaries</b>            |                |                |
| Property, plant and equipment  | 474            | 112,086        |
| Biological assets  | -              | 41,664         |
| Prepaid lease payments   | 7,110          | 72,447         |
| Net current (liabilities)/assets   | (1,370)        | 21,371         |
| Borrowings   | -              | (2,752)        |
| Deferred tax liabilities   | (203)          | (16,950)       |
| Fair values of net identifiable assets of a subsidiary/<br>sub-subsidiaries acquired | 6,011          | 227,866        |
| Non-controlling interests  | (601)          | (72,347)       |
|  | 5,410          | 155,519        |
| Goodwill/(Negative goodwill) on consolidation  | 291            | (15,847)       |
| Exchange differences   | 234            | -              |
| Purchase price satisfied by cash   | 5,935          | 139,672        |
| Less: Cash and cash equivalents of a subsidiary/<br>sub-subsidiaries acquired        | (719)          | (7,586)        |
| Cash outflow on acquisition of sub-subsidiaries                                      | 5,216          | 132,086        |
| <b>C. Analysis of disposal of shares in a sub-subsidiary</b>                         |                |                |
| Property, plant and equipment  | -              | 10,021         |
| Prepaid lease payments   | -              | 7,111          |
| Net current assets   | -              | 13,644         |
| Non-controlling interests  | 39,155         | (21,657)       |
| Total assets and liabilities of a sub-subsidiary disposed                            | 39,155         | 9,119          |
| Surplus on disposal of shares in a sub-subsidiary                                    | 112,477        | 2,404          |
| Total sale consideration   | 151,632        | 11,523         |
| Less: Cash and cash equivalents of a sub-subsidiary disposed                         | -              | (10,464)       |
| Cash inflow on disposal of shares in a sub-subsidiary                                | 151,632        | 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 2015

|   | 2015<br>RM'000 | 2014<br>RM'000 |
|---|----------------|----------------|
| <b>Cash flows from operating activities</b>             |                |                |
| Profit before taxation                                  | 290,765        | 243,803        |
| Adjustments for:  |                |                |
| Depreciation of property, plant and equipment           | 54             | 43             |
| Retirement benefits provision                           | 12             | 8              |
| Impairment on amount owing by a subsidiary              | -              | 4,172          |
| Unrealised foreign exchange translation (gain)/loss     | (35,891)       | 266            |
| Finance costs   | 20,250         | 20,250         |
| Dividend income   | (288,711)      | (272,891)      |
| Interest income   | (1,892)        | (1,113)        |
| Gain on disposal of plant and equipment                 | (1)            | -              |
| Deficit on disposal of an available-for-sale investment | 20             | -              |
| Operating loss before working capital changes           | (15,394)       | (5,462)        |
| Working capital changes:                                |                |                |
| Receivables   | (513)          | 76             |
| Payables  | 314            | 353            |
| Cash used in operations                                 | (15,593)       | (5,033)        |
| Interest received                                       | 1,610          | 1,112          |
| Interest paid   | (20,250)       | (20,250)       |
| Tax refund/(paid)                                       | 107            | (190)          |
| Net cash used in operating activities                   | (34,126)       | (24,361)       |
| <b>Cash flows from investing activities</b>             |                |                |
| Purchase of property, plant and equipment               | (15)           | (104)          |
| Purchase of available-for-sale investment               | (105)          | -              |
| Additional investments in subsidiaries                  | (3,482)        | (22,000)       |
| Proceeds from disposal of an unquoted investment        | 105            | -              |
| Proceeds from disposal of plant and equipment           | 1              | -              |
| Dividend received                                       | 288,711        | 270,657        |
| Loan to subsidiaries                                    | (53,759)       | (32,827)       |
| Repayment from subsidiaries                             | 18,474         | 26,526         |
| Share application moneys paid                           | (14,186)       | -              |
| Net cash generated from investing activities            | 235,744        | 242,252        |
| <b>Cash flows from financing activities</b>             |                |                |
| Dividends paid to shareholders of the Company           | (244,476)      | (226,173)      |
| Share buy back  | (51,485)       | (107,336)      |
| Net cash used in financing activities                   | (295,961)      | (333,509)      |
| Net decrease in cash and cash equivalents               | (94,343)       | (115,618)      |
| Effects of exchange rate changes                        | 32,883         | (225)          |
| Cash and cash equivalents at beginning of year          | 463,495        | 579,338        |
| Cash and cash equivalents at end of year (Note A)       | 402,035        | 463,495        |
| <b>Note to the statement of cash flows</b>              |                |                |
| <b>A. Cash and cash equivalents</b> (Note 30)           |                |                |
| Cash and cash equivalents consist of:                   |                |                |
| Cash and bank balances                                  | 156,384        | 125,790        |
| Deposits with licensed banks                            | 407            | 390            |
| Short term funds  | 245,244        | 337,315        |
|   | 402,035        | 463,495        |

*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 2015 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in associates and joint ventures.

The principal activity of the Company is investment holding while the principal activities of the Group entities are shown in Note 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 the 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) Amendments to FRSs and interpretation applied

##### ***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)*

The initial application of the above amendments to FRSs and interpretation has no significant effect to the financial statements of the Group.

#### (b) FRSs and amendments to FRSs not applied

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

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

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

- FRS 14 *Regulatory Deferral Accounts*
- 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 or Joint Venture*
- Amendments to FRS 10 *Consolidated Financial Statements*, FRS 12 *Disclosure of Interests in Other Entities* and FRS 128 *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to FRS 11 *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to FRS 101 *Presentation of Financial Statements – Disclosure Initiative*
- 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 effective for annual periods beginning on or after 1 January 2018**

- FRS 9 *Financial Instruments* (2014)

The Group plans to apply the abovementioned FRS and amendments to FRSs from the annual period beginning on 1 October 2016 for those FRS and amendments to FRSs that are effective for annual periods beginning on or after 1 January 2016 except for Amendments to FRS 10 *Consolidated Financial Statements*, FRS 12 *Disclosure of Interests in Other Entities* and FRS 128 *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception* which are not applicable to the Group.

The initial application of these FRS and 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.

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 2018. Therefore, the Group as a Transitioning Entity will apply the MFRS Framework for the annual period beginning on 1 October 2018. In relation to this, the FRS which is effective for annual period beginning on or after 1 January 2018 will not be applicable to the Group.

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

#### **2.2 Basis of measurement**

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

- Notes 12, 14, 15 - Measurement of the recoverable amounts of cash-generating units and Notes 17 to 22
- Note 19 - Impairment on investment in subsidiaries
- Note 24 - Recognition of unutilised tax losses and capital allowances
- Note 25 - Impairment/Write down of inventories
- Note 26 - Impairment on trade receivables
- Notes 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 controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

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

##### (b) Business combinations

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

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

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

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

##### (c) Acquisitions of non-controlling interests

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

##### (d) Goodwill

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

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

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

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

**(e) Loss of control**

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

**(f) Associates**

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

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

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

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

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

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

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

**(g) Joint ventures**

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

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

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### (h) Non-controlling interests

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

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

### (i) Transactions eliminated on consolidation

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

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

## 3.2 Foreign currency

### (a) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional 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.

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

### (b) Operations denominated in functional currencies other than RM

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

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



# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 3.3 Property, plant and equipment

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

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

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

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

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

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

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

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

|                                   |  |
|-----------------------------------|--|
| Long term leasehold land          | - Over the lease period ranging from 41 to 931 years |
| Palm oil mill machinery           | - 10% per annum                                      |
| Plant and machinery               | - 4% to 33 $\frac{1}{3}$ % per annum                 |
| Motor vehicles                    | - 10% to 50% per annum                               |
| Furniture, fittings and equipment | - 5% to 33 $\frac{1}{3}$ % per annum                 |
| Buildings, factories and mills    | - 2% to 25% per annum                                |
| Employees' quarters               | - 10% per annum                                      |
| Effluent ponds, roads and bridges | - 10% to 20% per annum                               |

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

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

### 3.4 Investment 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.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

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 14 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.

### 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.



# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### (b) Property development costs

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

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

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

### 3.9 Financial assets

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

The Group categorises financial assets as follows:

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

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) 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.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (Note 3.15(a)).

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:

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date; and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

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

### 3.10 Embedded derivatives

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

### 3.11 Intangible assets

These assets consist mainly of trade marks and patent which are stated at cost less accumulated amortisation and any accumulated impairment losses. These are amortised over the following expected useful lives of the assets:

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

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

### 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 of disposal.

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

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

### 3.13 Inventories

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

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

Inventories of completed development properties 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.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 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 fair value with original maturities of three months or less, and are used by the Group in the management of its short term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts.

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

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

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

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

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

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

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.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

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

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

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

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

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

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

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

### 3.17 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.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

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

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

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

Unutilised reinvestment allowance and investment tax allowance, being tax 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 has no further payment obligations.

#### (b) Unfunded defined benefit plan

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

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

- (ii) Subsidiaries and sub-subsidiaries in Indonesia provide for retirement benefits for eligible employees on unfunded defined benefit basis in accordance with the Labour Law in Indonesia. 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.
- (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.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### (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.

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

## 3.20 **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 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 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.

### 3.22 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.

### 3.23 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.



# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

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.

### 3.24 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.

### 3.25 Earnings per share

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

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

### 3.26 Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including 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.

### 3.27 Fair value measurements

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

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

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

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

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

Level 3: Unobservable inputs for the asset or liability

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

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 4. REVENUE

|   | Group             |                   | Company        |                |
|---|-------------------|-------------------|----------------|----------------|
|   | 2015<br>RM'000    | 2014<br>RM'000    | 2015<br>RM'000 | 2014<br>RM'000 |
| Sale of goods   |                   |                   |                |                |
| Palm products   | 6,981,227         | 5,089,741         | -              | -              |
| Rubber  | 109,550           | 145,158           | -              | -              |
| Manufacturing   | 6,617,000         | 5,978,619         | -              | -              |
| Property development  | 123,275           | 117,063           | -              | -              |
| Others  | 69,073            | 60,449            | -              | -              |
|   | <b>13,900,125</b> | <b>11,391,030</b> | <b>-</b>       | <b>-</b>       |
| Rendering of services   | 7,982             | 8,031             | -              | -              |
| Interest income from financial assets<br>not at fair value through profit or loss | 48,421            | 40,930            | 1,892          | 1,113          |
| Dividend income (Note 8)  | 98,780            | 59,673            | 288,711        | 272,891        |
|   | <b>14,055,308</b> | <b>11,499,664</b> | <b>290,603</b> | <b>274,004</b> |

### 5. OPERATING PROFIT

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2015<br>RM'000 | 2014<br>RM'000 | 2015<br>RM'000 | 2014<br>RM'000 |
| Operating profit is arrived at after charging<br>and (crediting) the following: |                |                |                |                |
| Auditors' remuneration  |                |                |                |                |
| - KPMG  |                |                |                |                |
| current year  | 1,267          | 1,065          | 120            | 120            |
| under-provision in prior year   | 105            | 10             | -              | -              |
| audit related work  | 174            | 184            | 17             | 55             |
| non-audit work  | 69             | 8              | 4              | 4              |
| - other auditors  |                |                |                |                |
| current year  | 1,991          | 2,046          | -              | -              |
| under/(over)-provision in prior year  | 9              | (1)            | -              | -              |
| audit related work  | 26             | 5              | -              | 5              |
| non-audit work  | 23             | 372            | -              | -              |
| Taxation services paid to KPMG Tax Services                                     | 1,302          | 960            | 8              | 122            |
| Hire of plant and machinery   | 22,714         | 20,439         | -              | -              |
| Rent on land and buildings/office space   | 8,289          | 7,814          | 96             | 96             |
| Operating lease rentals   |                |                |                |                |
| - land and buildings  | 7,068          | 9,063          | -              | -              |
| - plant and machinery   | 1,020          | 547            | -              | -              |
| Amortisation of prepaid lease payments<br>(Note 14)                             | 6,703          | 5,289          | -              | -              |
| Amortisation of biological assets (Note 15)                                     | 51,057         | 48,820         | -              | -              |
| Amortisation of intangible assets (Note 18)                                     | 3,843          | 3,653          | -              | -              |
| Depreciation of property, plant and<br>equipment (Note 12)                      | 359,759        | 308,866        | 54             | 43             |
| Depreciation of investment property<br>(Note 13)                                | 929            | 928            | -              | -              |
| Impairment of   |                |                |                |                |
| - property, plant and equipment (Note 12)                                       | -              | 424            | -              | -              |
| - prepaid lease payments (Note 14)  | -              | 19,760         | -              | -              |
| - goodwill (Note 17)  | -              | 3,680          | -              | -              |
| - trade receivables (Note 26)   | 9,339          | 1,978          | -              | -              |
| - amount owing by a subsidiary (Note 19)  | -              | -              | -              | 4,172          |
| Impairment in value of  |                |                |                |                |
| - available-for-sale investments (Note 22)                                      | 1,396          | 423            | -              | -              |
| Replanting expenditure  | 59,213         | 66,773         | -              | -              |
| Property, plant and equipment written off                                       | 2,924          | 1,494          | -              | -              |
| Personnel expenses (excluding key<br>management personnel)                      |                |                |                |                |
| - salary  | 896,877        | 766,417        | 1,144          | 1,105          |
| - employer's statutory contributions  | 79,947         | 64,442         | 124            | 124            |
| - defined contribution plans  | 5,352          | 4,223          | -              | -              |

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

|  | Group     |          | Company  |        |
|--|-----------|----------|----------|--------|
|  | 2015      | 2014     | 2015     | 2014   |
|  | RM'000    | RM'000   | RM'000   | RM'000 |
| Research and development expenditure   | 18,534    | 17,921   | -        | -      |
| Retirement benefits provision (Note 34)  | 29,777    | 37,969   | 12       | 8      |
| Write down of inventories  | 32,958    | 38,253   | -        | -      |
| Reversal of impairment loss of   |           |          |          |        |
| - trade receivables (Note 26)  | -         | (756)    | -        | -      |
| Write back of inventories  | (10,944)  | (9,240)  | -        | -      |
| Amortisation of deferred income (Note 33)  | (5,522)   | (1,779)  | -        | -      |
| Gain on disposal of property, plant and equipment                                    | (5,686)   | (1,867)  | (1)      | -      |
| Surplus on government acquisition of land  | (23,731)  | (4,675)  | -        | -      |
| Surplus on disposal of land  | (13,011)  | (2,224)  | -        | -      |
| Surplus on disposal of shares in a sub-subsidiary (Note 42)                          | (12,266)  | (2,404)  | -        | -      |
| (Surplus)/Deficit on disposal of available-for-sale investments                      | (2,364)   | (11,765) | 20       | -      |
| Release of inter-company interest capitalised on deemed disposal of a sub-subsidiary | (12,639)  | -        | -        | -      |
| Net (gain)/loss in foreign exchange  | (117,150) | 9,897    | (27,393) | 266    |
| Rental income from land and buildings  | (2,522)   | (2,084)  | -        | -      |
| Rental income from investment property (Note 13)                                     | (4,067)   | (3,882)  | -        | -      |
| (Gain)/Loss on redemption of short term funds  | (1,152)   | (4,753)  | 188      | (190)  |
| Compensation claim from a customer   | -         | (40,310) | -        | -      |
| Negative goodwill derecognised (Note 42)   | (237)     | (15,847) | -        | -      |

### 6. FINANCE COSTS

|  | Group   |         | Company |        |
|--|---------|---------|---------|--------|
|  | 2015    | 2014    | 2015    | 2014   |
|  | RM'000  | RM'000  | RM'000  | RM'000 |
| Interest expense/Profit payment of financial liabilities that are not at fair value through profit or loss |         |         |         |        |
| Interest expense   |         |         |         |        |
| Term loans   | 17,221  | 18,373  | -       | -      |
| Overdraft and other interest   | 28,787  | 18,172  | -       | -      |
|  | 46,008  | 36,545  | -       | -      |
| Profit payment on Islamic medium term notes  | 78,791  | 71,890  | 20,250  | 20,250 |
|  | 124,799 | 108,435 | 20,250  | 20,250 |

### 7. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation is as follows:

|                            | Group  |        | Company |        |
|----------------------------|--------|--------|---------|--------|
|                            | 2015   | 2014   | 2015    | 2014   |
|                            | RM'000 | RM'000 | RM'000  | RM'000 |
| <b>Short term benefits</b> |        |        |         |        |
| Directors' remuneration    |        |        |         |        |
| Fees provided              | 2,195  | 2,146  | 716     | 750    |
| Other emoluments           | 15,621 | 14,265 | 3,850   | 3,337  |
| Benefits-in-kind           | 196    | 176    | 23      | 23     |
|                            | 18,012 | 16,587 | 4,589   | 4,110  |

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        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2015<br>RM'000 | 2014<br>RM'000 | 2015<br>RM'000 | 2014<br>RM'000 |
| Gross dividends from:                        |                |                |                |                |
| Available-for-sale investments               |                |                |                |                |
| Investment in shares quoted in Malaysia      | 1,577          | 739            | 5              | -              |
| Investment in shares quoted outside Malaysia | 69,888         | 27,293         | 207            | 192            |
| Investment in unquoted shares                | 6,241          | 16,010         | 872            | 1,622          |
| Short term funds                             | 21,074         | 15,631         | 10,401         | 12,451         |
| Quoted subsidiaries                          | -              | -              | 272,746        | 247,951        |
| Unquoted subsidiaries                        | -              | -              | 4,480          | 10,675         |
|  | <b>98,780</b>  | <b>59,673</b>  | <b>288,711</b> | <b>272,891</b> |

### 9. TAX EXPENSE

|   | Group            |                  | Company        |                |
|---|------------------|------------------|----------------|----------------|
|   | 2015<br>RM'000   | 2014<br>RM'000   | 2015<br>RM'000 | 2014<br>RM'000 |
| <b>Components of tax expense</b>  |                  |                  |                |                |
| Current tax expense   |                  |                  |                |                |
| Malaysian taxation  | 185,957          | 239,807          | 279            | 2,406          |
| Overseas taxation   | 97,519           | 103,513          | -              | 9              |
|   | <b>283,476</b>   | <b>343,320</b>   | <b>279</b>     | <b>2,415</b>   |
| Deferred tax  |                  |                  |                |                |
| Relating to origination and reversal of temporary differences                       | (23,725)         | (28,263)         | -              | -              |
| Relating to changes in tax rates  | (2,869)          | -                | -              | -              |
| Under/(Over)-provision in respect of previous years                                 | 7,424            | (3,224)          | -              | -              |
|   | <b>(19,170)</b>  | <b>(31,487)</b>  | <b>-</b>       | <b>-</b>       |
|   | <b>264,306</b>   | <b>311,833</b>   | <b>279</b>     | <b>2,415</b>   |
| (Over)/Under-provision of tax expense in respect of previous years                  |                  |                  |                |                |
| Malaysian taxation  | (4,700)          | (1,105)          | (174)          | (26)           |
| Overseas taxation   | 11,448           | (162)            | -              | -              |
|   | <b>6,748</b>     | <b>(1,267)</b>   | <b>(174)</b>   | <b>(26)</b>    |
|   | <b>271,054</b>   | <b>310,566</b>   | <b>105</b>     | <b>2,389</b>   |
| <b>Reconciliation of effective tax expense</b>                                      |                  |                  |                |                |
| Profit before taxation  | <b>1,241,522</b> | <b>1,417,281</b> | <b>290,765</b> | <b>243,803</b> |
| Taxation at Malaysian income tax rate of 25% (2014: 25%)                            | 310,380          | 354,321          | 72,691         | 60,951         |
| Effect of different tax rates in foreign jurisdictions                              | (5,198)          | (11,185)         | -              | 4              |
| Withholding tax on foreign dividend and interest income                             | 37,242           | 25,789           | -              | -              |
| Expenses not deductible for tax purposes  | 54,405           | 34,018           | 6,850          | 7,875          |
| Tax exempt and non-taxable income   | (144,668)        | (69,327)         | (79,322)       | (66,414)       |
| Tax incentives  | (4,448)          | (3,897)          | -              | (1)            |
| Deferred tax assets not recognised during the year                                  | 12,811           | 7,903            | -              | -              |
| Utilisation of previously unrecognised tax losses and unabsorbed capital allowances | (4,688)          | (20,658)         | -              | -              |
| Tax effect on associates' and joint ventures' results                               | (325)            | (1,482)          | -              | -              |
| Recognition of deferred tax liabilities/(assets) not taken up previously            | 2,000            | (4,640)          | -              | -              |
| Under/(Over)-provision of tax expense in respect of previous years                  | 6,748            | (1,267)          | (174)          | (26)           |
| Under/(Over)-provision of deferred tax in respect of previous years                 | 7,424            | (3,224)          | -              | -              |
| Effect of changes in tax rates on deferred tax                                      | (2,869)          | -                | -              | -              |
| Others  | 2,240            | 4,215            | 60             | -              |
| Tax expense   | <b>271,054</b>   | <b>310,566</b>   | <b>105</b>     | <b>2,389</b>   |

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

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 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 RM484,840,000 (2014: RM521,546,000) for the Group and RM290,660,000 (2014: RM241,414,000) for the Company by the weighted average number of 407,587,000 (2014: 411,096,000) shares of the Company in issue during the year.

### 11. DIVIDENDS

|  | <b>Group and Company</b> |               |
|--|--------------------------|---------------|
|  | <b>2015</b>              | <b>2014</b>   |
|  | <b>RM'000</b>            | <b>RM'000</b> |
| Dividends recognised in the current year are:  |                          |               |
| Final single tier dividend of 45 sen per share for the financial year ended 30 September 2014 (2014: single tier dividend of 40 sen per share)   | <b>183,453</b>           | 164,776       |
| Interim single tier dividend of 15 sen per share for the financial year ended 30 September 2015 (2014: single tier dividend of 15 sen per share) | <b>61,023</b>            | 61,397        |
|  | <b>244,476</b>           | 226,173       |

A final single tier dividend of 35 sen (2014: 45 sen) per share amounting to RM142,204,000 (2014: RM183,453,000) has been recommended by the Directors in respect of the financial year ended 30 September 2015 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

| <b>Group Cost/Valuation</b>  | <b>Freehold Land RM'000</b> | <b>Long Term Leasehold Land RM'000</b> | <b>Buildings RM'000</b> | <b>Plant and Machinery RM'000</b> | <b>Vehicles RM'000</b> | <b>Equipment, Fittings, Etc RM'000</b> | <b>Capital Work-in-Progress RM'000</b> | <b>Total RM'000</b> |
|--|-----------------------------|--|-------------------------|-----------------------------------|------------------------|--|--|---------------------|
| At 1 October 2013  | 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>    |
| Reclassification   | -                           | -                                      | 95,789                  | 238,828                           | 5,495                  | 18,120                                 | (358,232)                              | -                   |
| Additions  | 26,459                      | -                                      | 67,190                  | 161,971                           | 27,894                 | 36,655                                 | 430,123                                | 750,292             |
| Acquisition through business combination   | -                           | -                                      | -                       | 104                               | -                      | -                                      | 370                                    | 474                 |
| Disposals  | (642)                       | (255)                                  | (7,360)                 | (17,088)                          | (5,453)                | (738)                                  | (232)                                  | (31,768)            |
| Deemed disposal of a sub-subsidiary  | -                           | -                                      | (48,899)                | (82,918)                          | (1,381)                | (2,295)                                | -                                      | (135,493)           |
| Release of inter-company interest capitalised on deemed disposal of a sub-subsidiary | -                           | -                                      | -                       | 12,885                            | -                      | -                                      | -                                      | 12,885              |
| Written off  | -                           | -                                      | (1,637)                 | (14,750)                          | (8,331)                | (1,580)                                | (1,047)                                | (27,345)            |
| Currency translation differences   | 40,671                      | 2,159                                  | 91,698                  | 270,102                           | 23,110                 | 24,798                                 | 31,211                                 | 483,749             |
| At 30 September 2015   | <b>811,561</b>              | <b>266,748</b>                         | <b>1,266,497</b>        | <b>4,409,082</b>                  | <b>418,998</b>         | <b>398,537</b>                         | <b>565,440</b>                         | <b>8,136,863</b>    |

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

| Group   | Freehold Land<br>RM'000 | Long Term Leasehold Land<br>RM'000 | Buildings<br>RM'000 | Plant and Machinery<br>RM'000 | Vehicles<br>RM'000 | Equipment, Fittings, Etc<br>RM'000 | Capital Work-in-Progress<br>RM'000 | Total<br>RM'000 |
|---|-------------------------|------------------------------------|---------------------|-------------------------------|--------------------|------------------------------------|------------------------------------|-----------------|
| <b>Accumulated depreciation/ amortisation and impairment losses</b>                 |                         |                                    |                     |                               |                    |                                    |                                    |                 |
| At 1 October 2013   |                         |                                    |                     |                               |                    |                                    |                                    |                 |
| 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          |
|   | -                       | 56,972                             | 422,438             | 1,497,541                     | 260,261            | 176,883                            | -                                  | 2,414,095       |
| Depreciation/Amortisation charge  | -                       | 3,280                              | 57,981              | 188,921                       | 39,054             | 27,361                             | -                                  | 316,597         |
| Impairment losses   | -                       | -                                  | -                   | 424                           | -                  | -                                  | -                                  | 424             |
| Disposals   | -                       | -                                  | -                   | (14,556)                      | (7,977)            | (141)                              | -                                  | (22,674)        |
| Disposal of a sub-subsidary   | -                       | -                                  | (22,872)            | (46,625)                      | (409)              | (795)                              | -                                  | (70,701)        |
| Written off   | -                       | -                                  | (668)               | (14,819)                      | (5,977)            | (3,134)                            | -                                  | (24,598)        |
| Currency translation differences  | -                       | 4                                  | (6,379)             | (17,330)                      | (5,219)            | (3,220)                            | -                                  | (32,144)        |
| At 30 September 2014  |                         |                                    |                     |                               |                    |                                    |                                    |                 |
| 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       |
| Depreciation/Amortisation charge  | -                       | 3,270                              | 67,864              | 228,694                       | 40,203             | 32,720                             | -                                  | 372,751         |
| Disposals   | -                       | (17)                               | (7,355)             | (15,518)                      | (4,107)            | (670)                              | -                                  | (27,667)        |
| Deemed disposal of a sub-subsidary  | -                       | -                                  | (5,753)             | (8,723)                       | (700)              | (837)                              | -                                  | (16,013)        |
| Release of inter-company interest capitalised on deemed disposal of a sub-subsidary | -                       | -                                  | -                   | 246                           | -                  | -                                  | -                                  | 246             |
| Written off   | -                       | -                                  | (1,188)             | (13,516)                      | (8,328)            | (1,389)                            | -                                  | (24,421)        |
| Currency translation differences  | -                       | 160                                | 29,945              | 91,731                        | 16,513             | 16,801                             | -                                  | 155,150         |
| At 30 September 2015  |                         |                                    |                     |                               |                    |                                    |                                    |                 |
| Accumulated depreciation/ amortisation  | -                       | 63,669                             | 530,354             | 1,829,101                     | 323,314            | 240,881                            | -                                  | 2,987,319       |
| Accumulated impairment losses   | -                       | -                                  | 3,659               | 47,369                        | -                  | 2,698                              | -                                  | 53,726          |
|   | -                       | 63,669                             | 534,013             | 1,876,470                     | 323,314            | 243,579                            | -                                  | 3,041,045       |
| <b>Carrying amounts</b>   |                         |                                    |                     |                               |                    |                                    |                                    |                 |
| At 30 September 2014  | 745,073                 | 204,588                            | 619,216             | 2,246,392                     | 97,931             | 126,623                            | 463,247                            | 4,503,070       |
| At 30 September 2015  | 811,561                 | 203,079                            | 732,484             | 2,532,612                     | 95,684             | 154,958                            | 565,440                            | 5,095,818       |
| <b>Property, plant and equipment are included at cost or valuation as follows:</b>  |                         |                                    |                     |                               |                    |                                    |                                    |                 |
| 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         |
|   | 745,073                 | 264,844                            | 1,069,716           | 3,839,948                     | 377,664            | 323,577                            | 463,247                            | 7,084,069       |
| At 30 September 2015  |                         |                                    |                     |                               |                    |                                    |                                    |                 |
| Cost  | 728,430                 | 152,904                            | 1,262,385           | 4,409,082                     | 418,998            | 398,537                            | 565,440                            | 7,935,776       |
| Valuation   | 83,131                  | 113,844                            | 4,112               | -                             | -                  | -                                  | -                                  | 201,087         |
|   | 811,561                 | 266,748                            | 1,266,497           | 4,409,082                     | 418,998            | 398,537                            | 565,440                            | 8,136,863       |

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

|   | Group          |                |
|---|----------------|----------------|
|   | 2015<br>RM'000 | 2014<br>RM'000 |
| <b>Depreciation/Amortisation charge for the year is allocated as follows:</b> |                |                |
| Recognised in statement of profit or loss (Note 5)                            |                |                |
| Depreciation of property, plant and equipment                                 | 359,759        | 308,866        |
| Capitalised in biological assets  | 12,992         | 7,731          |
|   | <b>372,751</b> | <b>316,597</b> |

The impairment loss of the Group amounted to RM424,000 in the previous financial year was due to under-performance of a sub-subsidiary's operations in the previous year. The impairment was allocated in other operating expenses.

### Impairment testing

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

Key assumptions used in the value in use calculations are:

- (i) the pre-tax discount rates which are the weighted average cost of capital used ranged from 8.1% to 13.8% (2014: 7.0% to 12.4%);
- (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<br>RM'000 | Equipment,<br>Fittings, Etc<br>RM'000 | Total<br>RM'000 |
|---------------------------------|--------------------|---------------------------------------|-----------------|
| <b>Cost</b>                     |                    |                                       |                 |
| At 1 October 2013               | 798                | 104                                   | 902             |
| Additions                       | -                  | 104                                   | 104             |
| At 30 September 2014            | <b>798</b>         | <b>208</b>                            | <b>1,006</b>    |
| Additions                       | -                  | 15                                    | 15              |
| Disposals                       | -                  | (55)                                  | (55)            |
| At 30 September 2015            | <b>798</b>         | <b>168</b>                            | <b>966</b>      |
| <b>Accumulated depreciation</b> |                    |                                       |                 |
| At 1 October 2013               | 573                | 91                                    | 664             |
| Depreciation charge             | -                  | 43                                    | 43              |
| At 30 September 2014            | <b>573</b>         | <b>134</b>                            | <b>707</b>      |
| Depreciation charge             | 9                  | 45                                    | 54              |
| Disposals                       | -                  | (55)                                  | (55)            |
| At 30 September 2015            | <b>582</b>         | <b>124</b>                            | <b>706</b>      |
| <b>Carrying amounts</b>         |                    |                                       |                 |
| At 30 September 2014            | 225                | 74                                    | 299             |
| At 30 September 2015            | <b>216</b>         | <b>44</b>                             | <b>260</b>      |

During the financial year, the titles to the freehold land and long term leasehold land amounting to RM224,091,000 and RM13,612,000 respectively had been transferred from a sub-subsidiary, Kulumpang Development Corporation Sdn Bhd to a subsidiary, Kuala Lumpur Kepong Berhad.



# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

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

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

Freehold land belonging to an overseas sub-subsidiary was revalued by the respective sub-subsidiaries' 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:

|                              | <b>Group</b>  |               |
|------------------------------|---------------|---------------|
|                              | <b>2015</b>   | <b>2014</b>   |
|                              | <b>RM'000</b> | <b>RM'000</b> |
| Freehold land                | <b>21,578</b> | 21,474        |
| Leasehold land               | <b>31,447</b> | 31,966        |
| Factory and office buildings | -             | 37            |
|                              | <b>53,025</b> | 53,477        |

Certain property, plant and equipment of the Group with a total carrying amount of RM94,599,000 (2014: RM83,723,000) 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 RM525,000 (2014: RM662,000) are held in trust by third parties.

The details of the properties held by the Group are shown on pages 132 to 141.

### 13. INVESTMENT PROPERTY

|  | <b>Freehold Land</b> | <b>Building</b> | <b>Total</b>  |
|--|----------------------|-----------------|---------------|
|  | <b>RM'000</b>        | <b>RM'000</b>   | <b>RM'000</b> |
| <b>Group Cost</b>  |                      |                 |               |
| At 1 October 2013, 30 September 2014 and 30 September 2015 | <b>11,149</b>        | <b>46,428</b>   | <b>57,577</b> |
| <b>Accumulated depreciation</b>                            |                      |                 |               |
| At 1 October 2013  | -                    | 4,600           | 4,600         |
| Depreciation charge  | -                    | 928             | 928           |
| At 30 September 2014                                       | -                    | <b>5,528</b>    | <b>5,528</b>  |
| Depreciation charge  | -                    | <b>929</b>      | <b>929</b>    |
| At 30 September 2015                                       | -                    | <b>6,457</b>    | <b>6,457</b>  |
| <b>Carrying amounts</b>                                    |                      |                 |               |
| At 30 September 2014                                       | 11,149               | 40,900          | 52,049        |
| At 30 September 2015                                       | <b>11,149</b>        | <b>39,971</b>   | <b>51,120</b> |
|  |                      | <b>2015</b>     | <b>2014</b>   |
|  |                      | <b>RM'000</b>   | <b>RM'000</b> |
| Fair value of investment property                          |                      | <b>88,500</b>   | 86,000        |



# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

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 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:

|                           | <b>Group</b>   |               |
|---------------------------|----------------|---------------|
|                           | <b>2015</b>    | <b>2014</b>   |
|                           | <b>RM'000</b>  | <b>RM'000</b> |
| Rental income             | <b>4,067</b>   | 3,882         |
| Direct operating expenses | <b>(3,761)</b> | (3,695)       |

### 14. PREPAID LEASE PAYMENTS

| <b>Group Cost</b>                                     | <b>Long Term Leasehold Land RM'000</b> | <b>Short Term Leasehold Land RM'000</b> | <b>Total RM'000</b> |
|---|--|---|---------------------|
| At 1 October 2013                                     | 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                                  | <b>31,894</b>                          | <b>280,625</b>                          | <b>312,519</b>      |
| Additions   | -                                      | 23,733                                  | 23,733              |
| Acquisition through business combination              | -                                      | 7,110                                   | 7,110               |
| Deemed disposal of a sub-subsidiary                   | -                                      | (419)                                   | (419)               |
| Currency translation differences                      | -                                      | 19,778                                  | 19,778              |
| At 30 September 2015                                  | <b>31,894</b>                          | <b>330,827</b>                          | <b>362,721</b>      |
| <b>Accumulated amortisation and impairment losses</b> |  |   |                     |
| At 1 October 2013                                     |  |   |                     |
| 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                                  | <b>3,606</b>                           | <b>33,652</b>                           | <b>37,258</b>       |
| Accumulated amortisation                              | -                                      | 20,897                                  | 20,897              |
| Accumulated impairment losses                         |  |   |                     |
|   | 3,606                                  | 54,549                                  | 58,155              |
| Amortisation charge                                   | 418                                    | 6,285                                   | 6,703               |
| Deemed disposal of a sub-subsidiary                   | -                                      | (395)                                   | (395)               |
| Currency translation differences                      | -                                      | 1,955                                   | 1,955               |
| At 30 September 2015                                  | <b>4,024</b>                           | <b>41,497</b>                           | <b>45,521</b>       |
| Accumulated amortisation                              | -                                      | 20,897                                  | 20,897              |
| Accumulated impairment losses                         |  |   |                     |
|   | 4,024                                  | 62,394                                  | 66,418              |
| <b>Carrying amounts</b>                               |  |   |                     |
| At 30 September 2014                                  | 28,288                                 | 226,076                                 | 254,364             |
| At 30 September 2015                                  | <b>27,870</b>                          | <b>268,433</b>                          | <b>296,303</b>      |

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

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

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 complied with the terms of the Consent Order and accordingly the carrying amount of this land amounted to RM19,760,000 was impaired and included in other operating expenses.

The Memorandum of Transfer of a long term leasehold land in favour of a sub-subsidiary, KLK Bioenergy Sdn Bhd with carrying amount of RM3,012,000 (2014: RM3,063,000), 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 RM20,179,000 (2014: RM20,459,000) belonging to another sub-subsidiary, Palm-Oleo (Klang) Sdn Bhd, is with the relevant authorities and is in the process of being registered in the name of the sub-subsidiary.

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

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

### Impairment testing

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

The details of the prepaid lease payments of the Group are shown on pages 132 to 141.

## 15. BIOLOGICAL ASSETS

|  | <b>Group</b>     |               |
|--|------------------|---------------|
|  | <b>2015</b>      | <b>2014</b>   |
|  | <b>RM'000</b>    | <b>RM'000</b> |
| <b>Plantation development expenditure</b>  |                  |               |
| <b>(included under non-current assets)</b> |                  |               |
| <b>Cost/Valuation</b>                      |                  |               |
| At beginning of the year                   | <b>2,385,329</b> | 2,163,869     |
| Additions                                  | <b>218,537</b>   | 230,136       |
| Acquisition through business combination   | -                | 41,664        |
| Transfer to plasma plantation project      | <b>(3,780)</b>   | -             |
| Disposal                                   | <b>(800)</b>     | (689)         |
| Currency translation differences           | <b>179,277</b>   | (49,651)      |
| At end of the year                         | <b>2,778,563</b> | 2,385,329     |
| <b>Accumulated amortisation</b>            |                  |               |
| At beginning of the year                   | <b>231,233</b>   | 191,803       |
| Amortisation charge                        | <b>51,057</b>    | 48,820        |
| Currency translation differences           | <b>16,069</b>    | (9,390)       |
| At end of the year                         | <b>298,359</b>   | 231,233       |
| <b>Carrying amounts</b>                    | <b>2,480,204</b> | 2,154,096     |

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

Biological assets are included at cost or valuation as follows:

|           | Group            |                  |
|-----------|------------------|------------------|
|           | 2015<br>RM'000   | 2014<br>RM'000   |
| Cost      | 2,531,728        | 2,138,310        |
| Valuation | 246,835          | 247,019          |
|           | <b>2,778,563</b> | <b>2,835,329</b> |

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

The Group has availed itself to the transitional provision when the MASB first issued FRS 116<sup>2004</sup> *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 RM112,621,000 (2014: RM112,743,000).

|  | Group          |                |
|--|----------------|----------------|
|  | 2015<br>RM'000 | 2014<br>RM'000 |
| <b>Biological assets (included under current assets)</b> |                |                |
| At net realisable value                                  |                |                |
| Growing crops  | 28,603         | 25,204         |
| Livestock  | 3,996          | 2,082          |
|  | <b>32,599</b>  | <b>27,286</b>  |

### 16. LAND HELD FOR PROPERTY DEVELOPMENT

|   | Group          |                |
|---|----------------|----------------|
|   | 2015<br>RM'000 | 2014<br>RM'000 |
| <b>Freehold land at cost</b>                |                |                |
| At beginning of the year                    | 191,347        | 190,962        |
| Additions                                   | 6              | 289            |
| Transfer from property, plant and equipment | -              | 96             |
| Disposals                                   | (543)          | -              |
| At end of the year                          | <b>190,810</b> | <b>191,347</b> |
| <b>Development expenditure at cost</b>      |                |                |
| At beginning of the year                    | 26,579         | 25,970         |
| Additions                                   | 8,969          | 609            |
| Disposals                                   | (5)            | -              |
| At end of the year                          | <b>35,543</b>  | <b>26,579</b>  |
| <b>Total</b>                                | <b>226,353</b> | <b>217,926</b> |

The details of the land held for property development by the Group are shown on pages 139 to 140.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 17. GOODWILL ON CONSOLIDATION

|  | Group          |                |
|--|----------------|----------------|
|  | 2015<br>RM'000 | 2014<br>RM'000 |
| <b>Cost</b>                              |                |                |
| At beginning of the year                 | 315,328        | 326,511        |
| Acquisition through business combination | 291            | -              |
| Impairment loss (Note 5)                 | -              | (3,680)        |
| Currency translation differences         | 43,445         | (7,503)        |
| At end of the year                       | <u>359,064</u> | <u>315,328</u> |

Impairment of goodwill in previous financial year arose from the under-performance of a sub-subsidiary's operations and was included in other operating expenses.

#### Impairment testing

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

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

### 18. INTANGIBLE ASSETS

|   | Group          |                |
|---|----------------|----------------|
|   | 2015<br>RM'000 | 2014<br>RM'000 |
| <b>Cost</b>   |                |                |
| At beginning of the year                              | 46,198         | 48,151         |
| Additions   | 871            | 191            |
| Currency translation differences                      | 12,446         | (2,144)        |
| At end of the year                                    | <u>59,515</u>  | <u>46,198</u>  |
| <b>Accumulated amortisation and impairment losses</b> |                |                |
| At beginning of the year                              |                |                |
| Accumulated amortisation                              | 24,908         | 22,466         |
| Accumulated impairment losses                         | 6,052          | 6,112          |
|   | <u>30,960</u>  | <u>28,578</u>  |
| Amortisation charge                                   | 3,843          | 3,653          |
| Currency translation differences                      | 9,415          | (1,271)        |
| At end of the year                                    |                |                |
| Accumulated amortisation                              | 36,936         | 24,908         |
| Accumulated impairment losses                         | 7,282          | 6,052          |
|   | <u>44,218</u>  | <u>30,960</u>  |
| <b>Carrying amounts</b>                               | <u>15,297</u>  | <u>15,238</u>  |

The amortisation of intangible assets amounting to RM3,843,000 (2014: RM3,653,000) is included in administration expenses.

These assets consist mainly of trade marks and patent.

#### Impairment testing

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

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 19. INVESTMENTS IN SUBSIDIARIES AND AMOUNTS OWING BY SUBSIDIARIES

|  | Company           |                   |
|--|-------------------|-------------------|
|  | 2015              | 2014              |
|  | RM'000            | RM'000            |
| <b>Investments in subsidiaries</b>               |                   |                   |
| Unquoted shares at cost                          | 303,935           | 300,452           |
| Quoted shares at cost                            | 439,916           | 439,916           |
|  | <b>743,851</b>    | <b>740,368</b>    |
| Market value of shares<br>In quoted corporations | <b>10,761,063</b> | <b>10,453,604</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

|                    | Company       |              |
|--------------------|---------------|--------------|
|                    | 2015          | 2014         |
|                    | RM'000        | RM'000       |
| Non-current assets | 44,537        | -            |
| Current assets     | 412           | 6,288        |
|                    | <b>44,949</b> | <b>6,288</b> |

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

Amounts owing by subsidiaries are trade and non-trade, unsecured with no fixed terms of repayment and non-interest bearing except for a total amount of RM44,537,000 (2014: Nil) under non-current assets and Nil (2014: RM6,016,000) under current assets which are subject to interest charge ranging from 4.55% to 6.00% (2014: 4.55% to 4.65%) per annum.

|  | Company      |              |
|--|--------------|--------------|
|  | 2015         | 2014         |
|  | RM'000       | RM'000       |
| Impairment in amount owing by a subsidiary |              |              |
| At beginning of year                       | 4,172        | -            |
| Impairment loss                            | -            | 4,172        |
| At end of year                             | <b>4,172</b> | <b>4,172</b> |

In prior year, the above amount owing by a subsidiary was impaired in full as the management was in the opinion that the amount cannot be recovered.

### 20. INVESTMENTS IN ASSOCIATES

|                              | Group          |                | Company      |              |
|------------------------------|----------------|----------------|--------------|--------------|
|                              | 2015           | 2014           | 2015         | 2014         |
|                              | RM'000         | RM'000         | RM'000       | RM'000       |
| Shares at cost               |                |                |              |              |
| In unquoted corporations     | 88,538         | 117,120        | 3,898        | 3,898        |
| Post-acquisition reserves    | 53,853         | 47,621         | -            | -            |
|                              | <b>142,391</b> | <b>164,741</b> | <b>3,898</b> | <b>3,898</b> |
| Amount owing by an associate | 18,583         | 13,854         | -            | -            |
|                              | <b>160,974</b> | <b>178,595</b> | <b>3,898</b> | <b>3,898</b> |

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

The Group does not have any associate which is individually material to the Group as at 30 September 2015 and 30 September 2014.

|   | <b>Group</b>     |               |
|---|------------------|---------------|
|   | <b>2015</b>      | <b>2014</b>   |
|   | <b>RM'000</b>    | <b>RM'000</b> |
| Summary of financial information of associates: |                  |               |
| Non-current assets                              | <b>147,018</b>   | 200,147       |
| Current assets                                  | <b>449,730</b>   | 488,750       |
| Non-current liabilities                         | <b>(28,380)</b>  | (14,735)      |
| Current liabilities                             | <b>(235,477)</b> | (231,902)     |
| Revenue   | <b>561,026</b>   | 905,824       |
| Profit for the year                             | <b>25,919</b>    | 17,479        |

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. INVESTMENTS IN JOINT VENTURES

|                                 | <b>Group</b>    |               |
|---------------------------------|-----------------|---------------|
|                                 | <b>2015</b>     | <b>2014</b>   |
|                                 | <b>RM'000</b>   | <b>RM'000</b> |
| Shares at cost                  |                 |               |
| In unquoted corporations        | <b>17,063</b>   | -             |
| Post-acquisition reserves       | <b>(15,201)</b> | -             |
|                                 | <b>1,862</b>    | -             |
| Amounts owing by joint ventures | <b>179,307</b>  | -             |
|                                 | <b>181,169</b>  | -             |

PT Kreasijaya Adhikarya, a previous sub-subsidiary of the Group, became a joint venture of the Group during the year after the dilution of the Group's shareholdings in this company as disclosed in Note 42.

The Group does not have any joint venture which is individually material to the Group as at 30 September 2015.

|   | <b>Group</b>     |               |
|---|------------------|---------------|
|   | <b>2015</b>      | <b>2014</b>   |
|   | <b>RM'000</b>    | <b>RM'000</b> |
| Summary of financial information of joint ventures: |                  |               |
| Non-current assets                                  | <b>145,752</b>   | -             |
| Current assets                                      | <b>302,024</b>   | -             |
| Non-current liabilities                             | <b>(310,661)</b> | -             |
| Current liabilities                                 | <b>(133,419)</b> | -             |
| Revenue   | <b>689,761</b>   | -             |
| Loss for the year                                   | <b>(28,985)</b>  | -             |

The amount owing by a joint venture is deemed as capital contribution to the joint venture as the repayment of this amount is neither fixed nor expected.

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

Details of the associates are shown in Note 42.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 22. AVAILABLE-FOR-SALE INVESTMENTS

|                                    | Group          |                | Company        |                |
|------------------------------------|----------------|----------------|----------------|----------------|
|                                    | 2015<br>RM'000 | 2014<br>RM'000 | 2015<br>RM'000 | 2014<br>RM'000 |
| Shares at cost                     |                |                |                |                |
| In unquoted corporations           | 47,087         | 15,660         | 13,866         | 13,990         |
| Shares at fair value               |                |                |                |                |
| In Malaysia quoted corporations    | 54,084         | 39,829         | 91             | -              |
| In overseas quoted corporations    | 1,741,545      | 865,634        | 6,930          | 6,592          |
|                                    | 1,795,629      | 905,463        | 7,021          | 6,592          |
|                                    | 1,842,716      | 921,123        | 20,887         | 20,582         |
| Impairment in value of investments |                |                |                |                |
| At beginning of the year           | (4,751)        | (5,532)        | -              | -              |
| Impairment loss                    | (1,396)        | (423)          | -              | -              |
| Reversal of impairment loss        | 310            | 1,204          | -              | -              |
| At end of the year                 | (5,837)        | (4,751)        | -              | -              |
|                                    | 1,836,879      | 916,372        | 20,887         | 20,582         |
| Market value of shares             |                |                |                |                |
| In quoted corporations             | 1,789,792      | 900,712        | 7,021          | 6,592          |

### 23. OTHER RECEIVABLES

Other receivables represent advances to plasma plantation projects.

Plantations subsidiaries in Indonesia have participated in the "Kredit Koperasi Primer untuk Anggotanya" scheme (herein referred to as plasma plantation projects) to provide financing and to assist in the development of oil palm plantations under this scheme for the benefit of the communities in the vicinity of their operations. The advances to plasma plantation projects are subject to interest charge of 8% (2014: 8%) per annum.

### 24. DEFERRED TAXATION

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

|                                   | Liabilities    |                | Assets         |                | Net            |                |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
|                                   | 2015<br>RM'000 | 2014<br>RM'000 | 2015<br>RM'000 | 2014<br>RM'000 | 2015<br>RM'000 | 2014<br>RM'000 |
| <b>Group</b>                      |                |                |                |                |                |                |
| Property, plant and equipment     |                |                |                |                |                |                |
| Capital allowances                | 235,346        | 230,973        | (17,322)       | (16,915)       | 218,024        | 214,058        |
| Revaluation                       | 105,310        | 101,947        | -              | -              | 105,310        | 101,947        |
| Unutilised tax losses             | -              | -              | (110,533)      | (85,491)       | (110,533)      | (85,491)       |
| Unutilised reinvestment allowance | -              | -              | -              | (23)           | -              | (23)           |
| Derivative financial instruments  | -              | 1,949          | (8,531)        | (3,144)        | (8,531)        | (1,195)        |
| Other items                       | 4,583          | 1,122          | (72,283)       | (77,842)       | (67,700)       | (76,720)       |
| Tax liabilities/(assets)          | 345,239        | 335,991        | (208,669)      | (183,415)      | 136,570        | 152,576        |
| Set off of tax                    | (60,173)       | (55,122)       | 60,173         | 55,122         | -              | -              |
| Net tax liabilities/(assets)      | 285,066        | 280,869        | (148,496)      | (128,293)      | 136,570        | 152,576        |

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.



# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

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    |
|---|-------------------------------|-------------|-------------------------------------|-----------------------|-------------------------------|-----------------------------------|----------------------------------|--|----------|
|   | Allowance                     | Revaluation |                                     |                       |                               |                                   |                                  |  |          |
|   | RM'000                        | RM'000      | RM'000                              | RM'000                | RM'000                        | RM'000                            | RM'000                           | RM'000                                 | RM'000   |
| At 1 October 2013                                   | 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  |
| Recognised in profit or loss                        | 773                           | (3,917)     | 3,167                               | (18,769)              | (435)                         | 22                                | (7,190)                          | 2,624                                  | (23,725) |
| Recognised in equity                                | -                             | -           | -                                   | -                     | -                             | -                                 | -                                | (3,111)                                | (3,111)  |
| Addition through business combination               | -                             | 203         | -                                   | -                     | -                             | -                                 | -                                | -                                      | 203      |
| Deemed disposal of a sub-subsidiary                 | 1,473                         | -           | -                                   | 10,039                | -                             | -                                 | -                                | 202                                    | 11,714   |
| Changes in tax rate                                 | (4,650)                       | 631         | -                                   | 311                   | 372                           | 1                                 | (145)                            | 611                                    | (2,869)  |
| Under/(Over)-provision in respect of previous years | (3)                           | -           | (399)                               | (5,812)               | 250                           | -                                 | -                                | 13,388                                 | 7,424    |
| Currency translation differences                    | 6,780                         | 6,446       | 693                                 | (10,811)              | (594)                         | -                                 | (1)                              | (8,155)                                | (5,642)  |
| At 30 September 2015                                | 235,346                       | 105,310     | 4,583                               | (110,533)             | (17,322)                      | -                                 | (8,531)                          | (72,283)                               | 136,570  |

No deferred tax assets/(liabilities) have been recognised for the following items:

|                                  | Group          |                |
|----------------------------------|----------------|----------------|
|                                  | 2015<br>RM'000 | 2014<br>RM'000 |
| Unabsorbed capital allowances    | 171,661        | 85,533         |
| Deductible temporary differences | 6,682          | -              |
| Unutilised tax losses            | 302,640        | 326,239        |
| Property, plant and equipment    | (450,086)      | (376,133)      |
|                                  | 30,897         | 35,639         |

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

The unutilised tax losses of certain sub-subsidiaries amounting to RM239,731,000 (2014: RM282,639,000) do not expire under current tax legislation.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

|   | <b>Group</b>  |               |
|---|---------------|---------------|
|   | <b>2015</b>   | <b>2014</b>   |
|   | <b>RM'000</b> | <b>RM'000</b> |
| Unutilised tax losses of RM62,909,000 (2014: RM43,600,000) will expire as follows under the respective tax legislation of countries in which certain sub-subsidiaries domicile: |               |               |
| Year of expiry  |               |               |
| 2015  | -             | 33,561        |
| 2016  | 29,649        | 9,908         |
| 2017  | 12,837        | -             |
| 2019  | 3,404         | 131           |
| 2020  | 17,019        | -             |
|   | <b>62,909</b> | <b>43,600</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 RM736,348,000 (2014: RM664,312,000) which give rise to the recognised and unrecognised deferred tax assets in respect of unutilised tax losses above, which are subject to agreement by the tax authorities.

### 25. INVENTORIES

|                                  | <b>Group</b>     |                  |
|----------------------------------|------------------|------------------|
|                                  | <b>2015</b>      | <b>2014</b>      |
|                                  | <b>RM'000</b>    | <b>RM'000</b>    |
| At cost                          |                  |                  |
| Inventories of produce           | 983,566          | 881,319          |
| Developed property held for sale | 8,619            | 11,349           |
| Stores and materials             | 520,152          | 426,073          |
|                                  | <b>1,512,337</b> | <b>1,318,741</b> |
| At net realisable value          |                  |                  |
| Inventories of produce           | 134,950          | 130,846          |
| Stores and materials             | 10,189           | 38,906           |
|                                  | <b>1,657,476</b> | <b>1,488,493</b> |

Inventories recognised in cost of sales of the Group were RM11,252,684,000 (2014: RM8,875,828,000).

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 26. TRADE RECEIVABLES

|                                 | <b>Group</b>     |               |
|---------------------------------|------------------|---------------|
|                                 | <b>2015</b>      | <b>2014</b>   |
|                                 | <b>RM'000</b>    | <b>RM'000</b> |
| Trade receivables               | <b>1,809,860</b> | 1,087,950     |
| Allowance for impairment losses | <b>(23,499)</b>  | (9,595)       |
|                                 | <b>1,786,361</b> | 1,078,355     |
| Accrued billings                | <b>13,471</b>    | 3,599         |
|                                 | <b>1,799,832</b> | 1,081,954     |

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

|                             | <b>Gross</b>     | <b>Individual</b> | <b>Collective</b> | <b>Net</b>       |
|-----------------------------|------------------|-------------------|-------------------|------------------|
|                             | <b>RM'000</b>    | <b>Impairment</b> | <b>Impairment</b> | <b>RM'000</b>    |
|                             |                  | <b>RM'000</b>     | <b>RM'000</b>     |                  |
| <b>Group</b>                |                  |                   |                   |                  |
| <b>2015</b>                 |                  |                   |                   |                  |
| Not past due                | <b>1,637,917</b> | -                 | -                 | <b>1,637,917</b> |
| Past due 1 - 30 days        | <b>111,434</b>   | -                 | -                 | <b>111,434</b>   |
| Past due 31 - 60 days       | <b>17,025</b>    | -                 | -                 | <b>17,025</b>    |
| Past due 61 - 90 days       | <b>8,615</b>     | -                 | -                 | <b>8,615</b>     |
| Past due 91 - 120 days      | <b>1,501</b>     | <b>44</b>         | -                 | <b>1,457</b>     |
| Past due more than 120 days | <b>33,368</b>    | <b>23,455</b>     | -                 | <b>9,913</b>     |
|                             | <b>1,809,860</b> | <b>23,499</b>     | -                 | <b>1,786,361</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>1,078,355</b> |

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

|                                  | <b>Group</b>  |               |
|----------------------------------|---------------|---------------|
|                                  | <b>2015</b>   | <b>2014</b>   |
|                                  | <b>RM'000</b> | <b>RM'000</b> |
| At beginning of the year         | <b>9,595</b>  | 11,543        |
| Impairment losses                | <b>9,339</b>  | 1,978         |
| Reversal of impairment losses    | -             | (756)         |
| Impairment losses written off    | <b>(101)</b>  | (1,946)       |
| Disposal of a sub-subsidiary     | -             | (643)         |
| Currency translation differences | <b>4,666</b>  | (581)         |
| At end of the year               | <b>23,499</b> | 9,595         |

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

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

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that the recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

The Group's normal trade credit term ranges from 7 to 120 (2014: 7 to 120) days. Other credit terms are assessed and approved on a case-by-case basis.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 27. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2015<br>RM'000 | 2014<br>RM'000 | 2015<br>RM'000 | 2014<br>RM'000 |
| Other receivables   | 296,009        | 302,042        | 14,613         | 1              |
| Indirect tax receivables  | 217,789        | 125,775        | -              | -              |
| Advance payment for purchase of assets<br>in Emery (Note 46(a)) | 199,236        | -              | -              | -              |
| Prepayments   | 139,675        | 86,923         | -              | -              |
| Deposit for acquisition of land for property<br>development     | 87,120         | 87,120         | -              | -              |
| Refundable deposits   | 23,437         | 21,979         | 8              | 8              |
|   | <b>963,266</b> | <b>623,929</b> | <b>14,621</b>  | <b>9</b>       |

Included in the Company's other receivables is an amount of RM14,186,000 (2014: Nil) relating to share application monies that is yet to be allotted by its subsidiaries.

### 28. PROPERTY DEVELOPMENT COSTS

|   | Group          |                |
|---|----------------|----------------|
|   | 2015<br>RM'000 | 2014<br>RM'000 |
| Property development costs comprise:              |                |                |
| Land costs  | 11,083         | 3,845          |
| Development costs                                 | 59,069         | 36,967         |
|   | <b>70,152</b>  | <b>40,812</b>  |
| Costs incurred during the year                    |                |                |
| Development costs                                 | 64,433         | 84,598         |
|   | <b>134,585</b> | <b>125,410</b> |
| Costs recognised as an expense in profit or loss: |                |                |
| Previous years                                    | (15,836)       | -              |
| Current year                                      | (58,785)       | (60,409)       |
| Transfer to inventories                           | -              | (10,685)       |
|   | <b>59,964</b>  | <b>54,316</b>  |

### 29. DERIVATIVE FINANCIAL INSTRUMENTS

The Group classifies derivative financial instruments as financial assets or liabilities at fair value through profit or loss.

|  | Contract/Notional<br>Amount<br>Net long/(short)<br>RM'000 | Assets<br>RM'000 | Liabilities<br>RM'000 |
|--|---|------------------|-----------------------|
| <b>Group</b>                           |   |                  |                       |
| <b>2015</b>                            |   |                  |                       |
| Forward foreign exchange contracts     | (872,347)   | 3,105            | (134,891)             |
| Commodities future contracts           | 4,221   | 312,720          | (221,588)             |
| Total derivative financial instruments |   | <b>315,825</b>   | <b>(356,479)</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 |   | <b>76,585</b>    | <b>(87,226)</b>       |

The forward foreign exchange contracts are entered into by the Group as hedges for committed sales and purchases denominated in foreign currencies. The hedging of the foreign currencies is to minimise the exposure of the Group to fluctuations in foreign currencies on receipts and payments.

The commodity future contracts are entered into with the objective of managing and hedging the Group's exposure to the adverse price movements in the vegetable oil commodities.

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

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 30. CASH AND CASH EQUIVALENTS

|                              | Group            |                  | Company        |                |
|------------------------------|------------------|------------------|----------------|----------------|
|                              | 2015<br>RM'000   | 2014<br>RM'000   | 2015<br>RM'000 | 2014<br>RM'000 |
| Deposits with licensed banks | 829,159          | 673,450          | 407            | 390            |
| Short term funds             | 1,408,926        | 872,778          | 245,244        | 337,315        |
| Cash and bank balances       | 458,521          | 354,247          | 156,384        | 125,790        |
|                              | <b>2,696,606</b> | <b>1,900,475</b> | <b>402,035</b> | <b>463,495</b> |

#### Short term funds comprise:

|  |           |         |         |         |
|--|-----------|---------|---------|---------|
| Investment in fixed income trust funds in Malaysia |           |         |         |         |
| At fair value through profit or loss               | 1,408,926 | 872,778 | 245,244 | 337,315 |

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 RM13,415,000 (2014: RM37,536,000) held under Housing Development Account. The utilisation of this fund is subject to the Housing Developers (Housing Development Account) (Amendment) Regulations 2002.

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

|                              | Group          |                 | Company        |                |
|------------------------------|----------------|-----------------|----------------|----------------|
|                              | 2015           | 2014            | 2015           | 2014           |
| Deposits with licensed banks | 0.01% to 9.25% | 0.01% to 10.75% | 3.40%          | 3.15%          |
| Short term funds             | 3.62% to 3.92% | 3.20% to 3.80%  | 3.67% to 3.77% | 3.42% to 3.58% |

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

|                              | Group            |                  | Company        |                |
|------------------------------|------------------|------------------|----------------|----------------|
|                              | 2015<br>RM'000   | 2014<br>RM'000   | 2015<br>RM'000 | 2014<br>RM'000 |
| Within one year              |                  |                  |                |                |
| Deposits with licensed banks | 829,159          | 673,450          | 407            | 390            |
| Short term funds             | 1,408,926        | 872,778          | 245,244        | 337,315        |
|                              | <b>2,238,085</b> | <b>1,546,228</b> | <b>245,651</b> | <b>337,705</b> |

Deposit with a licensed bank of RM17,329,000 (2014: RM16,293,000) has been pledged for a banking facility granted to an outside party for the purpose of the "Kredit Koperasi Primer untuk Anggotanya" scheme in Indonesia.

### 31. SHARE CAPITAL

|                               | Group and Company                   |                |                                     |                |
|-------------------------------|-------------------------------------|----------------|-------------------------------------|----------------|
|                               | 2015<br>Number of<br>Shares<br>'000 | 2015<br>RM'000 | 2014<br>Number of<br>Shares<br>'000 | 2014<br>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               | 29,606                              | 382,208        | 26,746                              | 330,723        |

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 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 16 February 2015. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the buy back plan can be applied in the best interests of the Company and its shareholders.

During the year, the Company bought back a total of 2,859,531 of its issued shares from the open market for a total cost of RM51,485,028. The average price paid for the shares bought back was RM17.94 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, 29,605,731 (2014: 26,746,200) are held as treasury shares by the Company as at 30 September 2015. As at this date, the number of outstanding shares issued and fully-paid, after deducting treasury shares held is 406,345,269 (2014: 409,204,800) shares of RM1 each.

## 32. RESERVES

|                              | Group     |           | Company |         |
|------------------------------|-----------|-----------|---------|---------|
|                              | 2015      | 2014      | 2015    | 2014    |
|                              | RM'000    | RM'000    | RM'000  | RM'000  |
| Non-distributable            |           |           |         |         |
| Capital reserve              | 331,743   | 331,743   | -       | -       |
| Revaluation reserve          | 4,810     | 4,810     | 16      | 16      |
| Exchange fluctuation reserve | 233,463   | (195,851) | -       | -       |
| Capital redemption reserve   | 27,743    | 27,682    | -       | -       |
| Fair value reserve           | 633,402   | 325,003   | 1,544   | 1,219   |
|                              | 1,231,161 | 493,387   | 1,560   | 1,235   |
| Distributable                |           |           |         |         |
| Capital reserve              | 489,989   | 488,233   | 32,555  | 32,555  |
| General reserve              | 7,035     | 7,035     | 6,739   | 6,739   |
| Retained earnings            | 3,826,264 | 3,543,118 | 625,935 | 579,751 |
|                              | 4,323,288 | 4,038,386 | 665,229 | 619,045 |
|                              | 5,554,449 | 4,531,773 | 666,789 | 620,280 |

### Capital and general reserve

Non-distributable capital reserve mainly comprises post-acquisition reserve capitalised by subsidiaries for their bonus issues. Distributable capital reserve and general reserve comprise surpluses arising from disposals of quoted investments, properties and government acquisitions of land.

### Revaluation reserve

The Group's and Company's revaluation reserve arose from revaluation of properties and the fair value adjustments on acquisition of a sub-subsidiary, relating to previously held interest.

### Exchange fluctuation reserve

The exchange fluctuation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

### Fair value reserve

Fair value reserve comprises the cumulative net change in the fair value of available-for-sale investments until the investments are derecognised or impaired.

### Retained earnings

Of the Company's retained earnings at year end, RM382,208,393 was utilised for the purchase of the treasury shares and is considered as non-distributable. Details of treasury shares are disclosed in Note 31.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 33. DEFERRED INCOME

|                                       | Group          |                |
|---------------------------------------|----------------|----------------|
|                                       | 2015<br>RM'000 | 2014<br>RM'000 |
| <b>Government grants</b>              |                |                |
| At cost                               |                |                |
| At beginning of the year              | 109,362        | 80,107         |
| Received during the year              | 17,121         | 29,361         |
| Addition through business combination | -              | 3,059          |
| Refund during the year                | -              | (3,134)        |
| Currency translation differences      | 6,118          | (31)           |
| At end of the year                    | 132,601        | 109,362        |
| Accumulated amortisation              |                |                |
| At beginning of the year              | 2,910          | 1,132          |
| Amortisation charge                   | 5,522          | 1,779          |
| Currency translation differences      | 4,287          | (1)            |
| At end of the year                    | 12,719         | 2,910          |
| <b>Carrying amounts</b>               | <b>119,882</b> | <b>106,452</b> |
| Deferred income is disclosed under:   |                |                |
| Non-current liabilities               | 113,154        | 101,495        |
| Current liabilities                   | 6,728          | 4,957          |
|                                       | <b>119,882</b> | <b>106,452</b> |

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 ended 30 September 2014, 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.

### 34. PROVISION FOR RETIREMENT BENEFITS

|                                     | Group          |                | Company        |                |
|-------------------------------------|----------------|----------------|----------------|----------------|
|                                     | 2015<br>RM'000 | 2014<br>RM'000 | 2015<br>RM'000 | 2014<br>RM'000 |
| Present value of funded obligations | 234,374        | 154,791        | -              | -              |
| Fair value of plan assets           | (210,706)      | (145,171)      | -              | -              |
|                                     | 23,668         | 9,620          | -              | -              |
| Unfunded obligations                | 339,411        | 277,418        | 42             | 30             |
| Present value of net obligations    | 363,079        | 287,038        | 42             | 30             |

#### 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 or 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 or 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 are 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 2015.



# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

- (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 2015 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 2015. The plan assets are stated at their market value as at 30 September 2015.

The defined benefit plans expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

These defined benefit plans are fully funded by the Group.

The Group expects RM20,393,000 in contributions to be paid to the defined benefit plans in the next financial year.

| <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 2013                                  | 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 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)                                      |
| <b>At 30 September 2014</b>                        | <b>154,791</b>                                    | <b>277,418</b>                     | <b>(145,171)</b>                        | <b>287,038</b>                                |
| <b>Included in profit or loss</b>                  |   |                                    |   |   |
| Service cost                                       | 6,575   | 28,562                             | -                                       | 35,137  |
| Overprovision                                      | -   | (285)                              | -                                       | (285)   |
| Past service cost                                  | (5,506)   | -                                  | -                                       | (5,506)                                       |
| Interest cost/(income)                             | 2,889   | 258                                | (2,716)                                 | 431   |
|  | 3,958   | 28,535                             | (2,716)                                 | 29,777  |
| <b>Included in other comprehensive income</b>      |   |                                    |   |   |
| Remeasurement loss                                 |   |                                    |   |   |
| Actuarial loss from:                               |   |                                    |   |   |
| - Financial assumptions                            | 11,804  | 3,731                              | -                                       | 15,535  |
| - Experience assumptions                           | 2,351   | 585                                | -                                       | 2,936   |
| Return on plan assets excluding interest income    | -   | -                                  | 631                                     | 631   |
|  | 14,155  | 4,316                              | 631                                     | 19,102  |
| <b>Other</b>                                       |   |                                    |   |   |
| Contribution paid by employer                      | -   | (17,314)                           | (7,850)                                 | (25,164)                                      |
| Employee contributions                             | 5,592   | -                                  | (5,592)                                 | -   |
| Benefits paid                                      | 3,701   | -                                  | (3,701)                                 | -   |
| Deemed disposal of a sub-subsidiary                | -   | (206)                              | -                                       | (206)   |
| Currency translation differences                   | 52,177  | 46,662                             | (46,307)                                | 52,532  |
| <b>At 30 September 2015</b>                        | <b>234,374</b>                                    | <b>339,411</b>                     | <b>(210,706)</b>                        | <b>363,079</b>                                |

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

On 1 January 2015, new regulations became effective in Switzerland which mainly enacted reduction of the conversion rates and increase of the annual savings contributions for the defined benefit plan in Switzerland. A past service credit was recognised in the profit or loss.

The amount of remeasurement loss of RM15,991,000 (2014: loss RM19,969,000) recognised in other comprehensive income is net of deferred tax of RM3,111,000 (2014: RM8,314,000) (Note 24).

|   | <b>Group</b>   |               |
|---|----------------|---------------|
|   | <b>2015</b>    | <b>2014</b>   |
|   | <b>RM'000</b>  | <b>RM'000</b> |
| <b>Plan assets</b>                                  |                |               |
| Plan assets comprise:                               |                |               |
| Equity funds quoted in Switzerland                  | <b>60,416</b>  | 42,409        |
| Equity funds quoted in the United States of America | <b>7,981</b>   | 6,239         |
| Bond funds quoted in Switzerland                    | <b>99,032</b>  | 66,548        |
| Real estate funds quoted in Switzerland             | <b>36,146</b>  | 25,344        |
| Cash and cash equivalents                           | <b>4,411</b>   | 4,057         |
| Other assets  | <b>2,720</b>   | 574           |
|   | <b>210,706</b> | 145,171       |

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 would be sufficient to meet future liabilities.

|  | <b>Company</b> |               |
|--|----------------|---------------|
|  | <b>2015</b>    | <b>2014</b>   |
|  | <b>RM'000</b>  | <b>RM'000</b> |
| <b>Unfunded obligations</b>                          |                |               |
| Movement in the unfunded defined benefit obligations |                |               |
| At beginning of the year                             | <b>30</b>      | 22            |
| Expense recognised in profit or loss                 | <b>12</b>      | 8             |
| At end of the year                                   | <b>42</b>      | 30            |
| Expense recognised in profit or loss                 |                |               |
| Current service cost                                 | <b>3</b>       | 2             |
| Interest cost  | <b>2</b>       | 1             |
| Underprovision                                       | <b>7</b>       | 5             |
|  | <b>12</b>      | 8             |

|  | <b>Group</b>      |             |
|--|-------------------|-------------|
|  | <b>2015</b>       | <b>2014</b> |
|  | <b>%</b>          | <b>%</b>    |
| <b>Actuarial Assumptions</b>   |                   |             |
| Principal actuarial assumptions of the funded plan operated by the sub-subsidiary in Switzerland (expressed as weighted averages): |                   |             |
| Discount rates   | <b>1.0</b>        | 1.6         |
| Future salary increases  | <b>1.5</b>        | 1.5         |
| Principal assumptions of the unfunded plan used by plantations subsidiaries in Indonesia:  |                   |             |
| Discount rate  | <b>5.4 to 9.0</b> | 4.6 to 9.0  |
| Future salary increases  | <b>4.0 to 7.0</b> | 3.0 to 6.5  |
| Principal actuarial assumptions of the unfunded plan operated by the sub-subsidiary in Germany:                                    |                   |             |
| Discount rate  | <b>2.2</b>        | 2.3         |
| Future salary increase   | <b>2.5</b>        | 2.8         |
| Future pension increase  | <b>1.8</b>        | 2.0         |

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

As at end of the reporting period, the weighted average duration of the funded defined benefit obligation was 15.4 years (2014: 14.9 years).

### Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

|                                       | Group<br>Defined Benefit Obligation |                    |
|---------------------------------------|-------------------------------------|--------------------|
|                                       | Increase<br>RM'000                  | Decrease<br>RM'000 |
| <b>2015</b>                           |                                     |                    |
| Discount rate (0.25% movement)        | (16,271)                            | 17,524             |
| Future salary growth (0.25% movement) | 2,932                               | (2,847)            |
| Life expectancy (1 year movement)     | 18,027                              | (18,085)           |
| <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)     | 2,838                               | (2,886)            |

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

### 35. BORROWINGS

|                           | Group          |                | Company        |                |
|---------------------------|----------------|----------------|----------------|----------------|
|                           | 2015<br>RM'000 | 2014<br>RM'000 | 2015<br>RM'000 | 2014<br>RM'000 |
| <b>Non-Current</b>        |                |                |                |                |
| Secured                   |                |                |                |                |
| Term loan                 | 1,286          | 1,944          | -              | -              |
| Unsecured                 |                |                |                |                |
| Term loans                | 279,935        | 514,299        | -              | -              |
| Islamic medium term notes | 2,900,000      | 1,800,000      | 500,000        | 500,000        |
|                           | 3,179,935      | 2,314,299      | 500,000        | 500,000        |
|                           | 3,181,221      | 2,316,243      | 500,000        | 500,000        |
| <b>Current</b>            |                |                |                |                |
| Secured                   |                |                |                |                |
| Term loan                 | 1,001          | 808            | -              | -              |
| Unsecured                 |                |                |                |                |
| Bank overdrafts           | 27,168         | 30,923         | -              | -              |
| Term loans                | 186,623        | 39,118         | -              | -              |
| Export credit refinancing | 135,920        | 63,744         | -              | -              |
| Bankers' acceptance       | 556,817        | 285,819        | -              | -              |
| Revolving credit          | 193,918        | 341,377        | -              | -              |
| Trade financing           | 813,493        | 332,384        | -              | -              |
|                           | 1,913,939      | 1,093,365      | -              | -              |
|                           | 1,914,940      | 1,094,173      | -              | -              |
| Total borrowings          | 5,096,161      | 3,410,416      | 500,000        | 500,000        |

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

- (a) During the financial year ended 30 September 2013, the Company had issued RM500 million 10 years Sukuk Musharakah Islamic Medium Term Notes ("IMTN") under the RM500 million Islamic Medium Term Notes Programme ("Programme") at a periodic distribution rate of 4.05% per annum.

Salient features of the Programme are as follows:

- Total outstanding nominal value of the IMTN (collectively known as "Notes") shall not exceed RM500 million.
  - The tenure of the Programme is up to 10 years from the date of the first issuance of any Notes under this Programme.
  - The IMTN has a maturity of more than 1 year and up to 10 years and on condition that the maturity dates of the IMTN do not exceed the tenure of the Programme. The IMTN may be non-profit bearing or bear profit at a rate determined at the point of issuance. The profit is payable semi-annually in arrears from the date of issuance of the IMTN with the last periodic distribution to be made on the maturity date.
  - Debt-to-equity ratio of the Group shall be maintained at not more than one time throughout the tenure of the Programme.
- (b) During the financial year ended 30 September 2012, a subsidiary had issued RM300 million 5 years Sukuk Ijarah Islamic Medium Term Notes under the RM300 million Sukuk Ijarah Islamic Commercial Paper ("ICP") and Medium Term Notes ("IMTN") Programme ("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.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

- (d) During the financial year ended 30 September 2015, a subsidiary had issued RM1.1 billion 10 years Ringgit Sukuk Ijarah Islamic Medium Term Notes under the RM1.6 billion Multi-Currency Sukuk Ijarah and/or Wakalah Islamic Medium Term Notes Programme ("3<sup>rd</sup> Programme") at par with a profit of 4.58% per annum.

The balance of the 3<sup>rd</sup> Programme of RM500 million may be issued during the tenure of the 3<sup>rd</sup> Programme.

Salient features of the 3<sup>rd</sup> Programme are as follows:

- The 3<sup>rd</sup> Programme shall comprise Ringgit denominated Islamic medium term notes ("Ringgit Sukuk") and non-Ringgit denominated Islamic medium term notes ("Non-Ringgit Sukuk") issuances.
  - The aggregate outstanding nominal value of the Ringgit Sukuk and Non-Ringgit Sukuk issued under the 3<sup>rd</sup> Programme shall not exceed RM1.6 billion (or its equivalent in foreign currencies).
  - The tenure of the 3<sup>rd</sup> Programme shall be more than 1 year and up to 12 years from the date of the first issuance of the programme.
  - The Ringgit Sukuk/Non-Ringgit Sukuk under the 3<sup>rd</sup> Programme may be issued under the Shariah principle(s) of Ijarah and/or Wakalah Bi Al-Istithmar.
  - The expected periodic distribution rate (under the principle of Wakalah Bi Al-Istithmar) or periodic distribution rate (under the principle of Ijarah) (if any) shall be determined at the point of issuance. For the Ringgit Sukuk/Non-Ringgit Sukuk with periodic distributions, the profit is payable semi-annually in arrears from the date of issuance of the Ringgit Sukuk/Non-Ringgit Sukuk with the last periodic distribution to be made on the relevant maturity dates.
  - Debt-to-equity ratio of the subsidiary (group results) shall be maintained at not more than one time throughout the tenure of the 3<sup>rd</sup> Programme.
- (e) The secured term loan of the Group is secured by way of a fixed charge on the property, plant and equipment of an overseas sub-subsidiary with the carrying amount of RM94,599,000 (2014: RM83,723,000) as at 30 September 2015.
- (f) Certain unsecured term loans and bank overdrafts are supported by corporate guarantees of RM682.6 million (2014: RM622.9 million) issued by a subsidiary. The bank overdraft facilities are renewable annually.
- (g) The interest rates per annum applicable to borrowings for the year were as follows:

|                           | Group          |                | Company |       |
|---------------------------|----------------|----------------|---------|-------|
|                           | 2015           | 2014           | 2015    | 2014  |
| Bank overdrafts           | 0.60% to 1.94% | 0.71% to 6.50% | -       | -     |
| Term loans                | 1.12% to 4.65% | 1.24% to 5.11% | -       | -     |
| Trade financing           | 0.63% to 1.02% | 0.55% to 0.99% | -       | -     |
| Export credit refinancing | 3.60% to 3.80% | 3.35% to 3.72% | -       | -     |
| Bankers' acceptance       | 3.37% to 4.59% | 3.29% to 4.46% | -       | -     |
| Revolving credit          | 1.00% to 2.55% | 1.05% to 6.60% | -       | -     |
| Islamic medium term notes | 3.88% to 4.58% | 3.88% to 4.05% | 4.05%   | 4.05% |

An amount of RM1,474,500,000 (2014: RM878,299,000) of the Group's borrowings consists of floating rate borrowings which interest rates reprice within a year.

The Company did not have any floating rate borrowings as at end of both the financial years.

### 36. TRADE PAYABLES

|                   | Group          |                |
|-------------------|----------------|----------------|
|                   | 2015<br>RM'000 | 2014<br>RM'000 |
| Trade payables    | 723,565        | 396,718        |
| Progress billings | 80             | 20,447         |
|                   | <b>723,645</b> | <b>417,165</b> |

The normal trade credit terms granted to the Group ranged from 7 to 90 (2014: 7 to 90) days.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 37. OTHER PAYABLES

|                      | Group          |                | Company        |                |
|----------------------|----------------|----------------|----------------|----------------|
|                      | 2015<br>RM'000 | 2014<br>RM'000 | 2015<br>RM'000 | 2014<br>RM'000 |
| Other payables       | 462,048        | 418,255        | -              | -              |
| Accruals             | 233,493        | 208,875        | 9,786          | 9,473          |
| Deposit received     | 1,570          | 591            | -              | -              |
| Indirect tax payable | 48,745         | 11,564         | -              | -              |
|                      | <u>745,856</u> | <u>639,285</u> | <u>9,786</u>   | <u>9,473</u>   |

Included under other payables of the Group is an amount of RM87,120,000 (2014: RM87,120,000) being deposit received from an associate for the purchase of land from a subsidiary.

### 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        |                |
|-------------------------------------|----------------|----------------|
|                                     | 2015<br>RM'000 | 2014<br>RM'000 |
| Rental paid to a subsidiary         | 96             | 96             |
| Interest received from subsidiaries | <u>973</u>     | <u>258</u>     |

(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          |                |
|--|----------------|----------------|
|  | 2015<br>RM'000 | 2014<br>RM'000 |
| (i) Transactions with associates   |                |                |
| Processing fee earned  | 734            | 1,079          |
| Sales of finished goods  | 8,047          | 7,858          |
| Sales of electricity   | 1,196          | 1,097          |
| Purchase of goods  | 3,563          | 6,189          |
| Service charges paid   | 3,350          | 3,778          |
| Research and development services paid   | <u>11,254</u>  | <u>10,982</u>  |
| (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  | 244,406        | 226,988        |
| Taiko Marketing (S) Pte Ltd  | 4,566          | 7,864          |
| Chlor-Al Chemical Pte Ltd  | 20,811         | 23,337         |
| Premier Bleaching Earth Sdn Bhd  | 37             | 3,519          |
| Siam Taiko Marketing Co Ltd  | 2,149          | 2,175          |
| Freight income earned  |                |                |
| Taiko Marketing Sdn Bhd  | 1,554          | 495            |
| Chlor-Al Chemical Pte Ltd  | 1,245          | 1,946          |
| Storage tanks rental received  |                |                |
| Taiko Marketing Sdn Bhd  | <u>2,826</u>   | <u>2,904</u>   |

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

|  | Group   |         |
|--|---------|---------|
|  | 2015    | 2014    |
|  | RM'000  | RM'000  |
| Purchase of goods  |         |         |
| Taiko Marketing Sdn Bhd  | 36,703  | 30,847  |
| Taiko Marketing (S) Pte Ltd  | 21,745  | 27,653  |
| Taiko Acid Works Sdn Bhd   | 250     | 4,232   |
| Borneo Taiko Clay Sdn Bhd  | 4,228   | 4,313   |
| Bukit Katho Estate Sdn Bhd   | 3,061   | 3,789   |
| Kampar Rubber & Tin Co Sdn Bhd                                       | 8,617   | 10,240  |
| Kekal & Deras Sdn Bhd  | 1,335   | 1,689   |
| Ladang Tai Tak (Kota Tinggi) Sdn Bhd                                 | 2,709   | -       |
| Malay-Rubber Plantations (M) Sdn Bhd                                 | 6,382   | 8,204   |
| PT Agro Makmur Abadi   | 69,984  | 68,333  |
| PT Safari Riau   | 31,670  | 29,299  |
| PT Taiko Persada Indoprma  | 4,554   | 18,509  |
| Taiko Clay Marketing Sdn Bhd   | 1,915   | 1,645   |
| Taiko Drum Industries Sdn Bhd  | 2,775   | 2,925   |
| Taiko Fertiliser Marketing Sdn Bhd                                   | 5,728   | 26,881  |
| Yayasan Perak-Wan Yuen Sdn Bhd                                       | 458     | 685     |
| Management fees paid   |         |         |
| Farming Management Services Pty Ltd                                  | 1,597   | 1,291   |
| Aircraft operating expenses and management services paid             |         |         |
| Smooth Route Sdn Bhd   | 1,508   | 1,214   |
| Supply of contract labours and engineering works                     |         |         |
| K7 Engineering Sdn Bhd   | 3,146   | 2,462   |
| Sales commissions charged by   |         |         |
| Taiko Marketing Sdn Bhd  | 3,929   | 7,826   |
| <hr/>  |         |         |
| (ii) Transactions between subsidiaries and non-controlling interests |         |         |
| Sales of goods   |         |         |
| Mitsubishi Corporation   | 86,846  | 73,253  |
| Mitsui & Co Ltd  | 224,549 | 127,770 |
| Tejana Trading & Management Services Sdn Bhd                         | 2,344   | 4,326   |
| <hr/>  |         |         |

### 39. CAPITAL COMMITMENTS

|  | Group     |           |
|--|-----------|-----------|
|  | 2015      | 2014      |
|  | RM'000    | RM'000    |
| Capital expenditure  |           |           |
| Approved and contracted  | 195,474   | 266,052   |
| Approved but not contracted                                      | 947,260   | 936,917   |
|  | <hr/>     | <hr/>     |
|  | 1,142,734 | 1,202,969 |
| Acquisition of shares in a sub-subsidiary                        |           |           |
| Approved and contracted  | 1,268     | 1,133     |
|  | <hr/>     | <hr/>     |
| Acquisition of land for property development in a sub-subsidiary |           |           |
| Approved and contracted  | 784,080   | 784,080   |
|  | <hr/>     | <hr/>     |



# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 40. LEASE COMMITMENTS

|  | Group          |                |
|--|----------------|----------------|
|  | 2015           | 2014           |
|  | RM'000         | RM'000         |
| <b>Lease as a lessee</b>   |                |                |
| Total future minimum lease payments under non-cancellable operating leases are as follows:   |                |                |
| Less than 1 year   | 9,830          | 5,884          |
| Between 1 and 5 years  | 54,779         | 41,200         |
| More than 5 years  | 131,734        | 107,874        |
|  | <b>196,343</b> | <b>154,958</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   | 4,592          | 5,748          |
| Between 1 and 5 years  | 4,528          | 4,033          |
|  | <b>9,120</b>   | <b>9,781</b>   |

### 41. CONTINGENT LIABILITIES – UNSECURED

- (a) A subsidiary has an unsecured contingent liability of RM682.6 million (2014: RM622.9 million) in respect of corporate guarantees given to certain banks for credit facilities utilised by certain of its subsidiaries at 30 September 2015.
- (b) The Company and a subsidiary have undertaken to provide financial support to certain subsidiaries and sub-subsidiaries to enable them to continue to operate as going concerns.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 42. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

| Subsidiaries  | Country Of Incorporation | Principal Country Of Operation | Percentage of Equity Held |      | Principal Activities                    |
|---|--------------------------|--------------------------------|---------------------------|------|---|
|   |                          |                                | 2015                      | 2014 |   |
| <b>Held by the Company:</b>                             |                          |                                |                           |      |   |
| <b>MANUFACTURING</b>                                    |                          |                                |                           |      |   |
| <b>CHEMICALS</b>  |                          |                                |                           |      |   |
| See Sen Chemical Berhad †                               | Malaysia                 | Malaysia                       | 61                        | 61   | Manufacturing of chemicals              |
| Malay-Sino Chemical Industries Sendirian Berhad †       | Malaysia                 | Malaysia                       | 86                        | 86   | Manufacturing of chemicals              |
| <b>INVESTMENT HOLDING</b>                               |                          |                                |                           |      |   |
| Batu Kawan Holdings Sdn Bhd †                           | Malaysia                 | Malaysia                       | 100                       | 100  | Investment holding                      |
| Caruso Enterprises Sdn Bhd †                            | Malaysia                 | Malaysia                       | 100                       | 100  | Dormant                                 |
| Whitmore Holdings Sdn Bhd †                             | Malaysia                 | Malaysia                       | 100                       | 100  | Investment holding                      |
| Enternal Edge Sdn Bhd †                                 | Malaysia                 | Malaysia                       | 100                       | 100  | Investment holding                      |
| BKB Overseas Investments Ltd ††                         | British Virgin Islands   | British Virgin Islands         | 100                       | 100  | Investment holding                      |
| Synergy Motion Sdn Bhd †                                | Malaysia                 | Malaysia                       | 100                       | 100  | Investment holding                      |
| Caruso Ventures Pte Ltd †                               | Singapore                | Singapore                      | 100                       | -    | Investment holding                      |
| <b>PLANTATIONS</b>                                      |                          |                                |                           |      |   |
| <b>PENINSULAR MALAYSIA</b>                              |                          |                                |                           |      |   |
| Kuala Lumpur Kepong Berhad                              | Malaysia                 | Malaysia                       | 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  | Manufacture and sale of methyl chloride |
| Circular Agency Sdn Bhd †                               | Malaysia                 | Malaysia                       | 100                       | 100  | General transportation services         |
| North-South Transport Sdn Bhd †                         | Malaysia                 | Malaysia                       | 100                       | 100  | General transportation services         |
| Malay-Sino Properties Sdn Bhd †                         | Malaysia                 | Malaysia                       | 100                       | 100  | Letting of storage warehouse facilities |
| Malay-Sino Chemical Holdings Berhad †                   | Malaysia                 | Malaysia                       | 100                       | 100  | Dormant                                 |
| <b>See Sen Chemical Berhad:</b>                         |                          |                                |                           |      |   |
| <b>MANUFACTURING</b>                                    |                          |                                |                           |      |   |
| <b>CHEMICALS</b>  |                          |                                |                           |      |   |
| See Sen Bulking Installation Sdn Bhd †                  | Malaysia                 | Malaysia                       | 100                       | 100  | Dormant                                 |
| <b>Whitmore Holdings Sdn Bhd:</b>                       |                          |                                |                           |      |   |
| <b>PLANTATIONS</b>                                      |                          |                                |                           |      |   |
| <b>INDONESIA</b>  |                          |                                |                           |      |   |
| P.T. Satu Sembilan Delapan †                            | Indonesia                | Indonesia                      | 92                        | 92   | Plantation                              |
| P.T. Tekukur Indah †                                    | Indonesia                | Indonesia                      | 90                        | -    | Plantation                              |
| <b>Caruso Ventures Pte Ltd:</b>                         |                          |                                |                           |      |   |
| <b>INVESTMENT HOLDING</b>                               |                          |                                |                           |      |   |
| Caruso Australia Ventures Pty Ltd ††                    | Australia                | Australia                      | 100                       | -    | Investment holding                      |
| Caruso Epping Pty Ltd ††                                | Australia                | Australia                      | 100                       | -    | Trustee company                         |
| Caruso Epping Unit Trust ††                             | Australia                | Australia                      | 100                       | -    | Joint venture for 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                          |
|---|--------------------------|--------------------------------|---------------------------|------|---|
|   |                          |                                | 2015                      | 2014 |   |
| <b>INVESTMENT HOLDING</b>   |                          |                                |                           |      |   |
| Causo Greenvale Pty Ltd ††  | Australia                | Australia                      | 100                       | -    | Trustee company                               |
| Caruso Greenvale Unit Trust ††  | Australia                | Australia                      | 100                       | -    | Joint venture for property development        |
| <b>Kuala Lumpur Kepong Berhad:</b>  |                          |                                |                           |      |   |
| <b>PLANTATIONS</b>  |                          |                                |                           |      |   |
| <b>PENINSULAR MALAYSIA</b>  |                          |                                |                           |      |   |
| Uni-Agro Multi Plantations Sdn Bhd  | Malaysia                 | Malaysia                       | 51                        | 51   | Plantation                                    |
| Betatechnic Sdn Bhd   | Malaysia                 | Malaysia                       | 100                       | 100  | Operations of biogas capture plants           |
| Gunong Pertanian Sdn Bhd  | Malaysia                 | Malaysia                       | 100                       | 100  | Extraction of crude palm oil                  |
| KL-Kepong Edible Oils Sdn Bhd   | Malaysia                 | Malaysia                       | 100                       | 100  | Refining of palm products                     |
| Rubber Fibreboards Sdn Bhd  | Malaysia                 | Malaysia                       | 100                       | 100  | Manufacturing of fibre mat                    |
| Taiko Plantations Sdn Bhd †   | Malaysia                 | Malaysia                       | 100                       | 100  | Management of plantations                     |
| Golden Complex Sdn Bhd  | Malaysia                 | Malaysia                       | 100                       | 100  | Investment holding                            |
| Jasachem Sdn Bhd  | Malaysia                 | Malaysia                       | 100                       | 100  | Investment holding                            |
| KL-Kepong Plantation Holdings Sdn Bhd   | Malaysia                 | Malaysia                       | 100                       | 100  | Investment holding                            |
| Kulumpang Development Corporation Sdn Bhd (In Members' Voluntary Liquidation) | Malaysia                 | Malaysia                       | 100                       | 100  | Dormant                                       |
| <b>SABAH</b>  |                          |                                |                           |      |   |
| Bornion Estate Sdn Bhd  | Malaysia                 | Malaysia                       | 63                        | 63   | Plantation                                    |
| KL-Kepong (Sabah) Sdn Bhd   | Malaysia                 | Malaysia                       | 100                       | 100  | Plantation                                    |
| Sabah Cocoa Sdn Bhd   | Malaysia                 | Malaysia                       | 100                       | 100  | Plantation                                    |
| KLK Premier Oils Sdn Bhd  | Malaysia                 | Malaysia                       | 85                        | 85   | Refining of palm products and kernel crushing |
| Golden Yield Sdn Bhd  | Malaysia                 | Malaysia                       | 85                        | 85   | Processing and marketing of oil palm products |
| Sabah Holdings Corporation Sdn Bhd  | Malaysia                 | Malaysia                       | 70                        | 70   | Investment holding                            |
| Fajar Palmkel Sdn Bhd   | Malaysia                 | Malaysia                       | 100                       | 100  | Dormant                                       |
| Golden Sphere Sdn Bhd (In Members' Voluntary Liquidation)                     | Malaysia                 | Malaysia                       | 100                       | 100  | Liquidated                                    |
| <b>INDONESIA</b>  |                          |                                |                           |      |   |
| P.T. ADEI Plantation & Industry †   | Indonesia                | Indonesia                      | 95                        | 95   | Plantation                                    |
| P.T. Alam Karya Sejahtera AKS †   | Indonesia                | Indonesia                      | 62                        | 62   | Plantation                                    |
| P.T. Anugrah Surya Mandiri †  | Indonesia                | Indonesia                      | 95                        | 95   | Plantation                                    |
| P.T. Hutan Hijau Mas †  | Indonesia                | Indonesia                      | 92                        | 92   | Plantation                                    |
| P.T. Jabontara Eka Karsa †  | Indonesia                | Indonesia                      | 95                        | 95   | Plantation                                    |
| P.T. Karya Makmur Abadi †   | Indonesia                | Indonesia                      | 90                        | 90   | Plantation                                    |
| P.T. Langkat Nusantara Kepong †   | Indonesia                | Indonesia                      | 60                        | 60   | Plantation                                    |
| P.T. Malindomas Perkebunan †  | Indonesia                | Indonesia                      | 92                        | 92   | Plantation                                    |
| P.T. Menteng Jaya Sawit Perdana †   | Indonesia                | Indonesia                      | 80                        | 80   | Plantation                                    |
| P.T. Mulia Agro Permai †  | Indonesia                | Indonesia                      | 90                        | 90   | Plantation                                    |
| P.T. Parit Sembada †  | Indonesia                | Indonesia                      | 90                        | 90   | Plantation                                    |
| P.T. Steelindo Wahana Perkasa †   | Indonesia                | Indonesia                      | 95                        | 95   | Plantation                                    |

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

| Subsidiaries                                       | Country Of<br>Incorporation | Principal<br>Country Of<br>Operation | Percentage of<br>Equity Held |      | Principal Activities  |
|--|-----------------------------|--------------------------------------|------------------------------|------|---|
|  |                             |                                      | 2015                         | 2014 |   |
| <b>PLANTATIONS</b>                                 |                             |                                      |                              |      |   |
| <b>INDONESIA</b>                                   |                             |                                      |                              |      |   |
| P.T. Sekarbumi Alamlestari †                       | Indonesia                   | Indonesia                            | 65                           | 65   | Plantation<br>Management of<br>plantations  |
| P.T. KLK Agriservindo †                            | Indonesia                   | Indonesia                            | 100                          | 100  |   |
| <b>SINGAPORE</b>                                   |                             |                                      |                              |      |   |
| Astra-KLK Pte Ltd #                                | Singapore                   | Singapore                            | 51                           | 51   | Marketing of refined<br>palm oil products and<br>provision of logistics<br>services related to<br>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  | Management of<br>plantations  |
| <b>PAPUA NEW GUINEA</b>                            |                             |                                      |                              |      |   |
| Ang Agro Forest Management<br>Ltd †                | Papua New<br>Guinea         | Papua New<br>Guinea                  | 51                           | 51   | Plantation  |
| Kubahi Marine Services Ltd †                       | Papua New<br>Guinea         | Papua New<br>Guinea                  | 51                           | 51   | Marine transportation   |
| <b>UNITED KINGDOM</b>                              |                             |                                      |                              |      |   |
| Equatorial Palm Oil Plc †                          | United<br>Kingdom           | United<br>Kingdom                    | 63                           | 63   | Investment holding  |
| <b>GUERNSEY</b>                                    |                             |                                      |                              |      |   |
| Equatorial Biofuels (Guernsey)<br>Ltd †            | Guernsey                    | Guernsey                             | 63                           | 63   | Investment holding  |
| <b>MAURITIUS</b>                                   |                             |                                      |                              |      |   |
| Liberian Palm Developments<br>Ltd ††               | Mauritius                   | Mauritius                            | 82                           | 82   | Investment holding  |
| EBF (Mauritius) Ltd ††                             | Mauritius                   | Mauritius                            | 82                           | 82   | Investment holding  |
| EPO (Mauritius) Ltd ††                             | Mauritius                   | Mauritius                            | 82                           | 82   | Investment holding  |
| <b>LIBERIA</b>                                     |                             |                                      |                              |      |   |
| Liberia Forest Products Inc †                      | Liberia                     | Liberia                              | 82                           | 82   | Plantation  |
| LIBINC Oil Palm Inc †                              | Liberia                     | Liberia                              | 82                           | 82   | Plantation  |
| Equatorial Palm Oil (Liberia)<br>Incorporated †    | Liberia                     | Liberia                              | 82                           | 82   | Management of<br>plantations  |
| Liberian Agriculture Developments<br>Corporation † | Liberia                     | Liberia                              | 82                           | 82   | Dormant   |
| <b>MANUFACTURING</b>                               |                             |                                      |                              |      |   |
| <b>OLEOCHEMICALS</b>                               |                             |                                      |                              |      |   |
| Palm-Oleo Sdn Bhd                                  | Malaysia                    | Malaysia                             | 80                           | 80   | Manufacturing of<br>oleochemicals   |
| Palm-Oleo (Klang) Sdn Bhd                          | Malaysia                    | Malaysia                             | 80                           | 80   | Manufacturing of<br>oleochemicals   |
| KSP Manufacturing Sdn Bhd                          | Malaysia                    | Malaysia                             | 80                           | 80   | Manufacturing of soap<br>noodles  |
| Palmamide Sdn Bhd                                  | Malaysia                    | Malaysia                             | 80                           | 80   | Manufacturing of<br>industrial amides   |

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

| Subsidiaries  | Country Of<br>Incorporation | Principal<br>Country Of<br>Operation | Percentage of<br>Equity Held |      | Principal Activities   |
|---|-----------------------------|--------------------------------------|------------------------------|------|--|
|   |                             |                                      | 2015                         | 2014 |  |
| <b>MANUFACTURING<br/>OLEOCHEMICALS</b>              |                             |                                      |                              |      |  |
| KL-Kepong Oleomas Sdn Bhd                           | Malaysia                    | Malaysia                             | 96                           | 96   | Manufacturing of fatty alcohol and methyl esters   |
| Davos Life Science Sdn Bhd                          | Malaysia                    | Malaysia                             | 100                          | 100  | Manufacturing of palm phytonutrients and other palm derivatives                                      |
| KLK Bioenergy Sdn Bhd                               | Malaysia                    | Malaysia                             | 96                           | 96   | Manufacturing of methyl esters   |
| KLK Emmerich GmbH †                                 | Germany                     | Germany                              | 100                          | 100  | Manufacturing of fatty acids and glycerine   |
| Taiko Palm-Oleo (Zhangjiagang) Co Ltd †             | People's Republic of China  | People's Republic of China           | 80                           | 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  | Manufacturing of detergents, auxiliary materials for detergents and cosmetics and investment holding |
| P.T. KLK Dumai †                                    | Indonesia                   | Indonesia                            | 100                          | 100  | Manufacturing of basic organic chemicals from agricultural products                                  |
| Capital Glogalaxy Sdn Bhd                           | Malaysia                    | Malaysia                             | 100                          | 100  | Trading in commodities   |
| KLK Oleo (Shanghai) Co Ltd †                        | People's Republic of China  | People's Republic of China           | 100                          | 100  | Trading and distribution of oleochemicals  |
| KLK Tensachem SA (formerly known as TensaChem SA) # | Belgium                     | Belgium                              | 100                          | 100  | Manufacturing of alcohol ether sulphates, alcohol sulphates and sulphonic acids                      |
| KL-Kepong Industrial Holdings Sdn Bhd               | Malaysia                    | Malaysia                             | 100                          | 100  | Investment holding   |
| KLK Premier Capital Ltd ††                          | British Virgin Islands      | British Virgin Islands               | 80                           | 100  | Investment holding and trading in commodities  |
| <b>NON-IONIC SURFACTANTS<br/>AND ESTERS</b>         |                             |                                      |                              |      |  |
| Dr. W. Kolb AG †                                    | Switzerland                 | Switzerland                          | 100                          | 100  | Manufacturing of non-ionic surfactants and esters  |
| Kolb Distribution Ltd †                             | Switzerland                 | Switzerland                          | 100                          | 100  | Distribution of non-ionic surfactants and esters   |
| Dr. W. Kolb Netherlands BV †                        | Netherlands                 | Netherlands                          | 100                          | 100  | Manufacturing of non-ionic surfactants and esters  |
| Kolb Distribution BV †                              | Netherlands                 | Netherlands                          | 100                          | 100  | Distribution of non-ionic surfactants and esters   |
| Kolb France SARL †                                  | France                      | France                               | 100                          | 100  | Distribution of non-ionic surfactants and esters   |
| Dr. W. Kolb Deutschland GmbH †                      | Germany                     | Germany                              | 100                          | 100  | Distribution of non-ionic surfactants and esters   |

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

| Subsidiaries  | Country Of Incorporation | Principal Country Of Operation | Percentage of Equity Held |      | Principal Activities   |
|---|--------------------------|--------------------------------|---------------------------|------|--|
|   |                          |                                | 2015                      | 2014 |  |
| <b>MANUFACTURING</b>  |                          |                                |                           |      |  |
| <b>GLOVE PRODUCTS</b>   |                          |                                |                           |      |  |
| KL-Kepong Rubber Products Sdn Bhd †                                 | Malaysia                 | Malaysia                       | 100                       | 100  | Manufacturing of household latex gloves  |
| Masif Latex Products Sdn Bhd †                                      | Malaysia                 | Malaysia                       | 100                       | 100  | Dormant  |
| <b>PARQUET FLOORING</b>   |                          |                                |                           |      |  |
| B.K.B. Hevea Products Sdn Bhd †                                     | Malaysia                 | Malaysia                       | 100                       | 100  | Manufacturing of parquet flooring products   |
| B.K.B. Flooring Sdn Bhd †   | Malaysia                 | Malaysia                       | 100                       | 100  | Dormant  |
| <b>SOAP</b>   |                          |                                |                           |      |  |
| KLK Overseas Investments Ltd ††                                     | British Virgin Islands   | British Virgin Islands         | 100                       | 100  | Investment holding   |
| Standard Soap Company Ltd †<br>(In Members' Voluntary Liquidation)  | England                  | England                        | 100                       | 100  | Dormant  |
| <b>NUTRACEUTICAL, COSMETOCEUTICAL &amp; PHARMACEUTICAL PRODUCTS</b> |                          |                                |                           |      |  |
| Davos Life Science Pte Ltd †  | Singapore                | Singapore                      | 100                       | 100  | Sales of pharmaceutical and bio-pharmaceutical intermediates and fine chemicals and investment holding |
| Biogene Life Science Pte Ltd †                                      | Singapore                | Singapore                      | 100                       | 100  | Research collaboration and investment holding  |
| Centros Life Science Pte Ltd †                                      | Singapore                | Singapore                      | 100                       | 100  | Sales of pharmaceutical and bio-pharmaceutical intermediates fine chemicals                            |
| <b>STORAGE &amp; DISTRIBUTION</b>                                   |                          |                                |                           |      |  |
| Stolthaven (Westport) Sdn Bhd                                       | Malaysia                 | Malaysia                       | 51                        | 51   | Storing and distribution of bulk liquid  |
| <b>PROPERTIES</b>   |                          |                                |                           |      |  |
| Colville Holdings Sdn Bhd   | Malaysia                 | Malaysia                       | 100                       | 100  | Property development   |
| KL-K Holiday Bungalows Sdn Bhd                                      | Malaysia                 | Malaysia                       | 100                       | 100  | Operating holiday bungalows  |
| KL-Kepong Complex Sdn Bhd   | Malaysia                 | Malaysia                       | 100                       | 100  | Property development   |
| KL-Kepong Country Homes Sdn Bhd                                     | Malaysia                 | Malaysia                       | 100                       | 100  | Property development   |
| KL-Kepong Property Development Sdn Bhd                              | Malaysia                 | Malaysia                       | 100                       | 100  | Property development   |
| KL-Kepong Property Management Sdn Bhd                               | Malaysia                 | Malaysia                       | 100                       | 100  | Property management  |
| KLK Land Sdn Bhd  | Malaysia                 | Malaysia                       | 100                       | 100  | Investment holding   |
| Kompleks Tanjong Malim Sdn Bhd                                      | Malaysia                 | Malaysia                       | 80                        | 80   | Property development   |
| Palermo Corporation Sdn Bhd   | Malaysia                 | Malaysia                       | 100                       | 100  | Property development   |
| Scope Energy Sdn Bhd  | Malaysia                 | Malaysia                       | 60                        | 60   | Property development   |
| Selasih Ikhtisas Sdn Bhd  | Malaysia                 | Malaysia                       | 100                       | 100  | Property development   |

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

| Subsidiaries  | Country Of Incorporation | Principal Country Of Operation | Percentage of Equity Held |      | Principal Activities       |
|---|--------------------------|--------------------------------|---------------------------|------|----------------------------|
|   |                          |                                | 2015                      | 2014 |                            |
| <b>PROPERTIES</b>   |                          |                                |                           |      |                            |
| Austerfield Corporation Sdn Bhd<br>(In Members' Voluntary Liquidation)  | Malaysia                 | Malaysia                       | 100                       | 100  | Dormant                    |
| Brecon Holdings Sdn Bhd<br>(In Members' Voluntary Liquidation)  | Malaysia                 | Malaysia                       | 100                       | 100  | Dormant                    |
| <b>INVESTMENT HOLDING</b>   |                          |                                |                           |      |                            |
| Ablington Holdings Sdn Bhd  | Malaysia                 | Malaysia                       | 100                       | 100  | Investment holding         |
| Draw Fields Sdn Bhd   | Malaysia                 | Malaysia                       | 100                       | 100  | Investment holding         |
| KL-Kepong Equity Holdings Sdn Bhd   | Malaysia                 | Malaysia                       | 100                       | 100  | Investment holding         |
| Ladang Perbadanan-Fima Bhd  | Malaysia                 | Malaysia                       | 100                       | 100  | Dormant                    |
| Ortona Enterprise Sdn Bhd   | Malaysia                 | Malaysia                       | 100                       | 100  | Money lending              |
| Quarry Lane Sdn Bhd   | Malaysia                 | Malaysia                       | 100                       | 100  | Investment holding         |
| Richinstock Sawmill Sdn Bhd   | Malaysia                 | Malaysia                       | 100                       | 100  | Investment holding         |
| KL-Kepong International Ltd ††  | Cayman Islands           | Cayman Islands                 | 100                       | 100  | Investment holding         |
| KLKI Holdings Ltd †   | England                  | England                        | 100                       | 100  | Investment holding         |
| Kuala Lumpur-Kepong Investments Ltd †   | England                  | Malaysia                       | 100                       | 100  | Investment holding         |
| Kersten Holdings Ltd ††   | British Virgin Islands   | British Virgin Islands         | 100                       | 100  | Investment holding         |
| <b>OTHERS</b>   |                          |                                |                           |      |                            |
| Somerset Cuisine Ltd †  | England                  | England                        | 100                       | 100  | Manufacturing of jams      |
| KLK Farms Pty Ltd #   | Australia                | Australia                      | 100                       | 100  | Cereal and sheep farming   |
| KLK Assurance (Labuan) Ltd †  | Malaysia                 | Malaysia                       | 100                       | 100  | Offshore captive insurance |
| KLK Capital Resources (L) Ltd   | Malaysia                 | Malaysia                       | 100                       | 100  | Dormant                    |
| KLK Global Resourcing Sdn Bhd   | Malaysia                 | Malaysia                       | 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. |                          |                                |                           |      |                            |
| ** The Group effectively hold 69% of Collingwood Plantations Pte Ltd with 51% held by KLK Group and 18% held by the Company.  |                          |                                |                           |      |                            |

The Company and a subsidiary have undertaken to provide financial support to certain subsidiaries and sub-subsidiaries to enable them to continue to operate as going concerns.

| Associates                             | Country Of Incorporation | Percentage of Equity Held |      | Principal Activities                   |
|--|--------------------------|---------------------------|------|--|
|  |                          | 2015                      | 2014 |  |
| <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 | Manufacture of sulphuric acid products |
| <b>Kuala Lumpur Kepong Berhad:</b>     |                          |                           |      |  |
| Applied Agricultural Resources Sdn Bhd | Malaysia                 | 50.0                      | 50.0 | Agronomic service and research         |
| Aura Muhibah Sdn Bhd                   | Malaysia                 | 40.0                      | 40.0 | Property development                   |
| Carham Assets Ltd                      | Hong Kong                | - *                       | 45.0 | Investment holding                     |
| FKW Global Commodities (Pvt) Ltd       | Pakistan                 | 30.0                      | 30.0 | Trading in commodities                 |
| Kumpulan Sierramas (M) Sdn Bhd         | Malaysia                 | 50.0                      | 50.0 | Property development                   |
| Malaysia Pakistan Venture Sdn Bhd      | Malaysia                 | 37.5                      | 37.5 | Investment holding                     |



# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

| Associates                      | Country Of Incorporation | Percentage of Equity Held |      | Principal Activities   |
|---------------------------------|--------------------------|---------------------------|------|--|
|                                 |                          | 2015                      | 2014 |  |
| MAPAK Edible Oils (Private) Ltd | Pakistan                 | 30.0                      | 30.0 | Manufacturing and marketing of palm and other soft oils  |
| MEO Trading Sdn Bhd             | Malaysia                 | 30.0                      | 30.0 | Trading in commodities   |
| Phytopharma Co Ltd              | Japan                    | 22.8                      | 22.8 | Import, export and distribution of herbal medicine and raw materials thereof, raw materials of pharmaceutical products and cosmetic products |
| Rainbow State Ltd               | British Virgin Islands   | 25.0                      | 25.0 | Owning and operating of aircraft   |

\* During the year, KLK Group ceased to have significant influence in Carham Assets Ltd Group ("Carham") after the dilution of Carham's equity interest in its only subsidiary which was Carham's only operating unit. Subsequent to the said dilution, Carham lost control in this subsidiary.

Accordingly, Carham ceased to be an associate of KLK Group and the Group's investment in Carham has been classified as an available-for-sale investment.

| Joint Ventures                     | Country Of Incorporation | Percentage of Equity Held |      | Principal Activities       |
|------------------------------------|--------------------------|---------------------------|------|----------------------------|
|                                    |                          | 2015                      | 2014 |                            |
| <b>Held through Subsidiaries:</b>  |                          |                           |      |                            |
| <b>Caruso Epping Unit Trust:</b>   |                          |                           |      |                            |
| Riverlee Caruso Epping Pty Ltd     | Australia                | 50.0                      | -    | Property development       |
| <b>Kuala Lumpur Kepong Berhad:</b> |                          |                           |      |                            |
| P.T. Kreasijaya Adhikarya          | Indonesia                | 50.0                      | 95.0 | Refining of crude palm oil |

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### (b) Acquisitions and disposals of subsidiaries and sub-subsidiaries 2015

#### Acquisition of a subsidiary

- (i) On 8 July 2015, a subsidiary of the Company, Whitmore Holdings Sdn Bhd completed the acquisition of 90% equity interest in P.T. Tekukur Indah ("TKI") for a cash consideration of RM5,935,000.

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

|  | Pre-Acquisition<br>Carrying Amount | Fair Value<br>Adjustments | Recognised<br>Value in<br>Acquisition |
|--|------------------------------------|---------------------------|---------------------------------------|
|  | RM'000                             | RM'000                    | RM'000                                |
| Property, plant and equipment                          | 474                                | -                         | 474                                   |
| Prepaid lease payments                                 | 6,296                              | 814                       | 7,110                                 |
| Trade and other receivables                            | 955                                | -                         | 955                                   |
| Cash and cash equivalents                              | 719                                | -                         | 719                                   |
| Trade and other payables                               | (462)                              | -                         | (462)                                 |
| Borrowings   | (2,582)                            | -                         | (2,582)                               |
| Deferred tax liabilities                               | -                                  | (203)                     | (203)                                 |
| Net identifiable assets and liabilities                | 5,400                              | 611                       | 6,011                                 |
| Non-controlling interest                               |                                    |                           | (601)                                 |
|  |                                    |                           | 5,410                                 |
| Exchange differences                                   |                                    |                           | 234                                   |
| Goodwill on consolidation                              |                                    |                           | 291                                   |
| Purchase price satisfied by cash                       |                                    |                           | 5,935                                 |
| Less: Cash and cash equivalents of subsidiary acquired |                                    |                           | (719)                                 |
|  |                                    |                           | 5,216                                 |

#### Purchase of shares from non-controlling interests

- (i) In 2015, the Company has acquired an additional 0.9% equity interest that it did not already own in Malay-Sino Chemical Industries Sendirian Berhad ("MSCI") from non-controlling interest.

The effect of the acquisition of 0.9% equity interest in MSCI on the financial position of the Group is summarised below:

|   | RM'000 |
|---|--------|
| Consideration paid                                      | 3,468  |
| Less: Net assets acquired from non-controlling interest | 3,705  |
| Effect of changes in shareholdings in MSCI              | (237)  |

- (ii) In January 2015, KL-Kepong Plantation Holdings Sdn Bhd ("KLKPH"), a wholly-owned subsidiary of KLK Group, acquired an additional 5% equity interest that it did not already own in P.T. Kreasijaya Adhikarya ("PT Kreasijaya"). Upon the completion of the acquisition of shares, PT Kreasijaya became a wholly-owned subsidiary of KLKPH.

The effect of the acquisition of 5% equity interest in PT Kreasijaya on the financial position of the Group is summarised below:

|  | RM'000  |
|--|---------|
| Consideration paid   | 94      |
| Less: Net liabilities acquired from non-controlling interest | (1,577) |
| Effect of changes in shareholdings in PT Kreasijaya          | 1,671   |

#### Deemed disposal of a sub-subsidiary

KLKPH had on 10 November 2014 entered into a Joint Venture Agreement with P.T. Astra Agro Lestari Tbk ("PT Astra Agro"), whereby PT Astra Agro would be a 50% shareholder in PT Kreasijaya through the subscription of new shares in PT Kreasijaya.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

The subscription of 50% new shares in PT Kreasijaya by PT Astra Agro was completed in January 2015 and PT Kreasijaya ceased to be subsidiary of KLK Group. It is now a joint venture of KLK Group.

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 a subsidiary and the surplus on disposal is recognised in profit or loss.

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

|  | RM'000    |
|--|-----------|
| Property, plant and equipment  | 119,480   |
| Prepaid lease payments   | 24        |
| Deferred tax assets  | 11,714    |
| Inventories  | 60,691    |
| Trade and other receivables  | 81,023    |
| Cash and cash equivalents  | 56,491    |
| Trade and other payables   | (318,764) |
| Derivative financial liabilities   | (819)     |
| Provision for retirement benefits  | (206)     |
| Total identifiable net assets  | 9,634     |
| Less: Share of total identifiable net assets by PT Astra Agro                        | 4,817     |
| Group's share of total identifiable net assets after new issue of shares             | 4,817     |
| Less: Group's share of total identifiable net liabilities before new issue of shares | (31,551)  |
| Accretion in share of total identifiable net assets                                  | 36,368    |
| Less: Cost of subscription of new shares   | 19,783    |
|  | 16,585    |
| Foreign exchange reserve reclassified to profit or loss                              | (4,319)   |
| Surplus on deemed disposal of a sub-subsidiary                                       | 12,266    |

|   | RM'000   |
|---|----------|
| Cost of subscription of new shares              | 19,783   |
| Cash and cash equivalents                       | 56,491   |
| Less: Cash from issuance of new shares          | (41,185) |
| Cash outflow on deemed disposal of a subsidiary | 35,089   |

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

### **Disposal of shares in a sub-subsidiary without loss of control**

KLK had on 8 January 2015 together with its wholly-owned subsidiary, KLK Premier Capital Ltd ("KLKPCL") entered into a Share Purchase Agreement with Mitsui & Co Ltd, a company incorporated in Japan ("Mitsui"), for KLK to dispose a 20% equity interest in KLKPCL to Mitsui. KLKPCL owns 100% equity interest in Taiko Palm-Oleo (Zhangjiagang) Co Ltd ("TPOZ").

The disposal of shares was completed on 16 April 2015. KLK Group's effective shareholdings in KLKPCL and TPOZ were reduced to 80%.

The effect of changes in equity interest in KLKPCL and TPOZ is summarised below:

|   | RM'000  |
|---|---------|
| Proceeds from disposal of shares                          | 151,632 |
| Less: Decrease in shares of net assets in KLKPCL and TPOZ | 39,155  |
| Effect of changes in shareholdings in KLKPCL and TPOZ     | 112,477 |

The disposal of shares in KLKPCL and TPOZ allows the Group to leverage on Mitsui's business and marketing relationship in the People's Republic of China and the technological expertise in oleochemical downstream manufacturing activities.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

### 2014

#### 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 were 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.

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 recognised 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                            | <u>(158)</u>  |
| 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 ended 30 September 2014 would have been RM1.031 billion.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

On 26 November 2013, EPO 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 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, reduced 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.

The effect of changes in the equity interest in EPO and LPD that was 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 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>      |

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

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 ended 30 September 2014 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.

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.

### **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> |
|  | 9,119           |
| Surplus on disposal of shares in a sub-subsidiary            | <u>2,404</u>    |
| Total sale consideration                                     | 11,523          |
| 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)

(c) Material non-controlling interests

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

|  | 2015                                       |  |                 | 2014                                       |  |                 |
|--|--|--|-----------------|--|--|-----------------|
|  | Kuala Lumpur<br>Kepong<br>Berhad<br>RM'000 | Other<br>Subsidiaries<br>with<br>immaterial<br>NCI<br>RM'000 | Total<br>RM'000 | Kuala Lumpur<br>Kepong<br>Berhad<br>RM'000 | Other<br>Subsidiaries<br>with<br>immaterial<br>NCI<br>RM'000 | Total<br>RM'000 |
| NCI percentage of ownership interest and voting interest | 53%  |  |                 | 53%  |  |                 |
| Carrying amount of NCI                                   | 4,742,462                                  | 546,982  | 5,289,444       | 3,721,058                                  | 513,190  | 4,234,248       |
| Profit allocated to NCI                                  | 463,680                                    | 21,948   | 485,628         | 533,874                                    | 51,295   | 585,169         |
| <b>Summary of financial information of subsidiary:</b>   |  |  |                 |  |  |                 |
| Total assets   | 17,259,615                                 |  |                 | 12,887,601                                 |  |                 |
| Total liabilities  | 7,131,505                                  |  |                 | 4,704,402                                  |  |                 |
| Revenue  | 13,649,991                                 |  |                 | 11,129,973                                 |  |                 |
| Profit for the year                                      | 884,038                                    |  |                 | 1,032,694                                  |  |                 |
| Net increase/(decrease) in cash and cash equivalents     | 607,410                                    |  |                 | (467,226)                                  |  |                 |
| Dividend paid to NCI                                     | (49,863)                                   |  |                 | (82,361)                                   |  |                 |

### 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 3.26.

Inter-segment pricing is determined based on negotiated terms in a manner similar to transactions with third parties.

Performance is measured based on segment profit before tax as included in the internal management reports that are reviewed by the 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<br>RM'000 | Manufacturing<br>RM'000 | Property<br>Development<br>RM'000 | Investment<br>Holding/<br>Others<br>RM'000 | Elimination<br>RM'000 | Consolidated<br>RM'000 |
|--|----------------------|-------------------------|-----------------------------------|--|-----------------------|------------------------|
| <b>2015</b>  |                      |                         |                                   |  |                       |                        |
| Revenue  |                      |                         |                                   |  |                       |                        |
| Sale to external customers   | 7,090,777            | 6,617,000               | 123,275                           | 224,256                                    | -                     | 14,055,308             |
| Inter-segment sales  | 696,380              | -                       | -                                 | 506,382                                    | (1,202,762)           | -                      |
| Total revenue  | <u>7,787,157</u>     | <u>6,617,000</u>        | <u>123,275</u>                    | <u>730,638</u>                             | <u>(1,202,762)</u>    | <u>14,055,308</u>      |
| Results  |                      |                         |                                   |  |                       |                        |
| Operating results  | 799,710              | 296,730                 | 49,580                            | 257,440                                    | (35,083)              | 1,368,377              |
| Finance costs  | (4,401)              | (37,802)                | -                                 | (117,679)                                  | 35,083                | (124,799)              |
| Share of profits of equity<br>accounted associates,<br>net of tax  | 4,541                | 622                     | 11,582                            | (4,325)                                    | -                     | 12,420                 |
| Share of loss of equity<br>accounted joint ventures,<br>net of tax | (14,250)             | -                       | -                                 | (226)                                      | -                     | (14,476)               |
| Segment results  | <u>785,600</u>       | <u>259,550</u>          | <u>61,162</u>                     | <u>135,210</u>                             | <u>-</u>              | <u>1,241,522</u>       |
| Profit before taxation   |                      |                         |                                   |  |                       | <u>1,241,522</u>       |
| Tax expense  |                      |                         |                                   |  |                       | <u>(271,054)</u>       |
| Profit for the year  |                      |                         |                                   |  |                       | <u>970,468</u>         |
| Assets   |                      |                         |                                   |  |                       |                        |
| Operating assets   | 6,655,171            | 6,945,029               | 450,441                           | 4,040,790                                  | -                     | 18,091,431             |
| Associates   | 61,826               | 8,279                   | 68,466                            | 22,403                                     | -                     | 160,974                |
| Joint ventures   | 144,658              | -                       | -                                 | 36,511                                     | -                     | 181,169                |
| Segment assets   | <u>6,861,655</u>     | <u>6,953,308</u>        | <u>518,907</u>                    | <u>4,099,704</u>                           | <u>-</u>              | <u>18,433,574</u>      |
| Unallocated assets   |                      |                         |                                   |  |                       | <u>186,786</u>         |
| Total assets   |                      |                         |                                   |  |                       | <u>18,620,360</u>      |
| Liabilities  |                      |                         |                                   |  |                       |                        |
| Segment liabilities  | 2,177,229            | 2,253,946               | 24,744                            | 2,949,183                                  | -                     | 7,405,102              |
| Unallocated liabilities  |                      |                         |                                   |  |                       | <u>317,622</u>         |
| Total liabilities  |                      |                         |                                   |  |                       | <u>7,722,724</u>       |
| Other information  |                      |                         |                                   |  |                       |                        |
| Depreciation of property,<br>plant and equipment                   | 160,248              | 189,238                 | 854                               | 9,419                                      | -                     | 359,759                |
| Depreciation of investment<br>property                             | -                    | -                       | -                                 | 929  | -                     | 929                    |
| Amortisation of prepaid<br>lease payments                          | 5,738                | 965                     | -                                 | -  | -                     | 6,703                  |
| Amortisation of biological<br>assets                               | 51,057               | -                       | -                                 | -  | -                     | 51,057                 |
| Non-cash expenses  |                      |                         |                                   |  |                       |                        |
| Property, plant and<br>equipment written off                       | 1,442                | 1,482                   | -                                 | -  | -                     | 2,924                  |
| Retirement benefits<br>provision                                   | 21,761               | 7,982                   | -                                 | 34   | -                     | 29,777                 |
| Amortisation of<br>intangible assets                               | -                    | 3,843                   | -                                 | -  | -                     | 3,843                  |

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

|   | Plantation<br>RM'000 | Manufacturing<br>RM'000 | Property<br>Development<br>RM'000 | Investment<br>Holding/<br>Others<br>RM'000 | Elimination<br>RM'000 | Consolidated<br>RM'000 |
|---|----------------------|-------------------------|-----------------------------------|--|-----------------------|------------------------|
| 2014  |                      |                         |                                   |  |                       |                        |
| 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   | 5,635,058            | 5,978,905               | 117,063                           | 502,456                                    | (733,818)             | 11,499,664             |
| 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<br>accounted associates,<br>net of tax | 7,256                | 404                     | 498                               | (1,991)                                    | -                     | 6,167                  |
| Segment results   | 1,034,146            | 360,164                 | 46,313                            | (23,342)                                   | -                     | 1,417,281              |
| Profit before taxation  |                      |                         |                                   |  |                       | 1,417,281              |
| Tax expense   |                      |                         |                                   |  |                       | (310,566)              |
| Profit for the year   |                      |                         |                                   |  |                       | 1,106,715              |
| 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  | 5,442,239            | 5,502,448               | 524,887                           | 2,541,479                                  | -                     | 14,011,053             |
| Unallocated assets  |                      |                         |                                   |  |                       | 153,047                |
| Total assets  |                      |                         |                                   |  |                       | 14,164,100             |
| Liabilities   |                      |                         |                                   |  |                       |                        |
| Segment liabilities   | 1,025,538            | 1,666,407               | 56,377                            | 2,199,260                                  | -                     | 4,947,582              |
| Unallocated liabilities   |                      |                         |                                   |  |                       | 345,269                |
| Total liabilities   |                      |                         |                                   |  |                       | 5,292,851              |
| Other information   |                      |                         |                                   |  |                       |                        |
| Depreciation of property,<br>plant and equipment                  | 143,213              | 157,474                 | 484                               | 7,695                                      | -                     | 308,866                |
| Depreciation of investment<br>property                            | -                    | -                       | -                                 | 928  | -                     | 928                    |
| Amortisation of prepaid<br>lease payments                         | 4,502                | 787                     | -                                 | -  | -                     | 5,289                  |
| Amortisation of biological<br>assets                              | 48,820               | -                       | -                                 | -  | -                     | 48,820                 |
| Non-cash expenses   |                      |                         |                                   |  |                       |                        |
| Property, plant and<br>equipment written off                      | 1,100                | 394                     | -                                 | -  | -                     | 1,494                  |
| Retirement benefits<br>provision                                  | 24,379               | 13,516                  | -                                 | 74   | -                     | 37,969                 |
| Amortisation of<br>intangible assets                              | -                    | 3,653                   | -                                 | -  | -                     | 3,653                  |
| Impairment loss   |                      |                         |                                   |  |                       |                        |
| - property, plant and<br>equipment                                | -                    | 424                     | -                                 | -  | -                     | 424                    |
| - prepaid lease payment   | 19,760               | -                       | -                                 | -  | -                     | 19,760                 |
| - goodwill  | 2,674                | -                       | -                                 | 1,006                                      | -                     | 3,680                  |
| Negative goodwill<br>derecognised                                 | -                    | -                       | -                                 | (15,847)                                   | -                     | (15,847)               |

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

Additions to non-current assets, other than financial instruments (including investment in associates and joint ventures) and deferred tax assets, are as follows:

|                                    | Plantation<br>RM'000 | Manufacturing<br>RM'000 | Property<br>Development<br>RM'000 | Investment<br>Holding/<br>Others<br>RM'000 | Total<br>RM'000  |
|------------------------------------|----------------------|-------------------------|-----------------------------------|--|------------------|
| <b>2015</b>                        |                      |                         |                                   |  |                  |
| Capital expenditure                | 462,210              | 473,321                 | 2,174                             | 54,857                                     | 992,562          |
| Land held for property development | -                    | -                       | 8,975                             | -  | 8,975            |
| Goodwill on consolidation          | -                    | -                       | -                                 | 291  | 291              |
| Intangible assets                  | -                    | 871                     | -                                 | -  | 871              |
|                                    | <b>462,210</b>       | <b>474,192</b>          | <b>11,149</b>                     | <b>55,148</b>                              | <b>1,002,699</b> |
| <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) Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets. The amounts of non-current assets do not include financial instruments (including investment in associates and joint ventures) and deferred tax assets.

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

|                 | 2015<br>RM'000    | 2014<br>RM'000    |
|-----------------|-------------------|-------------------|
| Malaysia        | 2,343,994         | 2,418,903         |
| Far East        | 3,944,472         | 2,621,778         |
| Middle East     | 212,514           | 194,499           |
| South East Asia | 2,640,256         | 2,082,112         |
| Southern Asia   | 1,078,958         | 651,756           |
| Europe          | 3,104,294         | 2,571,431         |
| North America   | 349,376           | 451,186           |
| South America   | 78,761            | 54,076            |
| Australia       | 103,093           | 72,880            |
| Africa          | 89,605            | 84,344            |
| Others          | 109,985           | 296,699           |
|                 | <b>14,055,308</b> | <b>11,499,664</b> |

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

|                            | Non-current Assets |                  | Additions to Capital Expenditure |                  |
|----------------------------|--------------------|------------------|----------------------------------|------------------|
|                            | 2015<br>RM'000     | 2014<br>RM'000   | 2015<br>RM'000                   | 2014<br>RM'000   |
| Malaysia                   | 3,999,682          | 3,874,038        | 296,531                          | 359,844          |
| Indonesia                  | 2,340,087          | 2,067,148        | 321,788                          | 467,697          |
| Australia                  | 339,700            | 274,855          | 54,593                           | 81,754           |
| People's Republic of China | 398,620            | 218,467          | 139,110                          | 19,477           |
| Europe                     | 1,070,493          | 836,005          | 106,275                          | 59,745           |
| Liberia                    | 318,554            | 194,034          | 73,748                           | 53,234           |
| Others                     | 57,023             | 47,524           | 517                              | 6,736            |
|                            | <b>8,524,159</b>   | <b>7,512,071</b> | <b>992,562</b>                   | <b>1,048,487</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<br>Amounts<br>RM'000 | L&R<br>RM'000    | FVTPL<br>RM'000  | AFS<br>RM'000    | FL<br>RM'000     |
|--|-------------------------------|------------------|------------------|------------------|------------------|
| <b>Group</b>                             |                               |                  |                  |                  |                  |
| <b>2015</b>                              |                               |                  |                  |                  |                  |
| <b>Financial assets</b>                  |                               |                  |                  |                  |                  |
| Available-for-sale investments           | 1,836,879                     | -                | -                | 1,836,879        | -                |
| Trade receivables                        | 1,799,832                     | 1,799,832        | -                | -                | -                |
| Other receivables,<br>net of prepayments | 823,591                       | 823,591          | -                | -                | -                |
| Derivative financial assets              | 315,825                       | -                | 315,825          | -                | -                |
| Short term funds                         | 1,408,926                     | -                | 1,408,926        | -                | -                |
| Cash, deposits and bank balances         | 1,287,680                     | 1,287,680        | -                | -                | -                |
|  | <b>7,472,733</b>              | <b>3,911,103</b> | <b>1,724,751</b> | <b>1,836,879</b> | <b>-</b>         |
| <b>Financial liabilities</b>             |                               |                  |                  |                  |                  |
| Borrowings                               | 5,096,161                     | -                | -                | -                | 5,096,161        |
| Trade payables                           | 723,645                       | -                | -                | -                | 723,645          |
| Other payables                           | 745,856                       | -                | -                | -                | 745,856          |
| Derivative financial liabilities         | 356,479                       | -                | 356,479          | -                | -                |
|  | <b>6,922,141</b>              | <b>-</b>         | <b>356,479</b>   | <b>-</b>         | <b>6,565,662</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,<br>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>Company</b>                           |                               |                  |                  |                  |                  |
| <b>2015</b>                              |                               |                  |                  |                  |                  |
| <b>Financial assets</b>                  |                               |                  |                  |                  |                  |
| Available-for-sale investments           | 20,887                        | -                | -                | 20,887           | -                |
| Other receivables,<br>net of prepayments | 14,621                        | 14,621           | -                | -                | -                |
| Amounts owing by subsidiaries            | 44,949                        | 44,949           | -                | -                | -                |
| Short term funds                         | 245,244                       | -                | 245,244          | -                | -                |
| Cash, deposits and bank balances         | 156,791                       | 156,791          | -                | -                | -                |
|  | <b>482,492</b>                | <b>216,361</b>   | <b>245,244</b>   | <b>20,887</b>    | <b>-</b>         |
| <b>Financial liabilities</b>             |                               |                  |                  |                  |                  |
| Borrowings                               | 500,000                       | -                | -                | -                | 500,000          |
| Other payables                           | 9,786                         | -                | -                | -                | 9,786            |
|  | <b>509,786</b>                | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>509,786</b>   |

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

|  | Carrying<br>Amounts<br>RM'000 | L&R<br>RM'000  | FVTPL<br>RM'000 | AFS<br>RM'000 | FL<br>RM'000   |
|--|-------------------------------|----------------|-----------------|---------------|----------------|
| 2014                                     |                               |                |                 |               |                |
| <b>Financial assets</b>                  |                               |                |                 |               |                |
| Available-for-sale investments           | 20,582                        | -              | -               | 20,582        | -              |
| Other receivables,<br>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) Net gains and losses arising from financial instruments

|   | Group          |                  | Company         |                 |
|---|----------------|------------------|-----------------|-----------------|
|   | 2015<br>RM'000 | 2014<br>RM'000   | 2015<br>RM'000  | 2014<br>RM'000  |
| Net (losses)/gains on:  |                |                  |                 |                 |
| Financial instruments at fair value through<br>profit or loss | (59,556)       | (5,360)          | 124             | 1,509           |
| Available-for-sale investments                                |                |                  |                 |                 |
| - recognised in other comprehensive<br>income                 | 666,753        | (78,847)         | 325             | 1,291           |
| - reclassified from equity to profit or loss                  | 1,466          | 11,416           | -               | -               |
|   | <b>668,219</b> | <b>(67,431)</b>  | <b>325</b>      | <b>1,291</b>    |
| Loans and receivables   | 165,504        | 53,484           | 1,892           | 1,113           |
| Financial liabilities measured at<br>amortised cost           | (190,323)      | (124,910)        | (20,250)        | (20,250)        |
|   | <b>583,844</b> | <b>(144,217)</b> | <b>(17,909)</b> | <b>(16,337)</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

(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.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

None of the receivables are secured by financial guarantees given by banks, shareholders or directors of the customers.

The exposure of credit risk for trade receivables as at end of the reporting period by business segment was:

|                      | Group            |                  |
|----------------------|------------------|------------------|
|                      | 2015<br>RM'000   | 2014<br>RM'000   |
| Plantation           | 767,893          | 183,540          |
| Manufacturing        | 976,755          | 853,923          |
| Property development | 46,469           | 41,334           |
| Others               | 8,715            | 3,157            |
|                      | <b>1,799,832</b> | <b>1,081,954</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 subsidiary and/or sub-subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

(iv) Inter-company balances

*Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

*Impairment losses*

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries are not recoverable. The Company does not specifically monitor the ageing of current advances to the subsidiaries. Nevertheless, these advances have been overdue for less than a year. Non-current loans to subsidiaries are not overdue.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

(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<br>Amounts<br>RM'000 | Contractual<br>Interest/<br>Coupon<br>Rate | Contractual<br>Cash Flows<br>RM'000 | Less<br>than<br>1 year<br>RM'000 | 1 - 2<br>years<br>RM'000 | 2 - 5<br>years<br>RM'000 | More<br>than<br>5 years<br>RM'000 |
|----------------------------------|-------------------------------|--|-------------------------------------|----------------------------------|--------------------------|--------------------------|-----------------------------------|
| <b>Group</b>                     |                               |  |                                     |                                  |                          |                          |                                   |
| <b>2015</b>                      |                               |  |                                     |                                  |                          |                          |                                   |
| Borrowings                       | 5,096,161                     | 0.60% to 4.58%                             | 6,073,612                           | 1,942,544                        | 600,548                  | 527,149                  | 3,003,371                         |
| Trade payables                   | 723,645                       | -  | 723,645                             | 723,645                          | -                        | -                        | -                                 |
| Other payables                   | 745,856                       | -  | 745,856                             | 745,856                          | -                        | -                        | -                                 |
| Derivative financial liabilities | 356,479                       | -  | 356,479                             | 356,479                          | -                        | -                        | -                                 |
|                                  | <b>6,922,141</b>              |  | <b>7,899,592</b>                    | <b>3,768,524</b>                 | <b>600,548</b>           | <b>527,149</b>           | <b>3,003,371</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>Company</b>                   |                               |  |                                     |                                  |                          |                          |                                   |
| <b>2015</b>                      |                               |  |                                     |                                  |                          |                          |                                   |
| Borrowings                       | 500,000                       | 4.05%                                      | 682,305                             | 20,195                           | 20,250                   | 60,805                   | 581,055                           |
| Other payables                   | 9,786                         | -  | 9,786                               | 9,786                            | -                        | -                        | -                                 |
|                                  | <b>509,786</b>                |  | <b>692,091</b>                      | <b>29,981</b>                    | <b>20,250</b>            | <b>60,805</b>            | <b>581,055</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>                    |

(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") and Singapore Dollar ("SGD").

*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:



# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

| Group   | Denominated in foreign currencies |               |                |               |               |               |
|---|-----------------------------------|---------------|----------------|---------------|---------------|---------------|
|   | USD<br>RM'000                     | GBP<br>RM'000 | Euro<br>RM'000 | AUD<br>RM'000 | SGD<br>RM'000 | HKD<br>RM'000 |
| <b>2015</b>                                     |                                   |               |                |               |               |               |
| Trade and other receivables                     | 372,040                           | 19,377        | 247,986        | 2,794         | 14,306        | -             |
| Cash and cash equivalents                       | 211,490                           | 10,431        | 36,490         | 23,844        | 121,295       | -             |
| Borrowings                                      | (266,798)                         | (26,637)      | (4,941)        | -             | -             | -             |
| Trade and other payables                        | (59,867)                          | (220)         | (110,194)      | -             | (408)         | -             |
| Forward exchange contracts                      | (110,977)                         | -             | (23,563)       | -             | -             | -             |
| Exposure in the statement of financial position | 145,888                           | 2,951         | 145,778        | 26,638        | 135,193       | -             |
| <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 | 180,553                           | (52,332)      | 171,576        | 11,079        | 109,823       | 3             |
| <b>Company</b>                                  |                                   |               |                |               |               |               |
| <b>2015</b>                                     |                                   |               |                |               |               |               |
| Other receivables                               | -                                 | -             | -              | 65            | -             | -             |
| Cash and cash equivalents                       | 27,815                            | -             | -              | -             | 103,428       | -             |
| Exposure in the statement of financial position | 27,815                            | -             | -              | 65            | 103,428       | -             |
| <b>2014</b>                                     |                                   |               |                |               |               |               |
| Cash and cash equivalents                       | 20,408                            | -             | -              | -             | 85,415        | -             |
| Exposure in the statement of financial position | 20,408                            | -             | -              | -             | 85,415        | -             |

### 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:

| Group                                | 2015                    |                  | 2014                    |                  |
|--------------------------------------|-------------------------|------------------|-------------------------|------------------|
|                                      | Profit/(Loss)<br>RM'000 | Equity<br>RM'000 | Profit/(Loss)<br>RM'000 | Equity<br>RM'000 |
| Functional currency/Foreign currency |                         |                  |                         |                  |
| RM/GBP                               | (315)                   | (28,741)         | (218)                   | (14,309)         |
| RM/Euro                              | 12,601                  | -                | 5,402                   | -                |
| RM/USD                               | 28,943                  | -                | 26,630                  | -                |
| RM/SGD                               | (6,282)                 | (5,705)          | (4,442)                 | (1,960)          |
| RM/Rp                                | (1,031)                 | -                | (999)                   | -                |
| CHF/Euro                             | (6,037)                 | -                | (6,991)                 | -                |
| Rmb/USD                              | (1,902)                 | -                | 1,100                   | -                |
| Euro/USD                             | (7,550)                 | -                | (4,179)                 | -                |
| Rp/USD                               | 9,187                   | -                | 9,887                   | -                |
| USD/GBP                              | 559                     | (47,016)         | 3,256                   | (22,974)         |
| USD/AUD                              | (981)                   | -                | (539)                   | -                |
| USD/HKD                              | -                       | (556)            | -                       | (414)            |
| USD/RM                               | (2,299)                 | -                | -                       | -                |

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

| Company                              | 2015                    |                  | 2014                    |                  |
|--------------------------------------|-------------------------|------------------|-------------------------|------------------|
|                                      | Profit/(Loss)<br>RM'000 | Equity<br>RM'000 | Profit/(Loss)<br>RM'000 | Equity<br>RM'000 |
| Functional currency/Foreign currency |                         |                  |                         |                  |
| RM/USD                               | (1,391)                 | -                | (765)                   | -                |
| RM/SGD                               | (5,171)                 | (347)            | (3,203)                 | (330)            |
| RM/AUD                               | (3)                     | -                | -                       | -                |

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:

|                           | Group              |                  | Company          |                  |
|---------------------------|--------------------|------------------|------------------|------------------|
|                           | 2015<br>RM'000     | 2014<br>RM'000   | 2015<br>RM'000   | 2014<br>RM'000   |
| Fixed rate instruments    |                    |                  |                  |                  |
| Financial assets          | 2,238,085          | 1,546,228        | 245,651          | 337,705          |
| Financial liabilities     | (3,619,561)        | (2,532,117)      | (500,000)        | (500,000)        |
|                           | <b>(1,381,476)</b> | <b>(985,889)</b> | <b>(254,349)</b> | <b>(162,295)</b> |
| Floating rate instruments |                    |                  |                  |                  |
| Financial assets          | 133,938            | 93,064           | -                | -                |
| Financial liabilities     | (1,476,600)        | (878,299)        | -                | -                |
|                           | <b>(1,342,662)</b> | <b>(785,235)</b> | <b>-</b>         | <b>-</b>         |

### *Interest rate risk sensitivity analysis*

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

The Group does not account for any fixed rate financial liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

#### *Cash flow sensitivity analysis for floating rate instruments*

A change of 50 basis points in interest rates at the end of the reporting period would have increased/(decreased) profit after tax and equity by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

| Group                       | 2015                    |                  | 2014                    |                  |
|-----------------------------|-------------------------|------------------|-------------------------|------------------|
|                             | Profit/(Loss)<br>RM'000 | Equity<br>RM'000 | Profit/(Loss)<br>RM'000 | Equity<br>RM'000 |
| Floating rate instruments   |                         |                  |                         |                  |
| Increase by 50 basis points | (4,969)                 | -                | (3,435)                 | -                |
| Decrease by 50 basis points | 4,969                   | -                | 3,435                   | -                |

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

As the Company did not have any floating rate instruments as at 30 September 2015 and 30 September 2014, 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 RM80,616,000 (2014: RM41,137,000) and RM351,000 (2014: RM330,000) 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.

*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:

|                                   | 2015                    |                  | 2014                    |                  |
|-----------------------------------|-------------------------|------------------|-------------------------|------------------|
|                                   | Profit/(Loss)<br>RM'000 | Equity<br>RM'000 | Profit/(Loss)<br>RM'000 | Equity<br>RM'000 |
| <b>Group</b>                      |                         |                  |                         |                  |
| 5% increase in commodities prices | 2,614                   | -                | 2,722                   | -                |
| 5% decrease in commodities prices | (2,614)                 | -                | (2,722)                 | -                |

- (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 statements of financial position, are as follows:

|  | Carrying Amounts/Fair Value |                |
|--|-----------------------------|----------------|
|  | 2015<br>RM'000              | 2014<br>RM'000 |
| <b>Group</b>   |                             |                |
| Investments in quoted shares                             | 1,789,792                   | 900,712        |
| Short term funds   | 1,408,926                   | 872,778        |
| Derivative financial instruments                         |                             |                |
| Forward foreign exchange contracts                       | (131,786)                   | (11,320)       |
| Commodities future contracts                             | 91,133                      | 679            |
| Other receivable – advance to plasma plantation projects | 204,825                     | 150,977        |
| Borrowings   | 5,096,161                   | 3,410,416      |

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

|                               | 2015             |            | 2014             |            |
|-------------------------------|------------------|------------|------------------|------------|
|                               | Carrying Amounts | Fair Value | Carrying Amounts | Fair Value |
|                               | RM'000           | RM'000     | RM'000           | RM'000     |
| <b>Company</b>                |                  |            |                  |            |
| Investments in quoted shares  | 446,937          | 10,768,084 | 446,500          | 10,460,196 |
| Short term funds              | 245,244          | 245,244    | 337,315          | 337,315    |
| Amounts owing by subsidiaries | 44,949           | 44,949     | 6,288            | 6,288      |
| Borrowings                    | 500,000          | 500,000    | 500,000          | 500,000    |

The following summarises the methods used in determining the fair value of financial instruments reflected in the above table.

### *Investments in quoted shares*

The fair value of investments that are quoted in an active market are determined by reference to their quoted closing bid price at the end of the reporting period.

### *Short term funds*

The fair value of short term funds is based on the net assets value of the funds at the end of the reporting period.

### *Derivatives*

The fair value of forward foreign exchange contracts and commodities future contracts is based on their quoted price at the end of the reporting period.

### *Non-derivative financial liabilities*

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. The interest rates used by the Group and the Company to discount estimated cash flows to determine the fair value of borrowings were 0.60% to 4.58% (2014: 0.60% to 4.65%) and 4.05% (2014: 4.05%) respectively.

### (h) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method.

|                                    | Level 1   | Level 2   | Level 3 | Total     |
|------------------------------------|-----------|-----------|---------|-----------|
|                                    | RM'000    | RM'000    | RM'000  | RM'000    |
| <b>Group</b>                       |           |           |         |           |
| <b>2015</b>                        |           |           |         |           |
| Investments in quoted shares       | 1,789,792 | -         | -       | 1,789,792 |
| Short term funds                   | -         | 1,408,926 | -       | 1,408,926 |
| Derivative financial instruments   |           |           |         |           |
| Forward foreign exchange contracts | -         | (131,786) | -       | (131,786) |
| Commodities future contracts       | 91,133    | -         | -       | 91,133    |
|                                    | 1,880,925 | 1,277,140 | -       | 3,158,065 |
| <b>2014</b>                        |           |           |         |           |
| Investments in 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       |
|                                    | 901,391   | 861,458   | -       | 1,762,849 |
| <b>Company</b>                     |           |           |         |           |
| <b>2015</b>                        |           |           |         |           |
| Investments in quoted shares       | 7,021     | -         | -       | 7,021     |
| Short term funds                   | -         | 245,244   | -       | 245,244   |
|                                    | 7,021     | 245,244   | -       | 252,265   |
| <b>2014</b>                        |           |           |         |           |
| Investments in quoted shares       | 6,592     | -         | -       | 6,592     |
| Short term funds                   | -         | 337,315   | -       | 337,315   |
|                                    | 6,592     | 337,315   | -       | 343,907   |

# 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>2015</b>        | <b>2014</b>   |
|  | <b>RM'000</b>      | <b>RM'000</b> |
| Total borrowings (Note 35)                                 | <b>5,096,161</b>   | 3,410,416     |
| Less: Cash and cash equivalents (Note 30)                  | <b>(2,696,606)</b> | (1,900,475)   |
| Net debt   | <b>2,399,555</b>   | 1,509,941     |
| Total equity attributable to equity holders of the Company | <b>5,608,192</b>   | 4,637,001     |
| Net debt-to-equity ratio                                   | <b>0.43</b>        | 0.33          |

There were no changes in the Group's approach to capital management during the year.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

The Group is required to maintain the debt-to-equity ratio at not more than one time throughout the tenure of the Islamic Medium Term Notes Programmes (Note 35).

### 46. EVENTS SUBSEQUENT TO REPORTING DATE

- (a) The Company via its wholly-owned subsidiary of Kuala Lumpur Kepong Berhad ("KLK"), KLK Emmerich GmbH, had on 27 May 2015 entered into a conditional Asset Purchase Agreement to acquire, for cash, Emery's oleochemical assets and business in Holthausen, Dusseldorf, Germany ("Proposed Transaction") at a purchase price of Euro40.5 million which shall be subjected to adjustments to book value of inventories, short term personnel liabilities and unfunded pension liabilities upon Completion.

The Proposed Transaction will complement KLK Group's existing fatty acids and glycerine business and enable it to diversify into the tallow-based market. As part of the transaction, KLK Group will also acquire both the production know-how and trade name for Triacetin products to enhance its worldwide presence and positioning.

The Proposed Transaction was completed on 1 October 2015.

- (b) On 6 October 2015, a subsidiary of KLK located in Kundang, Rawang had a fire incident in its plant. It is estimated that inventories, plant and machinery with a total carrying value of approximately RM4.557 million were damaged by fire. Surveyors are in the process of assessing the extent of the loss, following which the sub-subsidiary will file a claim for reimbursement with the insurance company. Although the exact amount of the loss is not currently determinable, the sub-subsidiary expects to recover all losses through insurance proceeds.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

(c) Subsequent to year end, the Company had incorporated/set-up the following entities:

- (i) on 18 November 2015, a new wholly-owned subsidiary of Caruso Australia Ventures Pty Ltd ("CAV") in Australia, Vivaldi Victoria Pty Ltd ("VVPL"), which has an issued and paid-up capital of AUD100 and is currently non-operational. The intended principal activity of VVPL is of a trustee company.
  - (ii) on 18 November 2015, a unit trust in Australia, Vivaldi Victoria Unit Trust ("VVUT"), with 100 units created under the trust deed and wholly subscribed by CAV. The intended principal activity of VVUT is to hold land and undertake property development in Australia.
- (d) Subsequent to 30 September 2015 until the date of this financial statements, the Company bought back a total of 48,100 of its issued shares from the open market for a total cost of RM831,000. The average price paid for the shares bought back was RM17.20 per share. The shares bought back were financed by internally generated funds and borrowings and held as treasury shares.

#### 47. AUTHORISATION FOR ISSUE

The financial statements were authorised for issue by the Board of Directors on 11 December 2015.

# BATU KAWAN BERHAD

## Notes to the Financial Statements (Continued)

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

The breakdown of the retained earnings of the Group and of the Company as at the end of the reporting date into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

|  | Group            |                  | Company        |                |
|--|------------------|------------------|----------------|----------------|
|  | 2015<br>RM'000   | 2014<br>RM'000   | 2015<br>RM'000 | 2014<br>RM'000 |
| Total retained earnings of the Company and its subsidiaries              |                  |                  |                |                |
| Realised   | 6,751,335        | 6,766,700        | 598,542        | 580,017        |
| Unrealised   | 322,044          | (207,481)        | 27,393         | (266)          |
|  | <b>7,073,379</b> | <b>6,559,219</b> | <b>625,935</b> | <b>579,751</b> |
| Total share of retained earnings from associates                         |                  |                  |                |                |
| Realised   | 73,854           | 61,481           | -              | -              |
| Unrealised   | 287              | 32               | -              | -              |
|  | <b>74,141</b>    | <b>61,513</b>    | <b>-</b>       | <b>-</b>       |
| Total share of retained earnings/ (accumulated loss) from joint ventures |                  |                  |                |                |
| Realised   | (25,082)         | -                | -              | -              |
| Unrealised   | 10,606           | -                | -              | -              |
|  | <b>(14,476)</b>  | <b>-</b>         | <b>-</b>       | <b>-</b>       |
|  | <b>7,133,044</b> | <b>6,620,732</b> | <b>625,935</b> | <b>579,751</b> |
| Consolidation adjustments  | (3,306,780)      | (3,077,614)      | -              | -              |
| Total retained earnings at 30 September                                  | <b>3,826,264</b> | <b>3,543,118</b> | <b>625,935</b> | <b>579,751</b> |

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 45 to 124 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 2015 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 48 on page 125 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

On behalf of the Board

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

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

11 December 2015

### 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 45 to 125 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared )  
by the abovenamed at Ipoh in the )  
State of Perak Darul Ridzuan )  
on 11 December 2015. )

**CHONG SEE TECK**

Before me:

**CHONG TAT CHEONG**  
Commissioner for Oaths  
Ipoh,  
Perak Darul Ridzuan,  
Malaysia.

# 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 2015 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 45 to 124.

### *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 of 30 September 2015 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 48 on page 125 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 Matter

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

Ipoh  
11 December 2015

#### CHEW BENG HONG

Partner  
Approval Number: 2920/02/16 (J)  
Chartered Accountant

# BATU KAWAN BERHAD

## Analysis of Shareholdings

At 1 December 2015

|                                  |   |  |
|----------------------------------|---|--|
| Authorised Share Capital         | : | RM1,000,000,000                                      |
| Issued and Fully Paid-up Capital | : | RM435,951,000 (including 29,638,431 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 |
|---|---------------------|-------------------|--------------------|---------------------------|
| Less than 100                             | 83                  | 1.70              | 2,764              | 0.00                      |
| 100 – 1,000                               | 1,527               | 31.24             | 1,114,493          | 0.27                      |
| 1,001 – 10,000                            | 2,410               | 49.30             | 9,010,253          | 2.22                      |
| 10,001 – 100,000                          | 696                 | 14.24             | 21,368,283         | 5.26                      |
| 100,001 – less than 5% of issued holdings | 170                 | 3.48              | 157,692,359        | 38.81                     |
| 5% and above of issued holdings           | 2                   | 0.04              | 217,124,417        | 53.44                     |
| <b>TOTAL</b>                              | <b>4,888</b>        | <b>100.00</b>     | <b>406,312,569</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   | 46.70                                  |
| 2. Lembaga Kemajuan Tanah Persekutuan (FELDA)      | 27,369,750    | 6.74                                   |
| 3. Yeoh Chin Hin Investments Sdn Berhad            | 15,300,000    | 3.77                                   |
| 4. CIMSEC Nominees (Tempatan) Sdn Bhd              |               |  |
| - CIMB for Heah Seok Yeong Realty Sdn Berhad (PB)  | 10,000,000    | 2.46                                   |
| 5. Lee Chan Investments Sdn Bhd                    | 9,159,275     | 2.25                                   |
| 6. Di-Yi Sdn Bhd                                   | 8,780,180     | 2.16                                   |
| 7. High Quest Holdings Sdn Bhd                     | 8,262,955     | 2.03                                   |
| 8. Yeoh Meng Ghee                                  | 8,000,000     | 1.97                                   |
| 9. Leong Wan Chin                                  | 6,973,705     | 1.72                                   |
| 10. Yeoh Chin Hin                                  | 6,311,250     | 1.55                                   |
| 11. Teoh Guat Eng                                  | 6,132,188     | 1.51                                   |
| 12. CIMSEC Nominees (Tempatan) Sdn Bhd             |               |  |
| - CIMB for Heah Seok Yeong Realty Sdn Berhad (PB)  | 4,850,000     | 1.19                                   |
| 13. Key Development Sdn Berhad                     | 3,476,300     | 0.86                                   |
| 14. Malay-Sino Formic Acid Sdn Bhd                 | 3,083,450     | 0.76                                   |
| 15. Malay-Rubber Plantations (Malaysia) Sdn Berhad | 2,792,250     | 0.69                                   |
| 16. HSBC Nominees (Asing) Sdn Bhd                  |               |  |
| - BNP Paribas Sec SVS LUX for Aberdeen Global      | 2,551,700     | 0.63                                   |
| 17. Steppe Structure Sdn Bhd                       | 2,224,250     | 0.55                                   |
| 18. Chinchoo Investment Sdn Berhad                 | 2,170,600     | 0.53                                   |
| 19. Citigroup Nominees (Asing) Sdn Bhd             |               |  |
| - CBNY for Dimensional Emerging Markets Value Fund | 2,084,450     | 0.51                                   |
| 20. Meng Hin Holdings Sdn Bhd                      | 1,815,750     | 0.45                                   |
| 21. Gan Teng Siew Realty Sdn Berhad                | 1,718,200     | 0.42                                   |
| 22. HSBC Nominees (Asing) Sdn Bhd                  |               |  |
| - Exempt An for Credit Suisse (SG BR-TST-Asing)    | 1,517,880     | 0.37                                   |
| 23. Arusha Enterprise Sdn Bhd                      | 1,500,000     | 0.37                                   |
| 24. Leong Wan Chin                                 | 1,500,000     | 0.37                                   |
| 25. CIMSEC Nominees (Tempatan) Sdn Bhd             |               |  |
| - CIMB for Lyne Ching Sdn Berhad (PB)              | 1,485,000     | 0.37                                   |
| 26. Citigroup Nominees (Tempatan) Sdn Bhd          |               |  |
| - Employees Provident Fund Board (Aberdeen)        | 1,485,000     | 0.37                                   |

# BATU KAWAN BERHAD

## Analysis of Shareholdings (Continued)

At 1 December 2015

| Name of Shareholder  | No. of Shares      | % of Issued Share Capital <sup>^</sup> |
|--|--------------------|--|
| 27. HSBC Nominees (Asing) Sdn Bhd<br>- Exempt An for the Hongkong and Shanghai Banking Corporation Limited (HBAP-SGDIV-ACCL) | 1,200,000          | 0.30                                   |
| 28. Key Development Sdn Berhad   | 1,134,250          | 0.28                                   |
| 29. Citigroup Nominees (Tempatan) Sdn Bhd<br>- 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>334,799,550</b> | <b>82.41</b>                           |

<sup>^</sup> Calculated based on 406,312,569 shares (excluding 29,638,431 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 →<br>No. of Shares | %     | ← Deemed →<br>No. of Shares | %     | ← Total →<br>No. of Shares | %     |
|--|-----------------------------|-------|-----------------------------|-------|----------------------------|-------|
| Arusha Enterprise Sdn Bhd                  | 191,554,667                 | 47.14 | 5,875,700 <sup>1</sup>      | 1.45  | 197,430,367                | 48.59 |
| Wan Hin Investments Sdn Berhad             | 8,387                       | *     | 197,430,367 <sup>2</sup>    | 48.59 | 197,438,754                | 48.59 |
| Lembaga Kemajuan Tanah Persekutuan (FELDA) | 27,369,750                  | 6.74  | -                           | -     | 27,369,750                 | 6.74  |
| Di-Yi Sdn Bhd                              | 8,780,180                   | 2.16  | 197,438,754 <sup>3</sup>    | 48.59 | 206,218,934                | 50.75 |
| High Quest Holdings Sdn Bhd                | 8,262,955                   | 2.03  | 197,438,754 <sup>3</sup>    | 48.59 | 205,701,709                | 50.63 |
| Tan Sri Dato' Seri Lee Oi Hian             | 854,355                     | 0.21  | 207,038,934 <sup>4</sup>    | 50.96 | 207,893,289                | 51.17 |
| Dato' Lee Hau Hian                         | 1,208,230                   | 0.30  | 205,842,209 <sup>5</sup>    | 50.66 | 207,050,439                | 50.96 |
| Grateful Blessings Inc                     | -                           | -     | 206,218,934 <sup>6</sup>    | 50.75 | 206,218,934                | 50.75 |
| Cubic Crystal Corporation                  | -                           | -     | 205,701,709 <sup>7</sup>    | 50.63 | 205,701,709                | 50.63 |

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 Berhad, 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 Berhad, 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 Berhad, 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 2015

### 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> | 50.96 |
| Dato' Lee Hau Hian             | 1,208,230     | 0.30 | 205,842,209 <sup>2</sup> | 50.66 |
| Dato' Yeoh Eng Khoon           | 315,000       | 0.08 | 15,391,000 <sup>3</sup>  | 3.79  |
| R. M. Alias                    | -             | -    | -                        | -     |
| Dato' Mustafa bin Mohd Ali     | -             | -    | -                        | -     |
| Quah Chek Tin                  | -             | -    | -                        | -     |

Notes:

- 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 Berhad, Malay-Sino Formic Acid Sdn Bhd and Congleton Holdings Sdn Bhd.
- 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 Berhad, Malay-Sino Formic Acid Sdn Bhd and Cengal Emas Sdn Bhd.
- Deemed interested through the shares of his spouse and children 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 | -             | - | 73,697,726    | 88.86 |
| Dato' Lee Hau Hian             | -             | - | 73,697,726    | 88.86 |

##### 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 2015

| 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              | –                   | 2,959                             | Oil palm and rubber estate                                   | 1986<br>1992                           | –                        | 50,435                      |
| Ladang Batu Lintang Serdang        | Freehold              | –                   | 1,808                             | Oil palm estate and palm oil mill                            | 1986                                   | 29                       | 28,181                      |
| Ladang Buntar Serdang              | Freehold              | –                   | 547                               | Oil palm estate  | 1986                                   | –                        | 13,801                      |
| <b>Perak</b>                       |                       |                     |                                   |  |  |                          |                             |
| Ladang Lekir Manjung               | Freehold              | –                   | 3,312                             | Oil palm estate  | 2008                                   | –                        | 176,578                     |
| Ladang Changkat Chermin Manjung    | Leasehold             | 2080                | 2,530                             | Oil palm estate and palm oil mill                            | 2008                                   | 32                       | 108,291                     |
| Ladang Raja Hitam Manjung          | Freehold              | –                   | 1,497                             | Oil palm estate  | 2008                                   | –                        | 79,397                      |
| Ladang Subur Batu Kurau            | Freehold              | –                   | 1,290                             | Oil palm estate  | 1986                                   | –                        | 14,658                      |
| Ladang Glenealy Parit              | Freehold              | –                   | 1,059                             | Oil palm and rubber estate                                   | 1992                                   | –                        | 15,021                      |
| Ladang Serapoh Parit               | Freehold              | –                   | 936                               | Oil palm and rubber estate                                   | 1979*<br>1992                          | –                        | 9,257                       |
| Ladang Kuala Kangsar Padang Rengas | Freehold<br>Leasehold | –<br>2896           | 510<br>333                        | Oil palm and rubber estate                                   | 1979*                                  | –                        | 6,236                       |
| Ladang Allagar Trong               | Freehold<br>Leasehold | –<br>2908           | 549<br>256                        | Oil palm estate  | 1986                                   | –                        | 12,921                      |
| <b>Selangor</b>                    |                       |                     |                                   |  |  |                          |                             |
| Ladang Tuan Mee Sungai Buloh       | Freehold              | –                   | 1,556                             | Oil palm estate and palm oil mill                            | 1979*                                  | 42                       | 18,281                      |
| Ladang Changkat Asa Hulu Selangor  | Freehold              | –                   | 1,543                             | Oil palm and rubber estate, palm oil mill and rubber factory | 1979*                                  | 35<br>40                 | 17,611                      |
| Ladang Kerling Kerling             | Freehold              | –                   | 1,222                             | Oil palm and rubber estate                                   | 1979*<br>1985<br>2002                  | –                        | 53,585                      |

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

<sup>\*</sup> Year of last revaluation



# BATU KAWAN BERHAD

## Properties Held by the Group (Continued)

At 30 September 2015

| Location                                     | Tenure             | Year<br>Lease<br>Expiring | Titled<br>Area<br>Hectares <sup>#</sup> | Description /<br>Existing Use   | Year of<br>Acquisition /<br>Last<br>Revaluation | Age of<br>Buildings<br>(Years) | Net<br>Carrying<br>Amounts<br>RM'000 |
|--|--------------------|---------------------------|---|---|---|--------------------------------|--------------------------------------|
| <b>Negeri Sembilan</b>                       |                    |                           |   |   |   |                                |                                      |
| Ladang Ayer Hitam<br>Bahau                   | Freehold           | –                         | 2,640                                   | Oil palm estate   | 1985  | –                              | 38,765                               |
| Ladang Batang Jelai<br>Rompin                | Freehold           | –                         | 2,149                                   | Oil palm and<br>rubber estate   | 1985  | –                              | 32,573                               |
| Ladang Jeram Padang<br>Bahau                 | Freehold           | –                         | 2,114                                   | Oil palm and<br>rubber estate,<br>palm oil mill<br>and rubber factory | 1985  | 26<br>26                       | 31,354                               |
| Ladang Kombok<br>Rantau                      | Freehold           | –                         | 1,910                                   | Oil palm and<br>rubber estate   | 1985  | –                              | 32,080                               |
| Ladang Ulu Pedas<br>Pedas                    | Freehold           | –                         | 922                                     | Oil palm estate   | 1985  | –                              | 17,517                               |
| Ladang Gunong<br>Pertanian<br>Simpang Durian | Leasehold          | 2077                      | 686                                     | Oil palm estate   | 1985  | –                              | 9,493                                |
| <b>Johor</b>                                 |                    |                           |   |   |   |                                |                                      |
| Ladang Landak<br>Paloh                       | Leasehold          | 2068 and<br>2078          | 4,451                                   | Oil palm estate   | 1979*   | –                              | 41,083                               |
| Ladang Kekayaan<br>Paloh                     | Leasehold          | 2068 and<br>2078          | 4,436                                   | Oil palm estate and<br>palm oil mill                                  | 1979*   | 9                              | 61,061                               |
| Ladang Voules<br>Segamat                     | Freehold           | –                         | 2,969                                   | Oil palm and<br>rubber estate and<br>rubber factory                   | 1979*   | 42                             | 25,442                               |
| Ladang Fraser<br>Kulai                       | Freehold           | –                         | 2,928                                   | Oil palm estate   | 1979*   | –                              | 34,099                               |
| Ladang Paloh<br>Paloh                        | Freehold           | –                         | 2,003                                   | Oil palm estate and<br>palm oil mill                                  | 1979*   | 43                             | 31,803                               |
| Ladang New Pogoh<br>Segamat                  | Freehold           | –                         | 1,545                                   | Oil palm and<br>rubber estate   | 1979*   | –                              | 14,099                               |
| Ladang Sungei Penggeli<br>Bandar Tenggara    | Leased<br>property | 2087                      | 942                                     | Oil palm estate   | 1988  | –                              | 9,639                                |
| Ladang Ban Heng<br>Pagoh, Muar               | Freehold           | –                         | 631                                     | Oil palm estate   | 1979*   | –                              | 8,085                                |
| Ladang Sungai Bekok<br>Bekok                 | Freehold           | –                         | 625                                     | Oil palm estate   | 1979*   | –                              | 8,139                                |

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

\* Year of last revaluation

# BATU KAWAN BERHAD

## Properties Held by the Group (Continued)

At 30 September 2015

| 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                                   | –                        | 9,916                       |
| KL-Kepong Edible Oils Pasir Gudang         | Leasehold          | 2045                    | 5                                 | Refinery                                      | 1985                                   | 32                       | 885                         |
| <b>Pahang</b>                              |                    |                         |                                   |   |  |                          |                             |
| Ladang Sungei Kawang Lanchang              | Freehold           | –                       | 1,889                             | Oil palm and rubber estate                    | 1979*                                  | –                        | 14,961                      |
| Ladang Renjok Bentong                      | Freehold           | –                       | 1,578                             | Oil palm and rubber estate                    | 1979*                                  | –                        | 15,947                      |
| Ladang Tuan Bentong                        | Freehold Leasehold | – Between 2030 and 2057 | 910 443                           | Oil palm and rubber estate                    | 1979*                                  | –                        | 10,074                      |
| Ladang Selborne Padang Tengku, Kuala Lipis | Freehold           | –                       | 1,258                             | Rubber estate and rubber factory              | 1992                                   | 46                       | 16,599                      |
| Ladang Kemasul Mengkarak                   | Freehold           | –                       | 459                               | Rubber estate                                 | 1983                                   | –                        | 1,022                       |
| <b>Kelantan</b>                            |                    |                         |                                   |   |  |                          |                             |
| Ladang Kuala Gris Kuala Krai               | Freehold           | –                       | 2,429                             | Rubber estate and rubber factory              | 1992                                   | 15                       | 29,744                      |
| Ladang Kerilla Tanah Merah                 | Freehold           | –                       | 2,176                             | Oil palm and rubber estate and rubber factory | 1992                                   | 40                       | 27,551                      |
| Ladang Pasir Gajah Kuala Krai              | Freehold Leasehold | – 2907                  | 952 1,155                         | Oil palm estate and palm oil mill             | 1981*                                  | 34                       | 21,516                      |
| Ladang Sungai Sokor Tanah Merah            | Freehold           | –                       | 1,603                             | Oil palm and rubber estate                    | 1992                                   | –                        | 16,732                      |
| Ladang Kuala Hau Machang                   | Freehold Leasehold | – 2326                  | 305 242                           | Rubber estate                                 | 1980*                                  | –                        | 3,155                       |
| <b>Sabah</b>                               |                    |                         |                                   |   |  |                          |                             |
| <b>Tawau Region</b>                        |                    |                         |                                   |   |  |                          |                             |
| Ladang Jatika                              | Leasehold          | Between 2068 and 2083   | 3,508                             | Oil palm estate                               | 1991                                   | –                        | 46,550                      |

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

\* Year of last revaluation

**BATU KAWAN BERHAD**  
**Properties Held by the Group (Continued)**  
At 30 September 2015

| 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                                   | –                        | 26,165                      |
| Ladang Pangeran          | Leasehold | Between 2063 and 2080 | 2,855                             | Oil palm estate and palm oil mill  | 1983                                   | 14                       | 42,040                      |
| Ladang Sri Kunak         | Leasehold | Between 2063 and 2076 | 2,770                             | Oil palm estate                    | 1983                                   | –                        | 33,580                      |
| Ladang Pang Burong       | Leasehold | Between 2063 and 2080 | 2,548                             | Oil palm estate                    | 1983                                   | –                        | 32,838                      |
| Ladang Pinang            | Leasehold | Between 2067 and 2085 | 2,420                             | Oil palm estate                    | 1983                                   | –                        | 36,900                      |
| Ladang Tundong           | Leasehold | Between 2063 and 2073 | 2,155                             | Oil palm estate and palm oil mills | 1983                                   | 28 and 32                | 24,918                      |
| Ladang Ringlet           | Leasehold | Between 2067 and 2080 | 1,834                             | Oil palm estate                    | 1989                                   | –                        | 15,276                      |
| <b>Lahad Datu Region</b> |           |                       |                                   |                                    |  |                          |                             |
| Ladang Tungku            | Leasehold | 2085                  | 3,418                             | Oil palm estate                    | 1991*                                  | –                        | 27,567                      |
| Ladang Bornion           | Leasehold | 2078                  | 3,233                             | Oil palm estate and palm oil mill  | 1992                                   | 17                       | 37,467                      |
| Ladang Bukit Tabin       | Leasehold | 2079                  | 2,916                             | Oil palm estate                    | 1993                                   | –                        | 34,749                      |
| Ladang Segar Usaha       | Leasehold | 2077                  | 2,792                             | Oil palm estate                    | 1990*                                  | –                        | 31,813                      |
| Ladang Rimmer            | Leasehold | 2085                  | 2,730                             | Oil palm estate and palm oil mill  | 1991*                                  | 19                       | 24,401                      |
| Ladang Sungai Silabukan  | Leasehold | 2079                  | 2,654                             | Oil palm estate                    | 1993                                   | –                        | 31,455                      |
| Ladang Lungmanis         | Leasehold | 2085                  | 1,656                             | Oil palm estate and palm oil mill  | 1991*                                  | 15                       | 16,477                      |
| KLK Premier Oils         | Leasehold | 2066                  | 4                                 | Kernel crushing plant and refinery | 1998                                   | 12                       | 14,027                      |
|                          | Leasehold | 2912                  | 2                                 | PKC warehouse                      | 2007                                   | 8<br>6                   | 5,762                       |

# Titled area is in hectares except otherwise indicated

\* Year of last revaluation

# BATU KAWAN BERHAD

## Properties Held by the Group (Continued)

At 30 September 2015

| Location                       | Tenure          | Year<br>Lease<br>Expiring | Titled<br>Area<br>Hectares <sup>#</sup> | Description /<br>Existing Use                                      | Year of<br>Acquisition /<br>Last<br>Revaluation | Age of<br>Buildings<br>(Years) | Net<br>Carrying<br>Amounts<br>RM'000 |
|--------------------------------|-----------------|---------------------------|---|--|---|--------------------------------|--------------------------------------|
| <b>INDONESIA</b>               |                 |                           |   |  |   |                                |                                      |
| <b>Belitung</b>                |                 |                           |   |  |   |                                |                                      |
| Kebun Steelindo Wahana Perkasa | Hak Guna Usaha  | 2020                      | 14,065                                  | Oil palm estate, palm oil mill, kernel crushing plant and refinery | 1994  | 16<br>2<br>2                   | 47,180                               |
| Kebun Parit Sembada            | Hak Guna Usaha  | 2020                      | 3,990                                   | Oil palm estate and palm oil mill                                  | 2003  | 8                              | 13,762                               |
| Kebun Alam Karya Sejahtera     | Izin Lokasi     | –                         | 2,336                                   | Oil palm estate  | 2010  | –                              | 62,728                               |
| <b>Sumatra Riau Region</b>     |                 |                           |   |  |   |                                |                                      |
| Kebun Mandau                   | Hak Guna Usaha  | Between 2020 and 2075     | 14,799                                  | Oil palm estate, palm oil mill, kernel crushing plant and refinery | 1996  | 12<br>8<br>2                   | 124,549                              |
| Kebun Nilo                     | Hak Guna Usaha  | 2083                      | 12,860                                  | Oil palm estate and palm oil mills                                 | 1996  | 13 and 4                       | 93,169                               |
|                                | Izin Lokasi     | –                         | 1,800                                   | Oil palm estate  | 2005  |                                | 11,339                               |
| Kebun Sekarbumi Alamlestari    | Hak Guna Usaha  | 2049                      | 6,200                                   | Oil palm estate and palm oil mill                                  | 2009  | 19                             | 74,755                               |
| <b>Sumatra Utara Region</b>    |                 |                           |   |  |   |                                |                                      |
| Kebun Tanjung Beringin Langkat | Leased property | 2039                      | 3,923                                   | Oil palm estate  | 2009  | –                              | 52,549                               |
| Kebun Gohor Lama Langkat       | Leased property | 2039                      | 3,323                                   | Oil palm estate and palm oil mill                                  | 2009  | 1                              | 55,356                               |
| Kebun Bekiun Langkat           | Leased property | 2039                      | 2,979                                   | Oil palm estate  | 2009  | –                              | 1,505                                |
| Kebun Maryke Langkat           | Leased property | 2039                      | 2,704                                   | Oil palm estate  | 2009  | –                              | 45,840                               |
| Kebun Basilam Langkat          | Leased property | 2039                      | 2,697                                   | Oil palm estate  | 2009  | –                              | 42,779                               |
| Kebun Tanjung Keliling Langkat | Leased property | 2039                      | 2,407                                   | Oil palm estate  | 2009  | –                              | 41,489                               |
| Kebun Padang Brahrang Langkat  | Leased property | 2039                      | 1,949                                   | Oil palm estate  | 2009  | –                              | 11,771                               |

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

<sup>\*</sup> Year of last revaluation

**BATU KAWAN BERHAD**  
**Properties Held by the Group (Continued)**  
At 30 September 2015

| 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                                   | –                        | 20,187                      |
| <b>Kalimantan Timur</b>                              |                 |                       |                                   |                                   |  |                          |                             |
| Kebun Jabontara Eka Karsa Berau                      | Hak Guna Usaha  | 2033                  | 14,086                            | Oil palm estate and palm oil mill | 2006                                   | < 1                      | 207,772                     |
| Kebun Malindomas Perkebunan Berau                    | Hak Guna Usaha  | 2043                  | 7,971                             | Oil palm estate                   | 2007                                   | –                        | 126,167                     |
| Kebun Hutan Hijau Mas Berau                          | Hak Guna Usaha  | 2029 and 2043         | 7,317                             | Oil palm estate and palm oil mill | 2007<br>2009                           | 7                        | 113,000                     |
| Kebun Anugrah Surya Mandiri Berau                    | Hak Guna Usaha  | 2048                  | 2,682                             | Oil palm estate                   | 2012                                   | –                        | 7,175                       |
| Kebun Satu Sembilan Delapan Berau                    | Leasehold       | Between 2029 and 2044 | 5,728                             | Oil palm estate and palm oil mill | Between 2008 and 2009                  | 1                        | 111,615                     |
| Kebun Tekukur Indah Berau                            | Izin Lokasi     | –                     | 2,911                             | Oil palm estate                   | 2015                                   | –                        | 6,759                       |
| <b>Kalimantan Tengah</b>                             |                 |                       |                                   |                                   |  |                          |                             |
| Kebun Karya Makmur Abadi Mentaya Hulu                | Izin Lokasi     | –                     | 13,148                            | Oil palm estate and palm oil mill | 2007                                   | < 1                      | 221,418                     |
| Kebun Mulia Agro Permai Baamang                      | Hak Guna Usaha  | 2040                  | 9,056                             | Oil palm estate and palm oil mill | 2006                                   | 2                        | 197,736                     |
| Kebun Menteng Jaya Sawit Perdana Mentaya Hilir Utara | Izin Lokasi     | –                     | 5,893                             | Oil palm estate                   | 2007                                   | –                        | 48,110                      |
| <b>LIBERIA</b>                                       |                 |                       |                                   |                                   |  |                          |                             |
| Palm Bay Estate Grand Bassa County                   | Leasehold       | 2057                  | 13,007                            | Oil palm estate                   | 2013                                   | –                        | 211,283                     |
| Butaw Estate Sinoe County                            | Leasehold       | 2057                  | 8,011                             | Oil palm estate                   | 2013                                   | –                        | 94,169                      |
| <b>MANUFACTURING MALAYSIA</b>                        |                 |                       |                                   |                                   |  |                          |                             |
| KL-Kepong Oleomas Klang, Selangor                    | Leasehold       | 2097                  | 19                                | Oleochemicals factory             | 2004                                   | 6 and 9                  | 41,001                      |
| B.K.B. Hevea Products Ipoh, Perak                    | Leasehold       | 2089                  | 5                                 | Parquet factory                   | 1994                                   | 21                       | 3,629                       |

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

\* Year of last revaluation

# BATU KAWAN BERHAD

## Properties Held by the Group (Continued)

At 30 September 2015

| 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 Rawang, Selangor  | Freehold        | –                   | 15                                | Oleochemicals, soap noodles and industrial amides factories | 1991<br>1994                           | 19 and 24                | 12,559                      |
| Palm-Oleo (Klang) Klang, Selangor   | Leased property | 2088                | 7                                 | Oleochemicals factory                                       | 2007                                   | 24 and 34                | 30,354                      |
| KL-Kepong Rubber Products Ipoh, Perak   | Freehold        | –                   | 3                                 | Rubber gloves factory                                       | 2012                                   | 31                       | 15,939                      |
| KLK Bioenergy Shah Alam, Selangor   | Leasehold       | 2074                | 1                                 | Biodiesel plant   | 2009                                   | 30                       | 3,395                       |
| 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                  | 4 to 17                  | 27,403                      |
| Malay-Sino Chemical Industries Lot 70810 and 70811 4½ Miles, Jalan Lahat Ipoh, Perak                      | Leasehold       | 2074                | 5                                 | Chemical factory and Methyl Chloride factory                | 1996*<br>2011                          | 39<br>5                  | 4,390<br>791                |
| Malay-Sino Chemical Industries Lot 541, Kg Acheh Industrial Estate, Sitiawan, Perak                       | Leasehold       | 2087                | 1                                 | Industrial land with warehouse                              | 1996*                                  | 26                       | 608                         |
| Malay-Sino Properties Lot 9878, Kg Acheh Industrial Estate Sitiawan, Perak                                | Leasehold       | 2093                | 4,282 sq m                        | Industrial land with warehouse                              | 1996*                                  | 20                       | 222                         |
| See Sen Chemical Lot 2989 and 3558 Kawasan Perindustrian Teluk Kalung, Kemaman, Terengganu                | Leasehold       | 2055                | 12                                | Chemical factory  | 1995                                   | 19                       | 4,191                       |
| See Sen Chemical Lot 5441 Kawasan Perindustrian Teluk Kalung, Kemaman, Terengganu                         | Leasehold       | 2056                | 9,014 sq m                        | Acid pipeline   | 2003                                   | –                        | 106                         |
| See Sen Chemical PTD 21873, Pasir Gudang Industrial Estate, Pasir Gudang, Johor                           | Leasehold       | 2039                | 2                                 | Chemical factory  | 1979                                   | 30                       | 1,888                       |

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

<sup>\*</sup> Year of last revaluation

# BATU KAWAN BERHAD

## Properties Held by the Group (Continued)

At 30 September 2015

| Location  | Tenure             | Year<br>Lease<br>Expiring | Titled<br>Area<br>Hectares <sup>#</sup> | Description /<br>Existing Use                              | Year of<br>Acquisition /<br>Last<br>Revaluation | Age of<br>Buildings<br>(Years) | Net<br>Carrying<br>Amounts<br>RM'000 |
|---|--------------------|---------------------------|---|--|---|--------------------------------|--------------------------------------|
| See Sen Chemical<br>PT 6326, Bandar Sri<br>Sendayan<br>Seremban,<br>Negeri Sembilan | Freehold           | –                         | 2                                       | Chemical factory   | 2013  | 1                              | 9,606                                |
| <b>INDONESIA</b>  |                    |                           |   |  |   |                                |                                      |
| PT KLK Dumai<br>Dumai Timur, Riau   | Leased<br>property | 2031                      | 12,876<br>sq m                          | Oleochemicals<br>factory                                   | 2011  | 1                              | 24,200                               |
| <b>BELGIUM</b>  |                    |                           |   |  |   |                                |                                      |
| KLK Tensachem SA<br>Liege   | Freehold           | –                         | 9                                       | Surfactant factory   | 2014  | 8 to 85                        | 16,031                               |
| <b>CHINA</b>  |                    |                           |   |  |   |                                |                                      |
| Taiko Palm-Oleo<br>(Zhangjiagang)<br>Zhangjiagang City, Jiangsu                     | Leasehold          | 2054                      | 20                                      | Oleochemicals<br>factory                                   | 2004  | 10                             | 27,568                               |
| Shanghai Jinshan<br>Jingwei Chemical<br>Jinshan,<br>Shanghai                        | Leasehold          | 2052                      | 2                                       | Oleochemicals<br>factory                                   | 2008  | 10                             | 8,710                                |
| <b>GERMANY</b>  |                    |                           |   |  |   |                                |                                      |
| KLK Emmerich<br>Emmerich Am Rhein   | Freehold           | –                         | 21                                      | Oleochemicals<br>factory                                   | 2010  | 22 to 62                       | 24,816                               |
| <b>NETHERLANDS</b>  |                    |                           |   |  |   |                                |                                      |
| Dr. W. Kolb Netherlands<br>BV<br>Moerdijk   | Freehold           | –                         | 8                                       | Ethoxylation<br>factory                                    | 2007  | 22                             | 84,627                               |
| <b>SWITZERLAND</b>  |                    |                           |   |  |   |                                |                                      |
| Dr. W. Kolb AG<br>Hedingen  | Freehold           | –                         | 2                                       | Ethoxylation<br>factory                                    | 2007  | 15 to 51                       | 79,052                               |
| <b>PROPERTIES<br/>MALAYSIA</b>  |                    |                           |   |  |   |                                |                                      |
| KL-Kepong Country<br>Homes  | Freehold           | –                         | 110                                     | Property<br>development                                    | 1979  | –                              | 15,814                               |
| Ijok, Selangor  | Freehold           | –                         | 667                                     | Property<br>development                                    | 1979  | –                              | 11,134                               |
|   | Leasehold          | 2082 and<br>2108          | 11                                      | operating as oil<br>palm estate                            | 2010  |                                |                                      |
| Colville Holdings<br>Setul, Negeri Sembilan   | Freehold           | –                         | 422                                     | Property<br>development<br>operating as oil<br>palm estate | 1985  | –                              | 10,429                               |

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

<sup>\*</sup> Year of last revaluation



# BATU KAWAN BERHAD

## Properties Held by the Group (Continued)

At 30 September 2015

| Location   | Tenure             | Year<br>Lease<br>Expiring | Titled<br>Area<br>Hectares <sup>#</sup> | Description /<br>Existing Use                     | Year of<br>Acquisition /<br>Last<br>Revaluation | Age of<br>Buildings<br>(Years) | Net<br>Carrying<br>Amounts<br>RM'000 |
|--|--------------------|---------------------------|---|---|---|--------------------------------|--------------------------------------|
| KL-Kepong Property Development<br>Gombak, Selangor   | Freehold           | –                         | 403                                     | Property development operating as oil palm estate | 2004  | –                              | 140,726                              |
| Palermo Corporation<br>Bagan Samak, Kedah  | Freehold           | –                         | 351                                     | Property development operating as oil palm estate | 1986  | –                              | 12,977                               |
| Kompleks Tanjong Malim<br>Tanjong Malim, Perak   | Freehold           | –                         | 172                                     | Property development operating as oil palm estate | 1979  | –                              | 7,549                                |
| KL-Kepong Property Management<br>Paloh, Johor  | Freehold           | –                         | 26                                      | Property development operating as oil palm estate | 1979*   | –                              | 391                                  |
| KL-Kepong Complex<br>Sungai Buloh, Selangor  | Freehold           | –                         | 8                                       | Property development                              | 1979  | –                              | 2,806                                |
| <b>INVESTMENT PROPERTY</b>   |                    |                           |   |   |   |                                |                                      |
| <b><u>MALAYSIA</u></b>   |                    |                           |   |   |   |                                |                                      |
| Batu Kawan Holdings<br>Menara KLK<br>No 1, Jalan PJU 7/6<br>Mutiar Damansara<br>Petaling Jaya, Selangor      | Freehold           | –                         | 5,730<br>sq m                           | Office building                                   | 2003  | 6                              | 51,120                               |
| <b>OTHER PROPERTIES</b>  |                    |                           |   |   |   |                                |                                      |
| <b><u>MALAYSIA</u></b>   |                    |                           |   |   |   |                                |                                      |
| Stolthaven (Westport)<br>Klang, Selangor   | Leased<br>property | 2024                      | 12                                      | Bulking installation                              | 2006<br>2014                                    | 18                             | 15,029                               |
| See Sen Bulking<br>Installation<br>Lot 4735, Kawasan<br>Perindustrian Teluk<br>Kalung<br>Kemaman, Terengganu | Leasehold          | 2025                      | 5                                       | Vacant industrial<br>land                         | 1996  | –                              | 630                                  |
| Circular Agency<br>Lot 202186, 202187 and<br>202188, Zarib Industrial<br>Park, Lahat<br>Ipoh, Perak          | Leasehold          | 2092                      | 1                                       | Land with office<br>building and<br>workshop      | 1996*   | 21                             | 2,318                                |

# Titled area is in hectares except otherwise indicated

\* Year of last revaluation

**BATU KAWAN BERHAD**  
**Properties Held by the Group (Continued)**  
At 30 September 2015

| Location  | Tenure               | Year<br>Lease<br>Expiring | Titled<br>Area<br>Hectares <sup>#</sup> | Description /<br>Existing Use     | Year of<br>Acquisition /<br>Last<br>Revaluation | Age of<br>Buildings<br>(Years) | Net<br>Carrying<br>Amounts<br>RM'000 |
|---|----------------------|---------------------------|---|-----------------------------------|---|--------------------------------|--------------------------------------|
| Wisma Taiko,<br>1, Jalan S.P.<br>Seenivasagam<br>Ipoh, Perak                                | Freehold             | –                         | 2,984<br>sq m                           | Head office<br>building           | 1983  | 30                             | 4,097                                |
|   | Leasehold            | 2892                      | 2,408<br>sq m                           |                                   | 2000  |                                | 1,606                                |
| Kelkay Bulking Installation<br>Port Klang, Selangor   | Leased<br>property   | 2013                      | 3,351<br>sq m                           | Bulking installation              | 1975<br>2014                                    | 40                             | 439                                  |
| <b>INDONESIA</b>  |                      |                           |   |                                   |   |                                |                                      |
| SWP Bulking Installation<br>Belitung  | Hak Guna<br>Bangunan | 2035                      | 20                                      | Bulking installation<br>and jetty | 2005  | 6 and 10<br>9                  | 4,846                                |
| 3, 5, 6 & 7, Block C<br>Ruko Puri Mutiara<br>Sunter Agung<br>Tanjung Priok<br>Jakarta Utara | Hak Guna<br>Bangunan | 2027                      | 300<br>sq m                             | Office building                   | 2007  | 8                              | 313                                  |
| <b>UNITED KINGDOM</b>   |                      |                           |   |                                   |   |                                |                                      |
| 27, Kelso Place<br>Kensington, London   | Freehold             | –                         | 489<br>sq m                             | Office building                   | 2001  | 134                            | 32,303                               |
| <b>AUSTRALIA</b>  |                      |                           |   |                                   |   |                                |                                      |
| Chilimony Farm<br>Northampton<br>Western Australia  | Freehold             | –                         | 16,189                                  | Sheep and<br>cereal farm          | 2012<br>2013                                    | –                              | 88,873                               |
| Wyunga Farm<br>Dandaragan<br>Western Australia  | Freehold             | –                         | 8,466                                   | Cereal farm                       | 2013<br>2014                                    | –                              | 62,356                               |
| Erregulla Farm<br>Mingenew<br>Western Australia   | Freehold             | –                         | 5,290                                   | Sheep and<br>cereal farm          | 1989*   | –                              | 4,497                                |
| Warrenning Gully Farm<br>Williams<br>Western Australia                                      | Freehold             | –                         | 5,119                                   | Sheep and<br>cereal farm          | 1989*<br>2014                                   | –                              | 29,876                               |
| Jonlorrie Farm York<br>Western Australia  | Freehold             | –                         | 4,927                                   | Cereal farm                       | 2013<br>2014<br>2015                            | –                              | 74,582                               |
| Tatchbrook Farm<br>Arthur River<br>Western Australia  | Freehold             | –                         | 2,789                                   | Cereal farm                       | 2015  | –                              | 29,237                               |

<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 failing him THE CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at its Registered Office, Wisma Taiko, No. 1, Jalan S.P. Seenivasagam, 30000 Ipoh, Perak on Wednesday, 17 February 2016 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 Director in accordance to the Company's Articles of Association:<br>Mr Quah Chek Tin |     |         |
| 3          | Re-appointment of Directors pursuant to Section 129(6) of the Companies Act, 1965:<br>R. M. Alias                 |     |         |
| 4          | Dato' Mustafa bin Mohd Ali  |     |         |
| 5          | Payment of Directors' fees  |     |         |
| 6          | Re-appointment of Auditors and their remuneration   |     |         |
| 7          | Proposed Renewal of Authority to Buy Back Shares  |     |         |
| 8          | 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

Date: \_\_\_\_\_

## Notes:

- A member (other than an exempt authorised nominee) is entitled to appoint only one proxy to vote in his stead. The proxy may, but need not be a member of the Company and provisions of Section 149(1)(a) to (d) of the Companies Act, 1965 shall not apply to the Company.
- Where a member is an exempt authorised nominee, as defined under the Securities Industry (Central Depositories) Act 1991, which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- 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 Record of Depositors as at 11 February 2016 will be entitled to attend, speak and vote at the meeting.

## Personal Data Privacy

By submitting the duly executed proxy form, the member consents to the Company (and/or its agents/service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010, for the purpose of the Annual General Meeting, including any adjournment thereof.



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Affix Stamp  
Here

THE COMPANY SECRETARIES  
**BATU KAWAN BERHAD**  
WISMA TAIKO  
NO. 1, JALAN S.P. SEENIVASAGAM  
30000 IPOH, PERAK  
MALAYSIA.

Fold here

