

BATU KAWAN BERHAD (6292-U) **2016**
ANNUAL REPORT FOR THE YEAR ENDED 30 SEPTEMBER

BATU KAWAN BERHAD

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BATU KAWAN BERHAD

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fifty-Second (52nd) 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, 15 February 2017 at 2.30 p.m. for the following purposes:

1. To receive the Audited Financial Statements for the year ended 30 September 2016 and the Directors' and Auditors' Reports thereon. (Please refer Note 1)
2. To approve the payment of a final single tier dividend of 40 sen per share for the year ended 30 September 2016. (Ordinary Resolution 1)
3. To re-elect the following Director who retires in accordance with the Company's Articles of Association:

Tan Sri Dato' Seri Lee Oi Hian (Ordinary Resolution 2)
4. To consider and, if thought fit, pass a resolution pursuant to Section 129(6) of the Companies Act, 1965 to re-appoint the following as Director of the Company to hold office until the next Annual General Meeting of the Company:

R. M. Alias (Ordinary Resolution 3)
5. To approve the Directors' fees for the year ended 30 September 2016 amounting to RM720,000 (2015: RM715,890). (Ordinary Resolution 4)
6. To re-appoint Auditors and authorise the Directors to fix their remuneration. (Ordinary Resolution 5)
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 6)

"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 interest 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 7)

"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 2016 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 of which due notice shall have been given in accordance to Companies Act, 1965.

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

Ipoh,
Perak Darul Ridzuan,
Malaysia.

30 December 2016

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) Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in this Notice shall be put to vote by poll.
- (3) 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) - (d) of the Companies Act, 1965 shall not apply to the Company.
- (4) 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.
- (5) 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.
- (6) Only members whose names appear on the Register of Members and Record of Depositors as at 9 February 2017 shall be entitled to attend or appoint proxies in his stead or in the case of a corporation, a duly authorised representative to attend and vote in his stead.
- (7) The final single tier dividend, if approved, will be paid to the shareholders on 16 March 2017. The entitlement date for the dividend shall be 22 February 2017.

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 20 February 2017 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 22 February 2017 in respect of transfers; and
 - (c) securities bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.
- (8) Dato' Mustafa bin Mohd Ali is also due for re-appointment at the forthcoming Annual General Meeting. However, he has advised that he will not be seeking for re-appointment at the Annual General Meeting.
 - (9) Ordinary Resolution 6 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.
 - (10) Ordinary Resolution 7 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 7 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 6 and 7 mentioned above, further information is set out in the Circular to Shareholders of the Company which is despatched together with the Company's 2016 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 Dua (52) akan diadakan di Pejabat Berdaftar di Wisma Taiko, No. 1, Jalan S. P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan, Malaysia pada hari Rabu, 15 Februari 2017 pada pukul 2.30 petang untuk tujuan-tujuan berikut:

1. Menerima Penyata Kewangan Beraudit bagi tahun berakhir 30 September 2016 berserta Laporan Lembaga Pengarah dan Juruaudit. (Sila Rujuk Nota 1)
2. Meluluskan bayaran dividen akhir setingkat 40 sen sesaham bagi tahun berakhir 30 September 2016. (Resolusi Biasa 1)
3. Melantik semula Pengarah berikut yang bersara menurut Tataurusan Syarikat:
Tan Sri Dato' Seri Lee Oi Hian (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:
R. M. Alias (Resolusi Biasa 3)
5. Meluluskan bayaran yuran para Pengarah sebanyak RM720,000 bagi tahun berakhir 30 September 2016 (2015: RM715,890). (Resolusi Biasa 4)
6. Melantik semula Juruaudit dan memberi kuasa kepada para Pengarah untuk menetapkan ganjaran Juruaudit. (Resolusi Biasa 5)
7. Sebagai URUSAN KHAS, untuk mempertimbangkan dan sekiranya bersesuaian meluluskan resolusi-resolusi berikut:
 - (a) CADANGAN PEMBAHARUAN KUASA MEMBELI BALIK SAHAM SENDIRI OLEH SYARIKAT (Resolusi Biasa 6)

“BAHAWA kuasa diberi kepada Syarikat untuk membeli balik 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 penamatan 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 7)

“BAHAWA, tertakluk kepada Akta Syarikat, 1965, Tatacara dan Tataurusan Syarikat dan Peraturan Bursa Malaysia Securities Berhad, kelulusan diberikan kepada Syarikat dan/atau subsidiari-subsidiarinya untuk mementerai perjanjian bagi transaksi dengan pihak-pihak yang berkaitan seperti yang tertera di Appendix II dalam Surat Pekeliling kepada pemegang-pemegang saham bertarikh 30 Disember 2016 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 2016

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 Tataurusan Syarikat, Penyata Kewangan Diaudit akan dibentangkan di mesyuarat agung dan tidak memerlukan kelulusan formal pemegang-pemegang saham. Justeru itu, perkara ini tidak akan dibentangkan untuk undian.
- (2) Menurut Perenggan 8.29A(1) Keperluan Penyenaraian Pasaran Utama Bursa Malaysia Securities Berhad, semua resolusi yang terkandung di dalam Notis harus dilaksanakan dengan pengundian.
- (3) 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.
- (4) 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.
- (5) Suratcara pelantikan 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.
- (6) Hanya pemegang saham yang namanya terkandung di dalam Rekod Pendeposit atau Rekod Pendaftaran Ahli pada 9 Februari 2017 adalah layak untuk menghadiri mesyuarat ini atau melantik proksi untuk hadir dan mengundi bagi pihaknya.
- (7) Dividen akhir setingkat, jika diluluskan, akan dibayar pada 16 Mac 2017 kepada semua pemegang-pemegang saham. Tarikh kelayakan untuk menerima dividen adalah pada 22 Februari 2017.

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 20 Februari 2017 berhubung dengan saham yang dikecualikan daripada deposit mandatori;
 - (b) saham-saham yang dipindahkan ke dalam Akaun Sekuriti Pendeposit sebelum pukul 4.00 petang pada 22 Februari 2017 berhubung dengan pindahan; dan
 - (c) saham-saham yang dibeli di Bursa Malaysia Securities Berhad dengan asas kelayakan menurut Peraturan Bursa Malaysia Securities Berhad.
- (8) Dato' Mustafa bin Mohd Ali yang sepatutnya dicadang untuk dilantik semula sebagai Pengarah Syarikat telah memaklumkan bahawa beliau akan bersara pada Mesyuarat Agung Tahunan Syarikat ini.
 - (9) Cadangan Resolusi Biasa 6 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.
 - (10) Cadangan Resolusi Biasa 7 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 7 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 diijmatkan tanpa menjejaskan objektif Korporat Kumpulan dan peluang perniagaan yang sedia ada kepada Kumpulan.

Untuk Resolusi Biasa 6 dan 7 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 2016.

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 (retiring on 15 February 2017)	- 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 : 605-240 8000
Fax : 605-240 8117
Email : cosec@bkawan.com.my
Website : www.bkawan.com.my

SHARE REGISTRAR

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

PLACE OF INCORPORATION AND DOMICILE

In Malaysia as a public limited liability company

STOCK EXCHANGE LISTING

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

AUDITORS

KPMG
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
Australia and New Zealand Banking Group Limited

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 65, Male, Malaysian

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

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

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

DATO' LEE HAU HIAN

Managing Director

Aged 63, Male, Malaysian

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

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

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



BATU KAWAN BERHAD

Profile of Directors (Continued)



DATO' YEOH ENG KHOON

*Senior Independent Non-Executive Director
Chairman of Audit and Nomination Committees
Aged 69, Male, Malaysian*

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

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

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

R. M. ALIAS

*Independent Non-Executive Director
Chairman of Remuneration Committee
Aged 84, Male, Malaysian*

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

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

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



BATU KAWAN BERHAD

Profile of Directors (Continued)

DATO' MUSTAFA BIN MOHD ALI

Independent Non-Executive Director

Member of Audit and Nomination Committees

Aged 79, Male, Malaysian

Dato' Mustafa joined the Board on 31 October 1994 as a Non-Independent Non-Executive Director. Subsequently, on 22 May 2008, he was redesignated to an Independent Non-Executive Director. 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 a director of 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.

He retires from the Board at the forthcoming Annual General Meeting pursuant to Section 129(2) of the Companies Act, 1965 and will not seek re-appointment.



QUAH CHEK TIN

Independent Non-Executive Director

Member of Audit and Remuneration Committees

Aged 65, Male, Malaysian

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

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

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

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

Additional Information:

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

BATU KAWAN BERHAD

Profile of Key Senior Management

TAN SRI DATO' SERI LEE OI HIAN

*Non-Independent Non-Executive Chairman of Batu Kawan Berhad ("BKB")
Chief Executive Officer of Subsidiary of BKB, Kuala Lumpur Kepong Berhad ("KLK")
Aged 65, Male, Malaysian*

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

DATO' LEE HAU HIAN

*Managing Director of BKB
Aged 63, Male, Malaysian*

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

ROY LIM KIAM CHYE

*Executive Director and Group Plantations Director of Subsidiary of BKB, KLK
Aged 66, Male, Malaysian*

Mr. Lim has been with the KLK Group since 1975. Prior to his current position since 1 October 2003, he was the Marketing Director overseeing commodities trading for the Plantations Division. Mr. Lim holds a Bachelor of Economics (Honours) degree and a Diploma in Education (Distinction) from the University of Malaya. He has also attended the Senior Management Development Program from Harvard Business School and Advanced Management Program from INSEAD.

Mr. Lim is currently the Chairman of the Malaysian Palm Oil Association and is a member on the Board of Trustees of the Malaysian Palm Oil Council.

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

TAN CHEE HENG

*Managing Director of Subsidiaries of BKB
Aged 45, Male, Malaysian*

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

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

He was recently appointed to the Board of BASF See Sen Sdn Bhd, an associate of See Sen Chemical Berhad.

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

BATU KAWAN BERHAD

Profile of Key Senior Management (Continued)

YEOW AH KOW

*Managing Director, Oleochemicals Division of Subsidiary of BKB, KLK
Aged 62, Male, Malaysian*

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

Mr. Yeow has been the Managing Director of subsidiary of KLK, KL-Kepong Oleomas Sdn Bhd since March 1998. He has been with KLK Group for the past 25 years and was instrumental in setting up the cocoa manufacturing business. He started his career as Industrial Chemist with Sime Darby Edible Oil Pte Ltd and Sime Darby Oleochemicals Pte Ltd, Singapore. Prior to joining KLK, he was with Behn Meyer & Co (M) Sdn Bhd where he was the Group Manager of the Techno-Chemical Division, in charge of specialty chemicals and equipment trading business.

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

DATO' DAVID TAN THEAN THYE

*Executive Director, Property Division of Subsidiary of BKB, KLK
Aged 62, Male, Malaysian*

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

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

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

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

CHONG SEE TECK

*Group Financial Controller and Joint Company Secretary of BKB
Aged 51, Male, Malaysian*

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

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

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

Additional Information:

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

BATU KAWAN BERHAD

Group Financial Summary

FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS

	2016 RM'000	2015 RM'000	2014 RM'000	2013 RM'000 (Restated)	2012 RM'000 (Restated)
Revenue	16,969,251	14,055,308	11,499,664	9,466,245	10,872,828
Profit before taxation	1,822,586	1,241,522	1,417,281	1,285,791	1,622,064
Profit attributable to equity holders of the Company	825,168	484,840	521,546	483,709	605,687
Total assets	19,815,216	18,620,360	14,164,100	13,069,472	12,116,817
Share capital	435,951	435,951	435,951	435,951	435,951
Treasury shares	(403,272)	(382,208)	(330,723)	(223,387)	(196,442)
Reserves	6,047,130	5,554,449	4,531,773	4,354,928	4,066,717
Total equity attributable to equity holders of the Company	6,079,809	5,608,192	4,637,001	4,567,492	4,306,226
Non-controlling interests	6,090,872	5,289,444	4,234,248	4,094,649	3,841,470
Total equity	12,170,681	10,897,636	8,871,249	8,662,141	8,147,696
Total liabilities	7,644,535	7,722,724	5,292,851	4,407,331	3,969,121
Total equity and liabilities	19,815,216	18,620,360	14,164,100	13,069,472	12,116,817

FINANCIAL STATISTICS

	2016	2015	2014	2013 (Restated)	2012 (Restated)
Basic earnings per share (sen)	203.4	119.0	126.9	116.5	145.3
Dividends per share (sen)	55.0	50.0	60.0	55.0	65.0
Share price as at 30 September (RM)	18.18	16.78	19.10	18.50	18.00
Historical price earnings ratio (times)	8.9	14.1	15.1	15.9	12.4
Dividend yield (%)	3.0	3.0	3.1	3.0	3.6
Dividend cover (times)	3.7	2.4	2.1	2.1	2.2
Dividend payout ratio (%)	27.0	42.0	47.3	47.2	44.7
Net assets per share attributable to equity holders of the Company (RM)	15.01	13.80	11.33	11.01	10.35
Return on shareholders' equity (%)	13.6	8.6	11.2	10.6	14.1
Return on total assets (%)	4.2	2.6	3.7	3.7	5.0
Net debt-to-equity ratio (%)	19.9	22.0*	17.0*	4.8*	0.1*

* These figures have been restated to conform with current year's presentation.

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

QUARTERLY FINANCIAL HIGHLIGHTS

	Year 2016 RM'000	Fourth Quarter RM'000	Third Quarter RM'000	Second Quarter RM'000	First Quarter RM'000
Revenue	16,969,251	4,661,089	4,043,453	3,814,450	4,450,259
Profit before taxation	1,822,586	257,932	357,505	268,488	938,661
Profit attributable to equity holders of the Company	825,168	194,734	148,473	94,435	387,526
Basic earnings per share (sen)	203.4	48.0	36.6	23.3	95.4
Net dividends per share (sen)	55.0	40.0	-	15.0	-

BATU KAWAN BERHAD

Group Plantation Statistics

		2016	2015	2014	2013 (Restated)	2012 (Restated)
OIL PALM						
FFB Production						
- own estates	(mt)	3,566,642	3,882,487	3,823,787	3,687,225	3,316,197
- sold	(mt)	58,461	36,373	150,375	240,840	179,528
- purchased	(mt)	764,749	936,140	1,084,985	960,987	819,796
- total processed	(mt)	4,272,930	4,782,254	4,758,397	4,407,372	3,956,465
Yield per mature hectare	(mt FFB)	19.79	21.97	22.47	22.52	21.27
Profit per mature hectare (before replanting expenditure)	(RM)	4,283	4,641	6,283	4,547	7,156
Average selling prices						
- Refined palm products	(RM/mt ex-refinery)	2,392	2,227	2,519	2,460	3,220
- Crude palm oil	(RM/mt ex-mill)	2,256	2,102	2,396	2,275	2,829
- Palm kernel oil	(RM/mt ex-mill)	4,191	3,205	3,294	2,225	3,295
- Palm kernel cakes	(RM/mt ex-mill)	277	262	430	401	286
- Palm kernels	(RM/mt ex-mill)	1,866	1,417	1,576	1,105	1,580
- FFB	(RM/mt)	575	462	519	353	520
RUBBER						
Production						
- own estates	('000 kg)	16,007	15,224	16,547	17,531	18,997
- sold	('000 kg)	-	-	70	189	-
- purchased	('000 kg)	1,282	1,314	1,726	2,104	2,524
- total processed	('000 kg)	17,289	16,538	18,203	19,466	21,521
Yield per mature hectare	(kg)	1,553	1,413	1,328	1,166	1,191
Profit per mature hectare (before replanting expenditure)	(RM)	1,934	1,551	2,421	3,577	7,210
Average selling price (net of cess)	(sen/kg)	667	681	800	942	1,220
PLANTED AREA (Weighted average hectares)						
OIL PALM						
Mature		180,186	176,730	170,204	163,751	155,916
Immature		36,685	37,816	39,880	37,989	42,009
RUBBER						
Mature		10,305	10,777	12,456	15,029	15,957
Immature		3,364	3,500	3,678	3,670	3,623
TOTAL PLANTED AREA		230,540	228,823	226,218	220,439	217,505

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

BATU KAWAN BERHAD

Area Statement

			2016			2015	
	Age In Years	Hectares	% Under Crop	% of Total Planted Area	Hectares	% Under Crop	% of Total Planted Area
OIL PALM	4 to 9	60,741	29		63,973	30	
	10 to 18	69,596	33		71,974	34	
	19 and above	49,188	23		42,293	20	
	Mature	179,525	85	80	178,240	84	79
	Immature	31,244	15	14	34,679	16	15
	Total	210,769	100	94	212,919	100	94
RUBBER	6 to 10	1,373	11		1,569	11	
	11 to 15	2,203	17		2,247	16	
	16 to 20	2,897	22		2,516	18	
	21 and above	3,932	30		4,603	33	
	Mature	10,405	80	5	10,935	78	5
	Immature	2,657	20	1	2,981	22	1
	Total	13,062	100	6	13,916	100	6
TOTAL PLANTED		223,831		100	226,835		100
Plantable Reserves		27,440			24,981		
Conservation Areas		12,789			12,864		
Building sites, etc		10,033			10,490		
GRAND TOTAL		274,093			275,170		

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

BATU KAWAN BERHAD

Chairman's Statement

Batu Kawan Berhad ("Company" or "BKB") Group, which includes the results of its main subsidiary - Kuala Lumpur Kepong Berhad ("KLK"), achieved a Group pre-tax profit of RM1.82 billion for the financial year ended 30 September 2016, compared to RM1.24 billion in the previous year. The higher pre-tax profit recorded was due largely to a capital gain surplus of RM489.33 million from the sale of plantation land by KLK to its associate during the year.

After-tax profit attributable to BKB shareholders was therefore higher at RM825.16 million compared to RM484.84 million last year. Earnings per share ("EPS") achieved was 203.4 sen versus 119.0 sen the previous year.

Therefore for comparative purpose, on excluding one-off gains, the Group's adjusted EPS is 120.1 sen, compared to 119.0 sen reported last year.

The Board has declared an increased final dividend of 40 sen for this financial year, making a total of 55 sen (50 sen last year) for the full year, an increase of 10%.

Under the share buyback programme, a further 1,185,200 shares in the Company was bought back, increasing the number of shares held as Treasury shares to 30,790,931.

MAIN SUBSIDIARY – KLK

KLK's revenues increased to RM16.50 billion from RM13.64 billion last year, reflecting an improvement in overall average palm product prices realised and an increase in its oleochemical production capacity during the year.

Pre-tax profit was RM1.71 billion, an increase of 50% from last year, due to the gains arising from estate land disposals, of which RM489.33 million was attributable to the sale of 2,500 acres of its Fraser Estate to an associate, which will undertake property development of the land in the next few years.

After-tax profits was RM1,592.19 million compared to RM869.91 million last year, or EPS of 149.5 sen. Excluding the exceptional items of gains from estate land sales and the net deferred tax credits from revaluation of the biological assets of its Indonesian plantations, underlying net profit would be RM892.64 million, similar to last year's results. On this adjusted basis, EPS for this year would be 83.8 sen, a marginal increase of 3% from last financial year.

Plantations achieved pre-tax profit of RM826.36 million, some 8% higher than last year's RM766.80 million. Annual FFB production was 8% lower than last year and much lower from budget, due to the deleterious effect of the severe El Niño weather condition during the year. As a result, FFB yields fell from 21.9 mt/ha to 19.8 mt/ha this year, though oil extraction rates were sustained, while unit production costs increased.

Due to the resulting tight CPO supply, average palm oil price achieved at RM2,270/mt was some 8% higher than the previous year, though CPO prices remain at low levels. On the brighter side, there was a strong increase in palm kernel prices which was some 32% higher, on average. With improved yields, profitability of rubber this year doubled but still remain well below that achievable from oil palm as well as being a small contributor to overall profit.

The contribution from Oleochemicals improved substantially to RM299.40 million from RM171.25 million last year. The sector remains however challenging due to tight supply of laurics and industry over-capacity, while low petroleum prices benefited petroleum-based substitutes to oleo-products and also adversely affect biofuels competitiveness. During the year, KLK acquired another oleochemical producer in Dusseldorf, Germany to integrate with its other European assets.

Contribution from Property was lower at RM28.63 million this year, due to lower sales levels reflecting the phased development of Bandar Seri Coalfields township project at Sungai Buloh and the softening property market.

BATU KAWAN BERHAD

Chairman's Statement (Continued)

INDUSTRIAL OPERATIONS

Malay-Sino Chemical Industries Sendirian Berhad ("Malay-Sino") contributed the bulk of our chemical sector pre-tax profits of RM107.12 million, a significant increase from the RM74.22 million achieved last year. This was the result of higher product prices, increased off-take volumes from a major customer, and gains from partial disposal of a share investment. During the year, its Kemaman plant was enhanced to increase its chlorine production capacity in line with market demand.

While the focus on cost containment and production efficiency is on-going, additional efforts will be placed on improving the safety and effectiveness of our plant operations. Looking ahead, the progressive reduction of subsidies for electricity will impact Malay-Sino's production costs as electricity is a major cost component.

The transport subsidiaries also had better results in line with increased volume of deliveries from the higher products' off-takes by customers. A replacement programme for their older aging vehicles has begun, which will continue for the next few years.

The sulphuric acid business of our subsidiary, See Sen Chemical Berhad ("See Sen"), is being restructured to reduce production capacity by closing our large capacity Kemaman plant and replacing it with a smaller plant relocated from its Pasir Gudang site, in view of the strong competition from imported smelter acid. This exercise will ensure See Sen's business is more sustainable in the future, anchored by a long term oleum supply contract to its associate which produces high quality acid for the electronics industry. Regrettably, some employee retrenchment was necessary. For the year, See Sen made a smaller loss but we anticipate it to return to profitability in 2017.

PLANTATION SUBSIDIARIES

At year-end, the Company has spent some RM124.52 million to develop PT Satu Sembilan Delapan ("SSD") with all its plantable area of 5,297 ha fully planted with oil palms, of which 3,795 ha are mature. FFB crop this year was affected by El Niño resulting in a low FFB yield of only 18.6 mt/ha. However, the oil extraction rate from its palm oil mill was commendable at 24.7%.

Our other 90% Indonesian subsidiary, PT Tekukur Indah, acquired last year, now has a finalised area of 2,030 ha of undeveloped land, suitable for planting. In line with plans to develop sustainable oil palm plantations, a High Conservation Study has since been completed and upon its approval, planting will commence. The strategic location of the land, adjacent to SSD's plantation, will ensure future scale economies can be realised.

INVESTMENT PROPERTY

Upon completion of their tenancies, several tenants have vacated Menara KLK to move either to larger spaces or to their recently acquired premises, and replacement tenants will be sought. The Mutiara Damansara area continues to be developed with more office buildings and in the longer term, such developments should enhance the capital value of our property.

OVERSEAS PROPERTY INVESTMENTS

During the year, BKB through its overseas subsidiaries, co-invested in three further property development schemes in Melbourne, Victoria and two in Perth, Western Australia. Our share of these managed projects was between 14.7% to 40.0%. The projects will involve the purchase of land and their subsequent development and sale of sub-divided residential lots over a time frame of between 2 to 5 years. In one case, the land purchase is subject to the seller obtaining planning approval.

BATU KAWAN BERHAD

Chairman's Statement (Continued)

To-date, the BKB Group has minority investments in a total of 6 property development projects in Australia, with 4 located in the Melbourne and 2 in Perth. All these projects are professionally managed and their development schemes will be financed by local bank borrowings and by shareholders funds in the form of equity and loans. Our Group's total share of such shareholders' funding is expected to be some A\$60.0 million over a period of years. Currently most of these projects are largely in the master planning and/or planning approval submission stages and all will not be cash generative for some time. However, for the Greenvale project in Melbourne, which has commenced initial sales of residential lots, the sales to-date has been promising.

OUTLOOK

For the first quarter of the new financial year, crude palm oil and in particular, palm kernel prices, have improved, helped partly by a weaker Ringgit. Given the low stocks and tight supplies caused by El Niño and a slow crop recovery, there is therefore some optimism for better CPO prices to prevail.

On the global front, there are increasing signs of a slower world economy and new uncertainties which your Board will need to be cognizant about. In such times, we will maintain our focus on maintaining operational efficiency while keeping alert to opportunities that may come along.

On your behalf, I thank our group employees for their continuing efforts in these areas.

Lastly, I would like to take this opportunity to thank our Director, Dato' Mustafa bin Mohd Ali who will retire at the forthcoming Annual General Meeting, for his contributions to the Company. Dato' Mustafa has been an effective board member for the past 22 years and will be dearly missed.

Tan Sri Dato' Seri Lee Oi Hian
Chairman
5 December 2016

BATU KAWAN BERHAD

Kenyataan Pengerusi

Kumpulan Batu Kawan Berhad (“Syarikat” atau “BKB”), yang turut merangkumi anak syarikat utamanya – Kuala Lumpur Kepong Berhad (“KLK”), telah mencapai keuntungan Kumpulan sebelum cukai sebanyak RM1.82 bilion untuk tahun kewangan berakhir 30 September 2016, berbanding RM1.24 bilion pada tahun sebelumnya. Keuntungan sebelum cukai lebih tinggi yang dicapai kebanyakannya terdiri daripada lebihan laba modal sebanyak RM489.33 juta daripada jualan tanah ladang KLK kepada syarikat sekutunya dalam tahun tinjauan.

Oleh itu keuntungan selepas cukai yang boleh diagihkan kepada pemegang-pemegang saham BKB juga meningkat iaitu mencecah RM825.16 juta berbanding RM484.84 juta tahun sebelumnya. Perolehan sesaham (“EPS”) yang dicapai ialah 203.4 sen berbanding 119.0 sen untuk tahun sebelumnya.

Oleh itu untuk tujuan perbandingan, jika tidak mengira laba yang tidak berulang, EPS terlaras Kumpulan adalah 120.1 sen, iaitu hampir bersamaan dengan 119.0 sen yang dilaporkan untuk tahun sebelumnya.

Lembaga Pengarah telah mengesyorkan dividen akhir yang lebih tinggi sebanyak 40 sen untuk tahun kewangan ini, menjadikan jumlah dividen tahun kewangan ini sebanyak 55 sen (50 sen tahun sebelumnya) iaitu meningkat 10%.

Dibawah program pembelian balik saham, sebanyak 1,185,200 saham Syarikat telah dibelibalik, meningkatkan pegangan saham Perbendaharaan kepada 30,790,931.

ANAK SYARIKAT UTAMA - KLK

Hasil KLK meningkat kepada RM16.50 bilion daripada RM13.64 bilion tahun sebelumnya, mencerminkan peningkatan keseluruhan harga-harga purata produk sawit yang diperolehi serta peningkatan keupayaan pengeluaran oleokimia dalam tahun tinjauan.

Keuntungan sebelum cukai berjumlah RM1.71 bilion, suatu peningkatan 50% dari tahun sebelumnya, disebabkan laba yang diperolehi daripada jualan tanah ladang, dalam mana sebanyak RM489.33 juta didapati dari jualan 2,500 ekar tanah Ladang Fraser kepada syarikat sekutunya, yang akan melaksanakan pembangunan hartanah di situ dalam beberapa tahun akan datang.

Keuntungan selepas cukai berjumlah RM1,592.19 juta berbanding RM869.91 juta yang dicatat tahun sebelumnya, atau EPS 149.5 sen. Jika tidak termasuk butir-butir laba luar biasa daripada jualan tanah ladang serta kredit cukai tertunda bersih daripada penilaian semula aset biologi ladang-ladangnya di Indonesia, keuntungan bersih dasar adalah RM892.64 juta, hampir sama dengan keuntungan tahun sebelumnya. Atas asas pelarasan ini, EPS tahun tinjauan adalah 83.8 sen, satu peningkatan kecil sebanyak 3% daripada tahun kewangan yang lepas.

Sektor Perladangan telah mencapai keuntungan sebelum cukai sebanyak RM826.36 juta, iaitu 8% lebih tinggi daripada RM766.80 juta yang dicatat tahun sebelumnya. Pengeluaran tahunan Buah Tandan Segar (“BTS”) adalah 8% lebih rendah daripada tahun lepas dan jauh lebih rendah dari jangkaan belanjawan, disebabkan kesan mudarat cuaca buruk El Niño dalam tahun tinjauan ini. Ekoran itu, hasil BTS jatuh dari 21.9 tm/ha kepada 19.8 tm/ha dalam tahun tinjauan ini, walaupun kadar penyarian minyak masih dikekalkan, sementara kos pengeluaran seunit meningkat.

Ekoran daripada bekalan Minyak Sawit Mentah (“MSM”) yang ketat, harga purata minyak sawit mencapai RM2,270/tm iaitu 8% lebih tinggi daripada tahun sebelumnya, walaupun harga-harga MSM berada pada ditahap yang rendah. Disebelah positif, terdapat kenaikan ketara dalam harga-harga isirung sawit dengan peningkatan purata sebanyak 32%. Getah menjanakan hasil lebih baik tahun ini dengan pencatatan keuntungan dua kali ganda tetapi tetap masih lebih rendah daripada hasil sumbangan kelapa sawit, dan ianya merupakan penyumbang kecil kepada jumlah keuntungan keseluruhan.

BATU KAWAN BERHAD

Kenyataan Pengerusi (Sambungan)

Sumbangan daripada Oleokimia meningkat dengan nyata kepada RM299.40 juta daripada RM171.25 juta bagi tahun sebelumnya. Sektor ini bagaimanapun tetap mencabar kerana bekalan asid laurik yang ketat dan kapasiti industri yang berlebihan, sementara harga-harga petroleum yang rendah menguntungkan produk pengganti berasaskan petroleum berbanding produk oleo disamping menjejaskan daya saing produk biobahan api. Dalam tahun tinjauan, KLK mengambilalih satu lagi pengeluaran oleokimia di Dusseldorf, Jerman untuk disepadukan dengan aset-aset lainnya di Eropah.

Sumbangan dari Hartanah adalah lebih rendah sejumlah RM28.63 juta tahun ini, disebabkan tahap jualan yang lebih rendah mencerminkan pembangunan berfasa di projek Bandar Seri Coalfields di Sungai Buloh serta pasaran hartanah yang kian lembab.

OPERASI PERINDUSTRIAN

Malay-Sino Chemical Industries Sendirian Berhad ("Malay-Sino") menyumbangkan kebanyakan keuntungan sebelum cukai sektor kimia kami yang berjumlah RM107.12 juta, satu peningkatan nyata daripada RM74.22 juta yang dicapai tahun lepas. Ini adalah hasil daripada harga-harga produk yang lebih tinggi, volum hantaran yang meningkat kepada satu pelanggan utama, dan keuntungan daripada perlupusan sebahagian saham pelaburan. Dalam tahun tinjauan, kilangnya di Kemaman telah dinaiktaraf bagi meningkatkan keupayaan pengeluaran klorin sejajar dengan permintaan pasaran.

Sementara fokus terhadap pengawalan kos dan kecekapan pengeluaran diteruskan, usaha-usaha tambahan akan dilaksanakan untuk meningkatkan keselamatan dan keberkesanan operasi kilang-kilang kami. Memandang kedepan, pengurangan progresif subsidi elektrik akan mendatangkan kesan kepada kos-kos pengeluaran Malay-Sino kerana elektrik merupakan komponen kos yang utama.

Anak-anak syarikat pengangkutan juga menjanakan keputusan yang lebih baik sejajar dengan peningkatan volum penghantaran daripada volum jualan produk yang lebih tinggi kepada pelanggan-pelanggan. Satu program penggantian kenderaan mereka yang lama dan uzur sudah bermula, dan akan berterusan untuk beberapa tahun yang akan datang.

Perniagaan asid sulfurik anak syarikat kami, See Sen Chemical Berhad ("See Sen"), sedang distruktur semula untuk mengurangkan kapasiti pengeluaran dengan penutupan kilang berkapasiti besar di Kemaman dan menggantikannya dengan kilang kecil yang dipindahkan dari Pasir Gudang, ekoran saingan hebat dari asid pelebur yang diimpot. Perlaksanaan penstrukturan semula ini bertujuan untuk memastikan perniagaan See Sen akan lebih mantap dimasa hadapan, berasaskan kontrak bekalan oleum jangka panjang kepada syarikat sekutunya yang mengeluarkan asid berkualiti tinggi untuk industri elektronik. Malangnya, pemberhentian sejumlah pekerja perlu dilaksanakan. Dalam tahun tinjauan, See Sen menanggung kerugian lebih kecil tetapi kami menjangkakan ianya akan kembali membawa keuntungan dalam tahun 2017.

ANAK-ANAK SYARIKAT PERLADANGAN

Sehingga akhir tahun kewangan ini, Syarikat telah membelanjakan RM124.52 juta untuk membangunkan PT Satu Sembilan Delapan ("SSD") dengan kawasan yang boleh ditanam sebanyak 5,297 ha dan telah ditanam sepenuhnya dengan kelapa sawit, dalam mana 3,795 ha telah matang. Tuaian BTS tahun ini terjejas oleh El Niño yang menyebabkan hasil BTS rendah sebanyak 18.6 tm/ha sahaja. Namun, kadar pengekstrakan minyak di kilang minyak sawitnya memuaskan dan baik pada 24.7%.

Satu lagi anak syarikat 90% di Indonesia, PT Tekukur Indah, yang diperolehi tahun lepas, sekarang disahkan mempunyai keluasan 2,030 ha tanah yang belum diusahakan dan sesuai untuk ditanam. Sejajar dengan rancangan membangunkan ladang-ladang kelapa sawit yang mampan, satu Kajian Pemuliharaan Tinggi telah disiapkan dan setelah diluluskan, penanaman akan dimulakan. Lokasi tanah yang strategik, bersebelahan ladang SSD, akan membolehkan skala ekonomi direalisasikan pada masa hadapan.

BATU KAWAN BERHAD

Kenyataan Pengerusi (Sambungan)

HARTANAH PELABURAN

Setelah tamat tempoh sewaan, beberapa penyewa telah meninggalkan Menara KLK untuk berpindah ke tempat lebih besar atau ke premis mereka yang baru dibeli, dan penyewa-penyewa baru akan dicari. Kawasan Mutiara Damansara terus dibangunkan dengan lebih banyak bangunan-bangunan pejabat dan dalam jangka panjang, pembangunan yang sedemikian akan mengukuhkan nilai modal hartanah kita.

PELABURAN HARTANAH LUAR NEGARA

Dalam tahun tinjauan, BKB melalui anak-anak syarikat luar negaranya, telah melabur bersama didalam tiga lagi skim pembangunan hartanah di Melbourne, Victoria dan dua di Perth, Australia Barat. Bahagian kami dalam projek-projek terurus ini adalah diantara 14.7% hingga 40.0%. Projek-projek tersebut melibatkan pembelian tanah dan pembangunan kemudiannya penjualan lot-lot kediaman yang dibahagikan dalam jangka masa 2 hingga 5 tahun. Dalam satu kes, pembelian tanah tertakluk kepada penjual mendapatkan kelulusan perancangan.

Setakat kini, Kumpulan BKB mempunyai pelaburan minoriti dalam 6 projek pembangunan hartanah di Australia, iaitu 4 di Melbourne dan 2 di Perth. Kesemua projek diurus secara profesional dan skim-skim pembangunan mereka akan dibiayai melalui pinjaman bank tempatan dan dana pemegang saham dalam bentuk ekuiti serta pinjaman. Jumlah saham Kumpulan dalam pembiayaan pemegang saham yang sedemikian dijangka mencecah A\$60 juta dalam jangka masa beberapa tahun. Kini kebanyakan projek-projek tersebut berada ditahap perancangan induk dan/atau penyerahan kelulusan perancangan dan tidak akan membawa pulangan tunai dalam masa terdekat. Bagaimanapun, untuk projek Greenvale di Melbourne, yang telah bermula jualan awal lot-lot kediaman, tahap jualan sehingga kini adalah memberangsangkan.

TINJAUAN

Untuk suku pertama tahun kewangan baru, harga-harga minyak sawit mentah khususnya, isirung sawit, telah meningkat dibantu sebahagiannya oleh Ringgit yang lemah. Memandangkan tahap stok yang rendah dan bekalan ketat yang disebabkan El Niño serta pemulihan tuaian yang perlahan, ada harapan untuk harga-harga MSM untuk pulih dan meningkat.

Dari sudut global, terdapat kemunculan lebih banyak tanda-tanda kemelesetan ekonomi dunia dan ketidakpastian-ketidakpastian baru yang perlu diambil kira oleh Lembaga Pengarah anda. Dalam waktu sedemikian, kami akan mengekalkan fokus ke atas pengekalan kecekapan operasi dan sentiasa peka kepada peluang-peluang yang mungkin ditempuhi.

Bagi pihak anda, saya mengucapkan terima kasih kepada kakitangan kumpulan atas usaha berterusan mereka menangani cabaran-cabaran ini.

Akhir kata, saya ingin mengambil kesempatan ini untuk mengucapkan terima kasih kepada Pengarah kami, Dato' Mustafa bin Mohd Ali yang akan bersara pada Mesyuarat Agung Tahunan yang akan datang. Dato' Mustafa adalah seorang ahli lembaga yang efektif berkhidmat selama 22 tahun dan jasanya akan sentiasa dikenang.

Tan Sri Dato' Seri Lee Oi Hian

Pengerusi

5 Disember 2016

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 2016, 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 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.

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 31 to 32 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 all members of the Malaysian Institute of Chartered Secretaries & Administration. The Company Secretaries are responsible for ensuring the Group's adherence and compliance with the relevant statutory and regulatory requirements. They ensure that deliberations at Board and Board Committees are properly documented and subsequently communicated to the relevant Management for their further actions.

Board Charter

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

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

2. STRENGTHEN COMPOSITION

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

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) Nomination Committee meetings were held and the attendance of the members for the meetings held are as detailed below:

Name of Directors	Number of Meetings	
	Held	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 assessed the performance, and made recommendations to the Board for its approval in relation to the re-appointment and re-election of Directors at the forthcoming 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 compliances 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;
- (8) Assessed Directors' training needs to ensure all Directors receive appropriate continuous training;
- (9) Reviewed and revised its terms of reference for compliance with the new amendments to the Listing Requirements affecting the Nomination Committee, for recommendation to the Board for its approval; and
- (10) Reviewed and assessed the performance and duties carried out by the Audit Committee and each of its member.

Recruitment Process and Annual Assessment of Directors

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

In accordance with the Company's Articles of Association ("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 Nomination Committee continually reviews and evaluates its requirements for an appropriate mix of skills and experience to ensure the Board's composition remains relevant and optimal.

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

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

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

The Board will strive to encourage a dynamic and diverse composition of the Board by nurturing suitable and potential candidates equipped with the competency, skills, experience, character, time commitment, integrity and other qualities in meeting the future needs of the Company. 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. The Remuneration Committee's remuneration package for the Managing Director is subject to the approval of the Board. In the case of Non-Executive Directors, the level of remuneration reflects the expertise, experience and level of responsibilities undertaken by a particular Non-Executive Director concerned. The Non-Executive Directors are paid a meeting allowance for each Board meeting they attend. Similarly, members to Board Committees are also paid a meeting allowance for each Committee meeting they attend. The Directors are also reimbursed reasonable expenses incurred by them in the course of carrying out their duties on behalf of the Company.

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

Company

Category	Fees (RM'000)	Salaries (RM'000)	Incentive (RM'000)	Other Emoluments (RM'000)
1 Executive Director	-	1,935	1,650	759
5 Non-Executive Directors	720	-	-	44

Group

Category	Fees (RM'000)	Salaries (RM'000)	Incentive (RM'000)	Other Emoluments (RM'000)
1 Executive Director	251	1,935	1,650	781
5 Non-Executive Directors	1,453	3,540	3,835	1,538

BATU KAWAN BERHAD

Corporate Governance Statement (Continued)

2. STRENGTHEN COMPOSITION (cont'd)

Remuneration Committee (cont'd)

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

Range of Remuneration	Executive Director	Non-Executive Directors
RM100,001 to RM150,000	-	2
RM450,001 to RM500,000	-	1
RM600,001 to RM650,000	-	1
RM4,600,001 to RM4,650,000	1	-
RM8,950,001 to RM9,000,000	-	1

3. REINFORCE INDEPENDENCE

Annual Assessment of Independent Directors

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

Tenure of Independent Directors

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

The Nomination Committee and the Board have also determined that R. M. Alias and Dato' Yeoh Eng Khoon, who have served on the Board as Independent Directors, each exceeding a cumulative term of nine (9) years, remain unbiased, objective and independent in expressing their opinions and in participating in decision-making of the Board. The length of their 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 Khoon as Independent Directors of the Company. The Board believes that it is in the best position to identify, evaluate and determine whether any Independent Director can continue acting in the best interests of the Company and bringing independent and professional judgement to board deliberations.

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.

BATU KAWAN BERHAD

Corporate Governance Statement (Continued)

3. REINFORCE INDEPENDENCE (cont'd)

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.

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 2016, 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.

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:

- International Palm Oil Congress (PIPOC) 2015
- Focus Group to solicit feedback on the Annual General Meeting Guide for listed issuers
- The Malaysian Economy: Prospects and Challenges
- APAC Pricing Strategy Forum – Global Pricing and Sales Excellence
- Corporate Governance Breakfast Series for Directors: Improving Board Risk Oversight Effectiveness
- Independent Directors Programme – The Essence of Independence
- Sustainability Engagement Series for Directors/Chief Executive Officers
- Nomination Committee – Effective Board Evaluations
- Invest Malaysia 2016
- Vision & Mission Oleo Development Workshop
- Current Economic Environment
- New Companies Bill

BATU KAWAN BERHAD

Corporate Governance Statement (Continued)

4. FOSTER COMMITMENT (cont'd)

Directors' Training (cont'd)

- Dialogue/Review Session on the Securities Commission's draft Malaysian Code of Corporate Governance 2016 (Public Consultation Paper no. 2/2016)
- Integrating Innovation, Sustainability and Productivity for Value-Generation
- Sustaining Growth through an Innovation Culture
- Managers' Conference 2016 – Living the KLK DNA

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

Compliance with Applicable Financial Reporting Standards

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

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

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

Assessment of Suitability and Independence of External Auditors

Through the Audit Committee, the Company has established a transparent and professional relationship with the External Auditors. The Audit Committee 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.

BATU KAWAN BERHAD

Corporate Governance Statement (Continued)

6. RECOGNISE AND MANAGE RISKS (cont'd)

Sound Risk Management Framework (cont'd)

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 2016;
- (c) review of the Top Operational Risks by Operating Centres;
- (d) review of the revised 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.

7. TIMELY AND HIGH QUALITY DISCLOSURE

Corporate Disclosure Policies and Procedures

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

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

Effective Dissemination of Information

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

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

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

BATU KAWAN BERHAD

Corporate Governance Statement (Continued)

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. As stipulated in the Listing Requirements, the Company practices voting of all resolutions at general meetings be carried out by way of poll.

Effective Communication and Proactive Engagements

At the Fifty-First (51st) 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 the meeting which invite shareholders to raise questions pertaining to the Company's Financial Statements and other items for adoption at the meeting. The Directors, Management and External Auditors responded to the shareholders' queries. The shareholders were also provided with the Company's responses to questions submitted in advance of the meeting by the Minority Shareholder Watchdog Group before the commencement of the meeting to ensure transparency.

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

Among the main programmes initiated were the Health, Safety and Environment (“HSE”) awareness program, sports 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 Programs

HSE awareness campaigns were organised by our operating centres 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 include visiting of community centres, blood donation drive, seminars conducted by PERKESO and Jabatan Pengangkutan Jalan Malaysia and competitions involving the knowledge on fire fighting, proper usage of equipment in the workplace and first aid.

(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 necessity items to flood victims, donation to the needy of Rumah Orang Tua Titian, Rumah Orang Tua Ehsan and some schools as well as Kurma giving and drinks were distributed to participating employees during the fasting month. To continue our efforts to provide the best for our employees’ welfare, our Operating Centre organised Health Screening Day with the participation of a local hospital.

(4) Employee Training and Development

Career development is one of the main priorities of the Group 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 Refresher First Aider Training at our Pasir Gudang plant, Occupational First Aid & CPR Training and Communication Skills for Engineers. Several safety trainings were conducted on-site and at customers’ premises for our employees as well as our customers, to educate them on the various risks involved at work.

BATU KAWAN BERHAD

Corporate Social Responsibility (Continued)

(5) Sustainable Development

Creating sustainable stakeholder value by integrating environmental and societal concerns into business strategies and performance is an integral part of the Group.

One of the key governance initiatives which our subsidiary, Kuala Lumpur Kepong Berhad (“KLK”) embarked on was to strengthen its Sustainability Framework with the formation of a Sustainability Committee chaired by its Chief Executive Officer. This committee will be responsible to oversee material management policies, processes and strategies designed to manage social, environmental and reputational risks, and achieve compliance with sustainable development responsibilities and commitments. Gaps that have been identified in the course of enhancing our sustainability practices will be mitigated by taking appropriate steps to bridge them.

COMMUNITY

(1) Community Services

We assisted a few government bodies by providing them with donations to organise activities related to the community such as to Badan Kebajikan Masyarakat Bekas Tentera, MPPG Tabung Yayasan Pasir Gudang, Majlis Perbandaran Pasir Gudang and Persatuan Sukan Kelab Kebajikan (PSKK) Bomba Pasir Gudang.

During the year, our representatives from the chemical plant in Lahat gave presentation on health, safety and environment to the Chemical Engineering faculty at Universiti Tunku Abdul Rahman (“UTAR”). The chemical engineering students were provided with an insight on the chemical manufacturing and operation processes and were educated on the importance of safety awareness and practices at workplace.

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.

(2) Internship Program

The Group has given opportunities to students from local universities, polytechnics and technical skill centres to gain practical working experience, knowledge, skills and prepare them for the real working environment when they enter the job markets. During this period, 11 undergraduate students had undergone industrial training stints at our 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 entity 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.

BATU KAWAN BERHAD

Statement on Risk Management and Internal Control (Continued)

CONTROL ENVIRONMENT & ACTIVITIES (cont'd)

- **Performance Management Framework**

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

The Group has in place a well-defined budgeting process that provides a responsible accounting framework.

- **Operational Policies and Procedures**

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

- **Group Internal Audit**

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

REVIEW OF STATEMENT BY EXTERNAL AUDITORS

The External Auditors have reviewed this Statement on Risk Management and Internal Control 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 2016, 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 9 December 2016.

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 2016.

The Audit Committee was established in 1993. In performing their duties and discharging their responsibilities, the Audit Committee is guided by its terms of reference ("TOR"). The Audit Committee's TOR is available at the Company's website at www.bkawan.com.my.

COMPOSITION AND MEETINGS

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

The Audit Committee convened five (5) meetings during the financial year ended 30 September 2016. The members of the Audit Committee and their attendance at the meetings, are as follows:

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

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

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

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

In line with the key functions in its terms of reference of the Audit Committee, the following activities were carried out by the Audit Committee during the financial year ended 30 September 2016 in the discharge of its functions and duties:

1. Financial Reporting

- (a) Reviewed and reported to the Board the Group's quarterly results prior to the submission to the Board for their consideration and approval.
- (b) Reviewed the audit reports for the Group and the Company prepared by the External and Internal Auditors and consideration of the major findings by the auditors and Management's response thereto.
- (c) Reviewed the audit plans for the Group and the Company for the year which were prepared by both the External and Internal Auditors.

BATU KAWAN BERHAD

Audit Committee Report (Continued)

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

2. Risk Management and Internal Control

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

3. Internal Audit

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

4. External Audit

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

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

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

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

7. Reviewed and revised its terms of reference for compliance with the new amendments to the Listing Requirements affecting the Audit Committee, for recommendation to the Board for its approval.

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 Audit Committee, the systems of internal control of the Company. The main responsibilities of the Internal Auditors are to:

- Assist in reviewing the adequacy, integrity and effectiveness of the Group's internal control system for the Board as well as to assist in drafting the Statement 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 the Company that internal audit should focus on;
- Allocate necessary resources to selected areas of audit in order to provide Management and the Audit Committee an effective and efficient level of internal audit coverage; and
- Coordinate risk identification and risk management processes and activities.

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

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

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

Great importance is placed on effective and fair communication with auditees and other stakeholders. Open channels of communications are maintained to facilitate this. In striving for continuous improvement, the Internal Audit Department will endeavour to put in place appropriate action plans and carry out necessary assignments to further enhance the Group's systems of internal control. Its resources and manpower requirements are reviewed on a regular basis to ensure the function can carry out its duties effectively. The costs incurred for the Group Internal Audit function for the financial year ended 30 September 2016 were RM5,099,000.

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 2016, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Directors also consider that all applicable Financial Reporting Standards in Malaysia have been followed and confirmed that the financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that the Group and the Company keep accounting records which disclose with reasonable accuracy 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.

AUDIT AND NON-AUDIT FEES

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

	Group RM'000	Company RM'000
Audit Fees	1,481	137
Non-Audit Fees	894	11

MATERIAL CONTRACTS

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

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

Pursuant to Practice Note 12/2001 issued by Bursa Malaysia Securities Berhad, the aggregate value of the recurrent transactions of a revenue or trading nature conducted for the 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")	4,569
	Provision of transportation services and rental of transport vehicles earned and incurred	<u>Interested Directors *</u> Tan Sri Dato' Seri Lee Oi Hian ("LOH") Dato' Lee Hau Hian ("LHH")	3,084
	Purchases of electricity	<u>Interested Major Shareholders #</u>	6,097
	Sales and purchases of finished goods, raw materials, other products and services including transportation services	Taiko Marketing Sdn. Bhd. Group ("TMK Group") <u>Interested Directors *</u> LOH, LHH <u>Interested Major Shareholders #</u>	194,293
	Purchases and sales of products and services which relate to core chemical business	Taiko Marketing (Singapore) Pte Ltd ("TMK(S)") <u>Interested Directors *</u> LOH, LHH <u>Interested Major Shareholders #</u>	33,577

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
Malay-Sino Chemical Industries Sendirian Berhad Group ("MSCI")	Purchases and sales of products and services which relate to core chemical business	Chlor-Al Chemical Pte Ltd ("CAC") <u>Interested Directors *</u> LOH, LHH <u>Interested Major Shareholders #</u>	8,340
SSCB Group	Sales and purchases of raw materials, finished goods, other products and services	Malay-Sino Chemical Industries Sendirian Berhad Group <u>Interested Directors *</u> LOH, LHH <u>Interested Major Shareholders #</u>	4,569
	Procurement of transportation services and rental of transport vehicles earned and incurred	MSCI Group <u>Interested Directors *</u> LOH, LHH	3,084
	Sales of electricity	<u>Interested Major Shareholders #</u>	6,097
	Purchases of raw materials, finished goods, other products and services	TMK Group <u>Interested Directors *</u> LOH, LHH	6,189
	Sales of finished goods and other products and services	<u>Interested Major Shareholders #</u>	54,725
	Purchases and sales of products and services	CAC <u>Interested Directors *</u> LOH, LHH <u>Interested Major Shareholders #</u>	8,698
	Purchases and sales of products and services	Taiko Chemical Industries Sdn. Bhd. Group ("TCI") <u>Interested Directors *</u> LOH, LHH <u>Interested Major Shareholders #</u>	10,917
	Sale of electricity and provision of other chemical-based products and services	BASF See Sen Sdn Bhd <u>Interested Directors *</u> LOH, LHH <u>Interested Major Shareholders #</u>	15,135

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
PT Satu Sembilan Delapan	Sales of fresh fruit bunches and palm products	Kuala Lumpur Kepong Berhad ("KLK") Group <u>Interested Directors *</u> LOH, LHH <u>Interested Major Shareholders #</u>	49,159
	Purchase of fresh fruit bunches and palm products	KLK Group <u>Interested Directors *</u> LOH, LHH <u>Interested Major Shareholders #</u>	22,214
	Logistics charges incurred	KLK Group <u>Interested Directors *</u> LOH, LHH <u>Interested Major Shareholders #</u>	434

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

Note:

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

Grateful Blessings Inc. [whose entire issued and paid-up capital is held by Grateful Blessings Foundation (founded by Tan Sri Dato' Seri Lee Oi Hian)] and Cubic Crystal Corporation [whose entire issued and paid-up capital is held by High Quest Anstalt (founded by Dato' Lee Hau Hian)] 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.

BATU KAWAN BERHAD

Additional Compliance Information (Continued)

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

1. **SSCB Group**

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

2. **TCI Group**

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 / TPI**

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 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 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

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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 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries, associates and joint ventures are as disclosed in Note 43 to the financial statements. There have been no significant changes in the nature of these principal activities during the financial year.

SUMMARY OF RESULTS

	Group RM'000	Company RM'000
Profit before taxation	1,822,586	240,774
Taxation	(45,691)	93
Profit for the year	1,776,895	240,867
Attributable to:		
Equity holders of the Company	825,168	240,867
Non-controlling interests	951,727	-
	1,776,895	240,867

DIVIDENDS

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

- (a) a final single tier dividend of 35 sen per share amounting to RM142,017,004 in respect of the financial year ended 30 September 2015 was paid on 17 March 2016; and
- (b) an interim single tier dividend of 15 sen per share amounting to RM60,805,855 in respect of the financial year ended 30 September 2016 was paid on 11 August 2016.

The Directors recommend the payment of a final single tier dividend of 40 sen per share amounting to RM162,048,000 for the year ended 30 September 2016 which, subject to shareholders' approval at the forthcoming Annual General Meeting of the Company, will be paid on 16 March 2017. The entitlement date for the dividend shall be 22 February 2017.

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 35 to the financial statements.

TREASURY SHARES

During the financial year, the Company bought back a total of 1,185,200 of its issued shares from the open market for a total cost of RM21,063,550. Details of the shares bought back and retained as treasury shares were as follows:

Month	No. of shares bought back	Highest price paid per share RM	Lowest price paid per share RM	Average price paid per share RM	Total consideration RM
October 2015	28,500	17.30	17.06	17.16	491,168
November 2015	4,200	17.50	17.50	17.50	74,065
December 2015	109,700	17.20	17.10	17.15	1,889,076
January 2016	340,200	17.62	17.46	17.53	5,985,396
February 2016	99,800	17.70	17.58	17.65	1,768,312
March 2016	137,700	18.20	17.74	17.89	2,472,984
April 2016	49,200	18.00	17.60	17.96	886,905
May 2016	50,900	17.90	17.60	17.78	909,118

BATU KAWAN BERHAD

Report of the Directors (Continued)

Month	No. of shares bought back	Highest price paid per share RM	Lowest price paid per share RM	Average price paid per share RM	Total consideration RM
June 2016	152,700	18.10	17.76	17.98	2,756,742
July 2016	47,200	18.00	17.80	17.90	848,578
August 2016	46,600	18.04	17.78	17.96	840,345
September 2016	118,500	18.00	18.00	18.00	2,140,861
	<u>1,185,200</u>				<u>21,063,550</u>

As at 30 September 2016, the Company retained as treasury shares a total of 30,790,931 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 2016. Such treasury shares are held at a carrying amount of RM403,271,943 and further details are disclosed in Note 32 to the financial statements.

The mandate given by the shareholders at the Annual General Meeting ("AGM") held on 17 February 2016 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 1 October 2015	Additions (Disposals)	Balance as at 30 September 2016
Company: Batu Kawan Berhad	← Number of shares of RM1 each →		
Direct interest			
Tan Sri Dato' Seri Lee Oi Hian	854,355	-	854,355
Dato' Lee Hau Hian	1,208,230	-	1,208,230
Dato' Yeoh Eng Khoon	315,000	-	315,000
Deemed interest			
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	15,391,000	-	15,391,000
Subsidiaries: Kuala Lumpur Kepong Berhad			
Direct interest			
R. M. Alias	337,500	-	337,500
Tan Sri Dato' Seri Lee Oi Hian	72,000	-	72,000
Dato' Lee Hau Hian	83,250	-	83,250
Dato' Yeoh Eng Khoon	335,000	-	335,000
Deemed interest			
R. M. Alias	-	1,000	1,000
Tan Sri Dato' Seri Lee Oi Hian	496,350,027	-	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 1 October 2015	Additions (Disposals)	Number of shares of RM1 each	Balance as at 30 September 2016
Subsidiaries:				
Malay-Sino Chemical Industries				
Sendirian Berhad				
Deemed interest				
Tan Sri Dato' Seri Lee Oi Hian	73,697,726	-	-	73,697,726
Dato' Lee Hau Hian	73,697,726	-	-	73,697,726
See Sen Chemical Berhad				
Deemed interest				
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 43 to the financial statements.

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefits (other than 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 a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except for any deemed benefits that may accrue to certain Directors by virtue of the normal trading transactions by the Group and the Company with related parties as disclosed under Note 39 to the financial statements.

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

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.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 30 September 2016 have not been substantially affected by any item, transaction or event of a material and unusual nature nor have any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

EVENTS SUBSEQUENT TO REPORTING DATE

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

Signed in accordance with a resolution of the Directors, dated 9 December 2016.

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 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue	4	16,969,251	14,055,308	268,723	290,603
Cost of sales		(14,686,656)	(11,950,518)	-	-
Gross profit		2,282,595	2,104,790	268,723	290,603
Other operating income		906,148	255,303	20	27,580
Distribution costs		(330,161)	(263,818)	-	-
Administration expenses		(553,388)	(525,552)	(7,664)	(7,168)
Other operating expenses		(310,175)	(202,346)	-	-
Operating profit	5	1,995,019	1,368,377	261,079	311,015
Finance costs	6	(178,152)	(124,799)	(20,305)	(20,250)
Share of (loss)/profit of equity accounted associates, net of tax		(2,187)	12,420	-	-
Share of profit/(loss) of equity accounted joint ventures, net of tax		7,906	(14,476)	-	-
Profit before taxation		1,822,586	1,241,522	240,774	290,765
Taxation	9	(45,691)	(271,054)	93	(105)
Profit for the year		1,776,895	970,468	240,867	290,660
Attributable to:					
Equity holders of the Company		825,168	484,840	240,867	290,660
Non-controlling interests		951,727	485,628	-	-
		1,776,895	970,468	240,867	290,660
		Sen	Sen	Sen	Sen
Earnings per share	10	203.4	119.0	59.4	71.3

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 2016

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit for the year	1,776,895	970,468	240,867	290,660
Other comprehensive (loss)/income that will be reclassified subsequently to profit or loss				
Currency translation differences	(76,704)	913,877	-	-
Net change in fair value of available-for-sale investments	(164,558)	666,753	3,818	325
Realisation on fair value of available-for-sale investments	(1,726)	(1,466)	-	-
Currency translation differences on deemed disposal of a sub-subsidiary	-	4,319	-	-
	(242,988)	1,583,483	3,818	325
Other comprehensive loss that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans (Note 35)	(61,581)	(15,991)	-	-
Total other comprehensive (loss)/income for the year	(304,569)	1,567,492	3,818	325
Total comprehensive income for the year	1,472,326	2,537,960	244,685	290,985
Attributable to:				
Equity holders of the Company	699,126	1,215,555	244,685	290,985
Non-controlling interests	773,200	1,322,405	-	-
	1,472,326	2,537,960	244,685	290,985

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

BATU KAWAN BERHAD

Statements of Financial Position

At 30 September 2016

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Assets					
Property, plant and equipment	12	5,337,156	5,095,818	212	260
Investment property	13	50,191	51,120	-	-
Prepaid lease payments	14	319,539	296,303	-	-
Biological assets	15	2,644,794	2,480,204	-	-
Land held for property development	16	1,130,312	226,353	-	-
Goodwill on consolidation	17	349,930	359,064	-	-
Intangible assets	18	15,076	15,297	-	-
Investments in subsidiaries	19	-	-	783,048	743,851
Investments in associates	20	170,733	160,974	2,132	3,898
Investments in joint ventures	21	251,412	181,169	-	-
Available-for-sale investments	22	1,694,341	1,836,879	24,599	20,887
Other receivables	23	237,505	204,825	-	-
Amounts owing by subsidiaries	19	-	-	141,341	44,537
Deferred tax assets	24	467,715	148,496	-	-
Total non-current assets		12,668,704	11,056,502	951,332	813,433
Inventories	25	1,950,696	1,657,476	-	-
Biological assets	15	43,697	32,599	-	-
Trade receivables	26	1,559,847	1,799,832	-	-
Other receivables, deposits and prepayments	27	712,146	963,266	556	14,621
Amounts owing by subsidiaries	19	-	-	5,477	412
Tax recoverable		59,588	38,290	-	-
Property development costs	28	83,463	59,964	-	-
Derivative financial assets	29	119,454	315,825	-	-
Short term funds	30	1,068,716	-	-	-
Cash and cash equivalents	31	1,548,905	2,696,606	294,417	402,035
Total current assets		7,146,512	7,563,858	300,450	417,068
Total assets		19,815,216	18,620,360	1,251,782	1,230,501
Equity					
Share capital	32	435,951	435,951	435,951	435,951
Reserves	33	6,047,130	5,554,449	708,651	666,789
		6,483,081	5,990,400	1,144,602	1,102,740
Less: Cost of treasury shares	32	(403,272)	(382,208)	(403,272)	(382,208)
Total equity attributable to equity holders of the Company		6,079,809	5,608,192	741,330	720,532
Non-controlling interests		6,090,872	5,289,444	-	-
Total equity		12,170,681	10,897,636	741,330	720,532
Liabilities					
Deferred tax liabilities	24	281,174	285,066	-	-
Deferred income	34	118,665	113,154	-	-
Provision for retirement benefits	35	503,650	363,079	114	42
Borrowings	36	3,467,808	3,181,221	500,000	500,000
Total non-current liabilities		4,371,297	3,942,520	500,114	500,042
Trade payables	37	668,325	723,645	-	-
Other payables	38	732,476	745,856	10,192	9,786
Deferred income	34	6,328	6,728	-	-
Borrowings	36	1,572,222	1,914,940	-	-
Tax payable		75,101	32,556	146	141
Derivative financial liabilities	29	218,786	356,479	-	-
Total current liabilities		3,273,238	3,780,204	10,338	9,927
Total liabilities		7,644,535	7,722,724	510,452	509,969
Total equity and liabilities		19,815,216	18,620,360	1,251,782	1,230,501

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

BATU KAWAN BERHAD

Consolidated Statement of Changes in Equity For The Year Ended 30 September 2016

	Attributable to the equity holders of the Company											Total Equity RM'000
	Non-distributable						Distributable					
	Share Capital RM'000	Treasury Shares RM'000	Revaluation Reserve RM'000	Capital Reserve * RM'000	Capital Redemption Reserve RM'000	Exchange Fluctuation Reserve RM'000	Fair Value Reserve RM'000	General Reserve RM'000	Retained Earnings RM'000	Total RM'000	Non- Controlling Interests RM'000	
At 1 October 2014	435,951	(330,723)	4,810	819,976	27,682	(195,851)	325,003	7,035	3,543,118	4,637,001	4,234,248	8,871,249
Net change in fair value of available-for-sale investments	-	-	-	-	-	-	309,081	-	-	309,081	357,672	666,753
Realisation on fair value of available-for-sale investments	-	-	-	-	-	-	(682)	-	-	(682)	(784)	(1,466)
Transfer from retained earnings to reserves	-	-	-	1,312	57	-	-	-	(1,369)	-	-	-
Remeasurement of defined benefit plans (Note 35)	-	-	-	-	-	-	-	-	(7,446)	(7,446)	(8,545)	(15,991)
Currency translation differences on deemed disposal of a subsidiary (Note 43)	-	-	-	-	-	2,011	-	-	-	2,011	2,308	4,319
Currency translation differences	-	-	-	444	4	427,303	-	-	-	427,751	486,126	913,877
Total other comprehensive income/(loss) for the year	-	-	-	1,756	61	429,314	308,399	-	(8,815)	730,715	836,777	1,567,492
Profit for the year	-	-	-	-	-	-	-	-	484,840	484,840	485,628	970,468
Total comprehensive income for the year	-	-	-	1,756	61	429,314	308,399	-	476,025	1,215,555	1,322,405	2,537,960
Acquisition through business combination	-	-	-	-	-	-	-	-	-	-	601	601
Effect of changes in shareholdings in subsidiaries	-	-	-	-	-	-	-	-	51,597	51,597	96,235	147,832
Share buy back	-	(51,485)	-	-	-	-	-	-	-	(51,485)	-	(51,485)
Dividends paid - 2014 final	-	-	-	-	-	-	-	-	(183,453)	(183,453)	-	(183,453)
- 2015 interim	-	-	-	-	-	-	-	-	(61,023)	(61,023)	-	(61,023)
Dividends paid to non- controlling interests	-	-	-	-	-	-	-	-	-	-	(364,045)	(364,045)
Total transactions with owners of the Company	-	(51,485)	-	-	-	-	-	-	(192,879)	(244,364)	(267,209)	(511,573)
At 30 September 2015	435,951	(382,208)	4,810	821,732	27,743	233,463	633,402	7,035	3,826,264	5,608,192	5,289,444	10,897,636
	← Note 32 →		← Note 33 →									

* Included in Capital Reserve is RM489,989,000 which is distributable.

BATU KAWAN BERHAD

Consolidated Statement of Changes in Equity (Continued) For The Year Ended 30 September 2016

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

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

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 2016

	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 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
Net change in fair value of available-for-sale investments	-	-	-	3,818	-	-	-	3,818
Total other comprehensive income for the year	-	-	-	3,818	-	-	-	3,818
Profit for the year	-	-	-	-	-	-	240,867	240,867
Total comprehensive income for the year	-	-	-	3,818	-	-	240,867	244,685
Share buy back	-	(21,064)	-	-	-	-	-	(21,064)
Dividends paid - 2015 final	-	-	-	-	-	-	(142,017)	(142,017)
- 2016 interim	-	-	-	-	-	-	(60,806)	(60,806)
Total transactions with owners of the Company	-	(21,064)	-	-	-	-	(202,823)	(223,887)
At 30 September 2016	435,951	(403,272)	16	5,362	32,555	6,739	663,979	741,330

← Note 32 →

← Note 33 →

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

BATU KAWAN BERHAD

Consolidated Statement of Cash Flows

For The Year Ended 30 September 2016

	2016 RM'000	2015 RM'000
Cash flows from operating activities		
Profit before taxation	1,822,586	1,241,522
Adjustments for:		
Depreciation of property, plant and equipment	411,550	359,759
Amortisation of prepaid lease payments	7,068	6,703
Depreciation of investment property	929	929
Amortisation of intangible assets	4,650	3,843
Amortisation of biological assets	60,848	51,057
Amortisation of deferred income	(6,397)	(5,522)
Impairment of property, plant and equipment	12,164	-
Impairment of goodwill	1,369	-
Impairment loss on investment in an associate	2,021	-
Impairment in value of available-for-sale investment	1,548	1,396
Property, plant and equipment written off	5,669	2,924
Biological assets written off	70	-
Gain on disposal of property, plant and equipment	(2,519)	(5,686)
Surplus on government acquisition of land	(40,701)	(23,731)
Surplus on disposal of land	(496,542)	(13,011)
Surplus on disposal of available-for-sale investments	(7,757)	(2,364)
Surplus on deemed disposal of a sub-subsiary	-	(12,266)
Release of inter-company interest capitalised on deemed disposal of a sub-subsiary	-	(12,639)
Negative goodwill derecognised	-	(237)
Reversal of impairment of prepaid lease payments	(408)	-
Retirement benefits provision	40,532	29,777
Retrenchment benefits provision	1,689	-
Finance costs	178,152	124,799
Dividend income	(86,673)	(98,780)
Interest income	(62,996)	(48,421)
Exchange gain	(19,441)	(87,451)
Net change in fair value of derivatives measured at fair value	38,170	63,889
Share of losses/(profits) of equity accounted associates, net of tax	2,187	(12,420)
Share of (profits)/losses of equity accounted joint ventures, net of tax	(7,906)	14,476
Fair value loss/(gain) on rental deposit received	1	(7)
Operating profit before working capital changes	1,859,863	1,578,539
Working capital changes:		
Property development costs	(20,396)	(2,515)
Inventories	(314,543)	(228,312)
Biological assets	(10,192)	(5,313)
Trade and other receivables	451,048	(877,344)
Trade and other payables	(68,403)	540,035
Deferred income	11,741	17,121
Cash generated from operations	1,909,118	1,022,211
Interest received	1,120	1,654
Interest paid	(175,796)	(120,036)
Tax paid	(303,493)	(340,976)
Retirement benefits paid	(32,390)	(25,164)
Net cash generated from operating activities	1,398,559	537,689

BATU KAWAN BERHAD

Consolidated Statement of Cash Flows (Continued)

For The Year Ended 30 September 2016

	2016 RM'000	2015 RM'000
Cash flows from investing activities		
Purchase of property, plant and equipment	(737,375)	(750,292)
Payments of prepaid lease	(27,315)	(23,733)
Plantation development expenditure	(174,238)	(206,036)
Property development expenditure	(903,959)	(8,975)
Purchase of shares in a subsidiary, net of cash acquired (Note B)	-	(5,216)
Subscription of shares in associates	(325,055)	-
Subscription of shares in joint ventures	(82,134)	(11,408)
Purchase of shares from non-controlling interests	-	(3,563)
Purchase of available-for-sale investments	(54,187)	(115,550)
Purchase of intangible assets	(5,333)	(871)
Proceeds from disposal of property, plant and equipment	8,089	8,899
Compensation from government on land acquired	41,553	25,463
Proceeds from disposal of shares in a sub-subsidiary, net of cash disposed (Note C)	-	151,632
Proceeds from deemed disposal of a sub-subsidiary, net of cash disposed (Note 43)	-	(35,089)
Proceeds from disposal of available-for-sale investments	21,978	10,117
Proceeds from disposal of land	831,421	10,266
Increase in short term funds	(1,068,716)	-
Dividends received	91,917	95,673
Interest received	41,677	31,904
Repayment from joint ventures	17,098	10,454
Loan to other receivables	(47,170)	-
Net cash used in investing activities	(2,371,749)	(816,325)
Cash flows from financing activities		
Term loans received	20,943	147,582
Repayment of term loans	(3,784)	(307,245)
(Repayment)/Drawdown of short term borrowings	(497,700)	598,558
Issuance of Islamic medium term notes	500,000	1,100,000
Dividends paid to shareholders of the Company	(202,823)	(244,476)
Dividends paid to non-controlling interests	(292,416)	(364,045)
Issuance of shares to non-controlling interests	324,800	-
Increase in other receivable	(6,488)	(18,214)
Share buy back	(21,064)	(51,485)
Net cash (used in)/generated from financing activities	(178,532)	860,675
Net (decrease)/increase in cash and cash equivalents	(1,151,722)	582,039
Effects of exchange rate changes	(9,521)	217,847
Cash and cash equivalents at beginning of year	2,669,438	1,869,552
Cash and cash equivalents at end of year (Note A)	1,508,195	2,669,438
Notes to the consolidated statement of cash flows		
A. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash and bank balances	350,738	458,521
Deposits with licensed banks	549,657	829,159
Fixed income trust funds	648,510	1,408,926
Cash and cash equivalents (Note 31)	1,548,905	2,696,606
Bank overdrafts (Note 36)	(40,710)	(27,168)
	1,508,195	2,669,438

BATU KAWAN BERHAD
Consolidated Statement of Cash Flows (Continued)
For The Year Ended 30 September 2016

	2016 RM'000	2015 RM'000
B. Analysis of purchase of shares in a subsidiary		
Property, plant and equipment	-	474
Prepaid lease payments	-	7,110
Net current liabilities	-	(1,370)
Deferred tax liabilities	-	(203)
	-	6,011
Fair values of net identifiable assets of a subsidiary acquired	-	(601)
	-	5,410
Goodwill on consolidation	-	291
Exchange differences	-	234
	-	5,935
Purchase price satisfied by cash	-	(719)
Less: Cash and cash equivalents of a subsidiary acquired	-	5,216
Cash outflow on acquisition of subsidiary (Note 43)	-	5,216
C. Analysis of disposal of shares in a sub-subsidiary		
Decrease in share of net assets in a sub-subsidiary	-	39,155
Surplus on disposal of shares in a sub-subsidiary	-	112,477
Cash inflow on disposal of shares in a sub-subsidiary	-	151,632

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 2016

	2016 RM'000	2015 RM'000
Cash flows from operating activities		
Profit before taxation	240,774	290,765
Adjustments for:		
Depreciation of property, plant and equipment	51	54
Retirement benefits provision	72	12
Impairment loss on investment in an associate	2,021	-
Unrealised foreign exchange gain	(1,721)	(35,891)
Finance costs	20,305	20,250
Dividend income	(263,193)	(288,711)
Interest income	(5,530)	(1,892)
Gain on disposal of plant and equipment	-	(1)
Deficit on disposal of an available-for-sale investment	15	20
Operating loss before working capital changes	(7,206)	(15,394)
Working capital changes:		
Receivables	(529)	(513)
Payables	294	314
Cash used in operations	(7,441)	(15,593)
Interest received	1,121	1,610
Interest paid	(20,195)	(20,250)
Tax refund	98	107
Net cash used in operating activities	(26,417)	(34,126)
Cash flows from investing activities		
Purchase of property, plant and equipment	(3)	(15)
Purchase of available-for-sale investment	-	(105)
Purchase of investment in an associate	(255)	-
Additional investments in subsidiaries	(39,197)	(3,482)
Proceeds from disposal of an unquoted investment	91	105
Proceeds from disposal of plant and equipment	-	1
Dividends received	263,193	288,711
Loan to subsidiaries	(122,009)	(53,759)
Repayment from subsidiaries	29,972	18,474
Share application monies utilised/(paid)	14,186	(14,186)
Net cash generated from investing activities	145,978	235,744
Cash flows from financing activities		
Dividends paid to shareholders of the Company	(202,823)	(244,476)
Share buy back	(21,064)	(51,485)
Net cash used in financing activities	(223,887)	(295,961)
Net decrease in cash and cash equivalents	(104,326)	(94,343)
Effects of exchange rate changes	(3,292)	32,883
Cash and cash equivalents at beginning of year	402,035	463,495
Cash and cash equivalents at end of year (Note A)	294,417	402,035
Note to the statement of cash flows		
A. Cash and cash equivalents (Note 31)		
Cash and cash equivalents consist of:		
Cash and bank balances	95,649	156,384
Deposits with licensed banks	33	407
Fixed income trust funds	198,735	245,244
	294,417	402,035

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, No. 1, Jalan S. P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan.

The consolidated financial statements as at and for the year ended 30 September 2016 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in associates and joint ventures.

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

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.

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.

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*, 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)*

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

- Amendments to FRS 107 *Statement of Cash Flows – Disclosure Initiative*
- Amendments to FRS 112 *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

FRS effective for annual periods beginning on or after 1 January 2018

- FRS 9 *Financial Instruments (2014)*

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

Amendments to FRSs effective for a date yet to be confirmed

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

The Group plans to apply the abovementioned FRS, 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
- from the annual period beginning on 1 October 2017 for those amendments to FRSs that are effective for annual periods beginning on or after 1 January 2017

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.

The Group falls within the scope MFRS 141 *Agriculture* and IC Interpretation 15 *Agreements for Construction of Real Estate*. Therefore, the Group is currently exempted from adopting the Malaysian Financial Reporting Standards ("MFRS") and is referred to as a "Transitioning Entity". The Group as a Transitioning Entity will apply the MFRS Framework for the annual period beginning on 1 October 2018. In relation to this, the FRS 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.

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 investments in subsidiaries
- Note 24 - Recognition of unutilised tax losses and capital allowances
- Note 25 - Impairment/Write down of inventories
- Note 26 - Impairment on trade receivables
- Notes 35 and 42 - Provision for retirement benefits and contingencies
- Note 41 - Operating lease commitments as lessor

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of consolidation

(a) Subsidiaries

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

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

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

(b) Business combinations

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

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

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

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

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

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

(c) Acquisitions of non-controlling interests

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

(d) Goodwill

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

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

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

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.

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

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

(h) Non-controlling interests

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

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

(i) Transactions eliminated on consolidation

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

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

3.2 Foreign currency

(a) Foreign currency transactions

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

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

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

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

(b) Operations denominated in functional currencies other than RM

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

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

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.

3.3 Property, plant and equipment

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

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

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

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

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

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

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

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

Long term leasehold land	- Over the lease period ranging from 40 to 931 years
Palm oil mill machinery	- 10% per annum
Plant and machinery	- 3 $\frac{1}{3}$ % 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

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

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

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

3.4 Investment property

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

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

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

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

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

3.5 Leases

(a) Operating leases

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

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

(b) Prepaid lease payments

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

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

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.

(b) Property development costs

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

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

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

3.9 Financial assets

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

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

The Group categorises financial assets as follows:

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

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

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

(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 3.16(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:

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

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

3.10 Embedded derivatives

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

3.11 Intangible assets

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

Amortisation is recognised in profit or loss on a straight line basis over the estimated useful lives of intangible assets.

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Notes to the Financial Statements (Continued)

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

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

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

3.12 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.

3.14 Short term funds

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

3.15 Cash and cash equivalents

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

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Notes to the Financial Statements (Continued)

3.16 Impairment

(a) Financial assets

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

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

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

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

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

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

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

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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 financial year in which the reversals are recognised.

3.17 Financial liabilities

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

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

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

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

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Notes to the Financial Statements (Continued)

3.18 Income tax

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

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

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

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

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

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

3.19 Employee benefits

(a) Defined contribution plans

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

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

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

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Notes to the Financial Statements (Continued)

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

Service and interest costs are recognised immediately in profit or loss. Actuarial gains and losses are recognised in other comprehensive income.

(c) Funded defined benefit plan

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

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

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

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

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

(d) Short term employee benefits

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

(e) Retrenchment benefit plans

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

3.20 Equity instruments

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

(a) Shares

Shares are classified as equity.

(b) Treasury shares

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

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Notes to the Financial Statements (Continued)

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

3.21 **Contingent liabilities**

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position 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.

3.22 **Revenue**

(a) **Goods sold**

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

(b) **Services**

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

(c) **Property development**

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

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

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

(d) **Dividend income**

Dividend income is recognised in profit or loss on the date that the Group's 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.

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Notes to the Financial Statements (Continued)

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

3.23 Research and development expenditure

All general research and development expenditure is charged to profit or loss in the year in which the expenditure is incurred.

3.24 Borrowing costs

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

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

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

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

3.25 Earnings per share

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

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

3.26 Operating segments

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

3.27 Fair value measurements

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

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

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

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

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

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Notes to the Financial Statements (Continued)

Level 3: Unobservable inputs for the asset or liability

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

4. REVENUE

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Sale of goods				
Palm products	8,367,722	6,981,227	-	-
Rubber	109,991	109,550	-	-
Manufacturing	8,148,758	6,617,000	-	-
Property development	110,693	123,275	-	-
Others	74,510	69,073	-	-
	16,811,674	13,900,125	-	-
Rendering of services	7,908	7,982	-	-
Interest income from financial assets not at fair value through profit or loss	62,996	48,421	5,530	1,892
Dividend income (Note 8)	86,673	98,780	263,193	288,711
	16,969,251	14,055,308	268,723	290,603

5. OPERATING PROFIT

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Operating profit is arrived at after charging and (crediting) the following:				
Auditors' remuneration				
- KPMG				
current year	950	932*	120	120
under-provision in prior year	-	34*	-	-
audit related work	149	174	17	17
non-audit work	37	43*	4	4
- Overseas affiliates of KPMG				
current year	371	335*	-	-
under-provision in prior year	11	71*	-	-
non-audit work	-	26*	-	-
- other auditors				
current year	2,253	1,991	-	-
under-provision in prior year	9	9	-	-
audit related work	33	26	-	-
non-audit work	34	23	-	-
Taxation services paid to KPMG Tax Services	857	1,302	7	8
Hire of plant and machinery	25,171	22,714	-	-
Rent on land and buildings/office space	10,138	8,289	96	96
Operating lease rentals				
- land and buildings	7,084	7,068	-	-
- plant and machinery	1,303	1,020	-	-

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Notes to the Financial Statements (Continued)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Amortisation of prepaid lease payments (Note 14)	7,068	6,703	-	-
Amortisation of biological assets (Note 15)	60,848	51,057	-	-
Amortisation of intangible assets (Note 18)	4,650	3,843	-	-
Depreciation of property, plant and equipment (Note 12)	411,550	359,759	51	54
Depreciation of investment property (Note 13)	929	929	-	-
Impairment of				
- property, plant and equipment (Note 12)	12,164	-	-	-
- goodwill (Note 17)	1,369	-	-	-
- trade receivables (Note 26)	707	9,339	-	-
Impairment in value of				
- associate (Note 20)	2,021	-	2,021	-
- available-for-sale investments (Note 22)	1,548	1,396	-	-
Replanting expenditure	64,155	59,213	-	-
Property, plant and equipment written off	5,669	2,924	-	-
Biological assets written off (Note 15)	70	-	-	-
Personnel expenses (excluding key management personnel)				
- salary	1,033,010	896,877	1,248	1,144
- employer's statutory contributions	99,649	79,947	134	124
- defined contribution plans	6,037	5,352	-	-
Research and development expenditure	24,026	18,534	-	-
Retirement benefits provision (Note 35)	40,532	29,777	72	12
Retrenchment benefits provision	1,689	-	-	-
Write down of inventories	17,317	32,958	-	-
Reversal of impairment loss of				
- prepaid lease payments (Note 14)	(408)	-	-	-
- trade receivables (Note 26)	(2,942)	-	-	-
Write back of inventories	(11,086)	(10,944)	-	-
Amortisation of deferred income (Note 34)	(6,397)	(5,522)	-	-
Gain on disposal of property, plant and equipment	(2,519)	(5,686)	-	(1)
Surplus on government acquisition of land	(40,701)	(23,731)	-	-
Surplus on disposal of land	(496,542)	(13,011)	-	-
Surplus on deemed disposal of shares in a sub-subsiidiary (Note 43)	-	(12,266)	-	-
(Surplus)/Deficit on disposal of available-for-sale investments	(7,757)	(2,364)	14	20
Release of inter-company interest capitalised on deemed disposal of a sub-subsiidiary	-	(12,639)	-	-
Net gain in foreign exchange	(12,484)	(117,150)	(1,721)	(27,393)
Rental income from land and buildings	(2,774)	(2,522)	-	-
Rental income from investment property (Note 13)	(4,078)	(4,067)	-	-
(Gain)/Loss on redemption of short term funds	(205)	(1,152)	196	188
Negative goodwill derecognised (Note 43)	-	(237)	-	-

* These figures have been reclassified to conform with current year's presentation.

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Notes to the Financial Statements (Continued)

6. FINANCE COSTS

	Group		Company	
	2016	2015	2016	2015
	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	8,499	17,221	-	-
Overdraft and other interest	36,984	28,787	-	-
	45,483	46,008	-	-
Profit payment on Islamic medium term notes	132,669	78,791	20,305	20,250
	178,152	124,799	20,305	20,250

7. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation is as follows:

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Short term benefits				
Directors' remuneration				
Fees provided	2,409	2,195	720	716
Other emoluments	16,815	15,621	4,365	3,850
Benefits-in-kind	209	196	23	23
	19,433	18,012	5,108	4,589

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

8. DIVIDEND INCOME

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Gross dividends from:				
Available-for-sale investments				
Investment in shares quoted in Malaysia	8,716	1,577	2	5
Investment in shares quoted outside Malaysia	34,763	69,888	1,199	207
Investment in unquoted shares	449	6,241	72	872
Fixed income trust funds	39,385	21,074	8,072	10,401
Quoted subsidiaries	-	-	223,156	272,746
Unquoted subsidiaries	-	-	27,332	4,480
Unquoted associate	3,360	-	3,360	-
	86,673	98,780	263,193	288,711

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Notes to the Financial Statements (Continued)

9. TAXATION

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Components of tax expense				
Current tax expense				
Malaysian taxation	168,126	185,957	172	279
Overseas taxation	117,975	97,519	-	-
	286,101	283,476	172	279
Deferred tax				
Relating to origination and reversal of temporary differences	4,624	(23,725)	-	-
Relating to changes in tax rates	535	(2,869)	-	-
Relating to revaluation of biological assets	(283,157)	-	-	-
(Over)/Under-provision in respect of previous years	(8,751)	7,424	-	-
	(286,749)	(19,170)	-	-
	(648)	264,306	172	279
Final tax on revaluation of biological assets	34,445	-	-	-
Under/(Over)-provision of tax expense in respect of previous years				
Malaysian taxation	212	(4,700)	(265)	(174)
Overseas taxation	11,682	11,448	-	-
	11,894	6,748	(265)	(174)
	45,691	271,054	(93)	105
Reconciliation of effective taxation				
Profit before taxation	1,822,586	1,241,522	240,774	290,765
Taxation at Malaysian income tax rate of 24% (2015: 25%)	435,189	310,380	57,786	72,691
Effect of different tax rates in foreign jurisdictions	(11,402)	(5,198)	-	-
Withholding tax on foreign dividend and interest income	23,565	37,242	-	-
Expenses not deductible for tax purposes	63,727	54,405	12,098	6,850
Tax exempt and non-taxable income	(228,052)	(144,668)	(69,712)	(79,322)
Tax incentives	(7,675)	(4,448)	-	-
Deferred tax assets not recognised during the year	15,710	12,811	-	-
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(11,303)	(4,688)	-	-
Tax effect on associates' and joint ventures' results	(1,915)	(325)	-	-
Recognition of deferred tax (assets)/liabilities not taken up previously	(333)	2,000	-	-
Under/(Over)-provision of taxation in respect of previous years	11,894	6,748	(265)	(174)
(Over)/Under-provision of deferred tax in respect of previous years	(8,751)	7,424	-	-
Effect of changes in tax rates on deferred tax	535	(2,869)	-	-
Deferred tax assets arising from revaluation of biological assets	(283,157)	-	-	-
Final tax paid on revaluation of biological assets	34,445	-	-	-
Tax rate difference on revaluation of biological assets	9,420	-	-	-
Others	3,794	2,240	-	60
Taxation	45,691	271,054	(93)	105

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Notes to the Financial Statements (Continued)

With effect from year of assessment 2016, the tax rates of the Group and of the Company have been reduced to 24% from 25% due to the change in Malaysian corporate tax rate that was announced during the Malaysian Budget 2014.

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

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

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

10. EARNINGS PER SHARE

The earnings per share for the Group and the Company are calculated by dividing the profit for the year attributable to equity holders of the Company of RM825,168,000 (2015: RM484,840,000) for the Group and RM240,867,000 (2015: RM290,660,000) for the Company by the weighted average number of 405,726,000 (2015: 407,587,000) shares of the Company in issue during the year.

11. DIVIDENDS

	Group and Company	
	2016	2015
	RM'000	RM'000
Dividends recognised in the current year are:		
Final single tier dividend of 35 sen per share for the financial year ended 30 September 2015 (2015: single tier dividend of 45 sen per share)	142,017	183,453
Interim single tier dividend of 15 sen per share for the financial year ended 30 September 2016 (2015: single tier dividend of 15 sen per share)	60,806	61,023
	202,823	244,476

A final single tier dividend of 40 sen (2015: 35 sen) per share amounting to RM162,048,000 (2015: RM142,017,000) has been recommended by the Directors in respect of the financial year ended 30 September 2016 and subject to shareholders' approval at the forthcoming Annual General Meeting. This dividend will be recognised in subsequent financial period upon approval by the owners of the Company.

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Long Term Leasehold Land	Buildings	Plant and Machinery	Vehicles	Equipment, Fittings, Etc	Capital Work-in-Progress	Total
Group Cost/Valuation	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 October 2014	745,073	264,844	1,069,716	3,839,948	377,664	323,577	463,247	7,084,069
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	811,561	266,748	1,266,497	4,409,082	418,998	398,537	565,440	8,136,863

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Notes to the Financial Statements (Continued)

Group Cost/Valuation	Freehold Land RM'000	Long Term Leasehold Land RM'000	Buildings RM'000	Plant and Machinery RM'000	Vehicles RM'000	Equipment, Fittings, Etc RM'000	Capital Work-in- Progress RM'000	Total RM'000
At 30 September 2015	811,561	266,748	1,266,497	4,409,082	418,998	398,537	565,440	8,136,863
Reclassification	-	-	79,368	461,216	1,564	5,715	(547,863)	-
Additions	46,591	-	58,429	351,754	23,910	42,724	213,967	737,375
Disposals	(4,214)	-	(1,405)	(18,129)	(6,920)	(1,193)	(366)	(32,227)
Written off	-	-	(3,533)	(40,259)	(10,073)	(1,268)	(1)	(55,134)
Currency translation differences	460	(849)	10,154	(52,314)	6,089	744	(15,186)	(50,902)
At 30 September 2016	854,398	265,899	1,409,510	5,111,350	433,568	445,259	215,991	8,735,975
Accumulated depreciation/ amortisation and impairment losses								
At 1 October 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-subsidiary	-	-	(5,753)	(8,723)	(700)	(837)	-	(16,013)
Release of inter-company interest capitalised on deemed disposal of a sub-subsidiary	-	-	-	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	-	63,669	530,354	1,829,101	323,314	240,881	-	2,987,319
Accumulated depreciation/ amortisation	-	-	3,659	47,369	-	2,698	-	53,726
Accumulated impairment losses	-	63,669	534,013	1,876,470	323,314	243,579	-	3,041,045
Reclassification	-	-	11	4,386	281	(4,678)	-	-
Depreciation/Amortisation charge	-	3,297	63,319	277,792	35,226	40,694	-	420,328
Disposals	-	-	(1,203)	(13,748)	(6,124)	(1,161)	-	(22,236)
Impairment loss	-	8,096	1,200	2,868	-	-	-	12,164
Written off	-	-	(2,769)	(35,556)	(10,049)	(1,091)	-	(49,465)
Currency translation differences	-	(118)	4,983	(12,514)	5,732	(1,100)	-	(3,017)
At 30 September 2016	-	66,929	594,891	2,049,559	348,380	273,491	-	3,333,250
Accumulated depreciation/ amortisation	-	8,015	4,663	50,139	-	2,752	-	65,569
Accumulated impairment losses	-	74,944	599,554	2,099,698	348,380	276,243	-	3,398,819
Carrying amounts								
At 30 September 2015	811,561	203,079	732,484	2,532,612	95,684	154,958	565,440	5,095,818
At 30 September 2016	854,398	190,955	809,956	3,011,652	85,188	169,016	215,991	5,337,156
Property, plant and equipment are included at cost or valuation as follows:								
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
At 30 September 2016	-	-	-	-	-	-	-	-
Cost	775,194	152,055	1,405,398	5,111,350	433,568	445,259	215,991	8,538,815
Valuation	79,204	113,844	4,112	-	-	-	-	197,160
	854,398	265,899	1,409,510	5,111,350	433,568	445,259	215,991	8,735,975

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Notes to the Financial Statements (Continued)

	Group	
	2016 RM'000	2015 RM'000
Depreciation/Amortisation charge for the year is allocated as follows:		
Recognised in statement of profit or loss (Note 5)		
Depreciation of property, plant and equipment	411,550	359,759
Capitalised in biological assets	8,778	12,992
	420,328	372,751

The impairment loss of the Group amounting to RM8,096,000 (2015: Nil) was due to the cessation of a sub-subsidiary's operations during the financial year. The impairment was allocated in other operating expenses.

The impairment loss of the Group amounting to RM4,068,000 (2015: Nil) was for one of the acid plant of a subsidiary which is no longer in use due to the subsidiary's restructuring of its sulphuric acid manufacturing capacity during the financial year. The impairment was included 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:

- the pre-tax discount rates which are the weighted average cost of capital used ranged from 6.0% to 13.0% (2015: 8.1% to 13.8%);
- 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
- 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 Cost	Vehicles RM'000	Equipment, Fittings, Etc RM'000	Total RM'000
At 1 October 2014	798	208	1,006
Additions	-	15	15
Disposals	-	(55)	(55)
At 30 September 2015	798	168	966
Additions	-	3	3
At 30 September 2016	798	171	969
Accumulated depreciation			
At 1 October 2014	573	134	707
Depreciation charge	9	45	54
Disposals	-	(55)	(55)
At 30 September 2015	582	124	706
Depreciation charge	10	41	51
At 30 September 2016	592	165	757
Carrying amounts			
At 30 September 2015	216	44	260
At 30 September 2016	206	6	212

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-subsidiary's Directors based on existing use and has been incorporated in the financial statements on 30 September 1989. Building of a sub-subsidiary had been revalued by the Directors on 28 February 1966.

The Group has availed itself to the transitional provision when the MASB first issued FRS 116²⁰⁰⁴ *Property, Plant and Equipment* in 2000, and accordingly, the carrying amounts of these revalued property, plant and equipment have been retained on the basis of these valuations as though they have never been revalued. The carrying amounts of revalued property, plant and equipment, had these assets been carried at cost less accumulated depreciation/amortisation were as follows:

	Group	
	2016	2015
	RM'000	RM'000
Freehold land	20,025	21,578
Leasehold land	30,929	31,447
	50,954	53,025

Certain property, plant and equipment of the Group with a total carrying amount of RM116,799,000 (2015: RM94,599,000) as at end of the current financial year were charged to banks as security for borrowings (Note 36).

The ownership of certain property, plant and equipment of subsidiaries with a carrying amount of RM508,000 (2015: RM525,000) are held in trust by third parties.

The details of the properties held by the Group are shown on pages 136 to 145.

13. INVESTMENT PROPERTY

	Freehold Land	Building	Total
Group	RM'000	RM'000	RM'000
Cost			
At 1 October 2014, 30 September 2015 and 30 September 2016	11,149	46,428	57,577
Accumulated depreciation			
At 1 October 2014	-	5,528	5,528
Depreciation charge	-	929	929
At 30 September 2015	-	6,457	6,457
Depreciation charge	-	929	929
At 30 September 2016	-	7,386	7,386
Carrying amounts			
At 30 September 2015	11,149	39,971	51,120
At 30 September 2016	11,149	39,042	50,191
		2016	2015
		RM'000	RM'000
Fair value of investment property		88,000	88,500

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

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

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

	Group	
	2016	2015
	RM'000	RM'000
Rental income	4,078	4,067
Direct operating expenses	(4,135)	(3,761)

14. PREPAID LEASE PAYMENTS

Group Cost	Long Term Leasehold Land RM'000	Short Term Leasehold Land RM'000	Total RM'000
At 1 October 2014	31,894	280,625	312,519
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	31,894	330,827	362,721
Additions	-	12,583	12,583
Acquisition through business combination	14,732	-	14,732
Currency translation differences	-	2,769	2,769
At 30 September 2016	46,626	346,179	392,805
Accumulated amortisation and impairment losses			
At 1 October 2014			
Accumulated amortisation	3,606	33,652	37,258
Accumulated impairment losses	-	20,897	20,897
Amortisation charge	3,606	54,549	58,155
Deemed disposal of a sub-subsidiary	418	6,285	6,703
Currency translation differences	-	(395)	(395)
Currency translation differences	-	1,955	1,955
At 30 September 2015	4,024	41,497	45,521
Accumulated amortisation	-	20,897	20,897
Accumulated impairment losses	4,024	62,394	66,418
Amortisation charge	582	6,486	7,068
Reversal of impairment loss	-	(408)	(408)
Currency translation differences	2	186	188
At 30 September 2016	4,608	48,169	52,777
Accumulated amortisation	-	20,489	20,489
Accumulated impairment losses	4,608	68,658	73,266
Carrying amounts			
At 30 September 2015	27,870	268,433	296,303
At 30 September 2016	42,018	277,521	319,539

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Notes to the Financial Statements (Continued)

The Memorandum of Transfer of a long term leasehold land in favour of a sub-subsidiary, KLK Bioenergy Sdn Bhd with carrying amount of RM2,961,000 (2015: RM3,012,000), has been presented for registration at the relevant land registry previously. This matter is now pending issuance of the original document of the title from the said relevant land registry. The leasehold land cannot be transferred, charged or mortgaged without prior consent of the relevant authority of the Selangor State Government.

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

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

Impairment testing

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

The details of the prepaid lease payments of the Group are shown on pages 136 to 145.

15. BIOLOGICAL ASSETS

	Group	
	2016 RM'000	2015 RM'000
Plantation development expenditure (included under non-current assets)		
Cost/Valuation		
At beginning of the year	2,778,563	2,385,329
Additions	183,016	218,537
Transfer to plasma plantation project	-	(3,780)
Disposal	(8,183)	(800)
Written off	(70)	-
Currency translation differences	68,127	179,277
At end of the year	<u>3,021,453</u>	<u>2,778,563</u>
Accumulated amortisation		
At beginning of the year	298,359	231,233
Amortisation charge	60,848	51,057
Currency translation differences	17,452	16,069
At end of the year	<u>376,659</u>	<u>298,359</u>
Carrying amounts	<u>2,644,794</u>	<u>2,480,204</u>

Biological assets are included at cost or valuation as follows:

	Group	
	2016 RM'000	2015 RM'000
Cost	2,782,759	2,531,728
Valuation	238,694	246,835
	<u>3,021,453</u>	<u>2,778,563</u>

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.

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

The Group has availed itself to the transitional provision when the MASB first issued FRS 116₂₀₀₄ *Property, Plant and Equipment* in 2000, and accordingly, the carrying amounts of these revalued biological assets have been retained on the basis of these valuations as though they have never been revalued. The carrying amounts of revalued biological assets of the Group, had these assets been carried at cost less accumulated amortisation were RM108,492,000 (2015: RM112,621,000).

	Group	
	2016	2015
	RM'000	RM'000
Biological assets (included under current assets)		
At net realisable value		
Growing crops	40,170	28,603
Livestock	3,527	3,996
	43,697	32,599

16. LAND HELD FOR PROPERTY DEVELOPMENT

	Group	
	2016	2015
	RM'000	RM'000
Freehold land at cost		
At beginning of the year	190,810	191,347
Additions	883,076	6
Disposals	-	(543)
At end of the year	1,073,886	190,810
Development expenditure at cost		
At beginning of the year	35,543	26,579
Additions	20,883	8,969
Disposals	-	(5)
At end of the year	56,426	35,543
Total	1,130,312	226,353

The details of the land held for property development by the Group are shown on pages 143 to 144.

17. GOODWILL ON CONSOLIDATION

	Group	
	2016	2015
	RM'000	RM'000
Cost		
At beginning of the year	359,064	315,328
Acquisition through business combination	-	291
Impairment loss (Note 5)	(1,369)	-
Currency translation differences	(7,765)	43,445
At end of the year	349,930	359,064

Impairment of goodwill in the financial year was due to the cessation of a sub-subsidiary's operations during the financial year 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.

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Notes to the Financial Statements (Continued)

18. INTANGIBLE ASSETS

	Group	
	2016 RM'000	2015 RM'000
Cost		
At beginning of the year	59,515	46,198
Additions	5,333	871
Currency translation differences	(3,080)	12,446
At end of the year	<u>61,768</u>	<u>59,515</u>
Accumulated amortisation and impairment losses		
At beginning of the year		
Accumulated amortisation	36,936	24,908
Accumulated impairment losses	7,282	6,052
	<u>44,218</u>	<u>30,960</u>
Amortisation charge	4,650	3,843
Currency translation differences	(2,176)	9,415
At end of the year		
Accumulated amortisation	39,543	36,936
Accumulated impairment losses	7,149	7,282
	<u>46,692</u>	<u>44,218</u>
Carrying amounts	<u>15,076</u>	<u>15,297</u>

The amortisation of intangible assets amounting to RM4,650,000 (2015: RM3,843,000) is included in administration expenses.

These assets consist mainly of trade marks and patent.

Impairment testing

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

19. INVESTMENTS IN SUBSIDIARIES AND AMOUNTS OWING BY SUBSIDIARIES

	Company	
	2016 RM'000	2015 RM'000
Investments in subsidiaries		
Unquoted shares at cost	343,132	303,935
Quoted shares at cost	439,916	439,916
	<u>783,048</u>	<u>743,851</u>
Market value of shares		
In quoted corporations	<u>11,891,719</u>	<u>10,761,063</u>

Impairment testing

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

Details of the subsidiaries are shown in Note 43.

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Notes to the Financial Statements (Continued)

Amounts owing by subsidiaries

	Company	
	2016	2015
	RM'000	RM'000
Non-current assets	141,341	44,537
Current assets	5,477	412
	146,818	44,949

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

Amounts owing by subsidiaries are trade and non-trade, unsecured with no fixed terms of repayment. These are non-interest bearing except for a total amount of RM50,420,000 (2015: RM44,537,000) under non-current assets which are subject to interest charge ranging from 4.55% to 6.00% (2015: 4.55% to 6.00%) per annum.

	Company	
	2016	2015
	RM'000	RM'000
Impairment in amount owing by a subsidiary At beginning of the year/end of the year	4,172	4,172

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

20. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Shares at cost				
In unquoted corporations	116,960	88,538	4,153	3,898
Impairment in value of investment				
Impairment loss	(2,021)	-	(2,021)	-
At end of the year	(2,021)	-	(2,021)	-
Post-acquisition reserves	55,384	53,853	-	-
	170,323	142,391	2,132	3,898
Amount owing by an associate	410	18,583	-	-
	170,733	160,974	2,132	3,898

An impairment loss amounting to RM2,021,000 (2015: Nil) was made as the associate was placed under members' voluntary winding up subsequent to the reporting date (Note 47).

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Notes to the Financial Statements (Continued)

The Group does not have any associate which is individually material to the Group as at 30 September 2016 and 30 September 2015.

	Group	
	2016	2015
	RM'000	RM'000
Summary of financial information of associates:		
Non-current assets	1,070,549	147,018
Current assets	400,120	449,730
Non-current liabilities	(145,277)	(28,380)
Current liabilities	(186,118)	(235,477)
Revenue	578,481	561,026
(Loss)/Profit for the year	(18,142)	25,919

In previous financial year, the amount owing by an associate, denominated in United States Dollar, was advanced by an overseas sub-subsidiary which was incorporated in British Virgin Islands. This amount was non-trade, unsecured with no fixed term of repayment and non-interest bearing.

Details of the associates are shown in Note 43.

21. INVESTMENTS IN JOINT VENTURES

	Group	
	2016	2015
	RM'000	RM'000
Shares at cost		
In unquoted corporations	100,708	17,063
Post-acquisition reserves	(22,196)	(15,201)
	78,512	1,862
Amounts owing by joint ventures	172,900	179,307
	251,412	181,169

Rainbow State Ltd, a previous associate of the Group, became a joint venture of the Group during the year after the increase in the Group's shareholdings in this company as disclosed in Note 43.

The Group does not have any joint venture which is individually material to the Group as at 30 September 2016 and 30 September 2015.

	Group	
	2016	2015
	RM'000	RM'000
Summary of financial information of joint ventures:		
Non-current assets	398,710	145,752
Current assets	458,185	302,024
Non-current liabilities	(387,116)	(310,661)
Current liabilities	(239,082)	(133,419)
Revenue	958,616	689,761
Profit/(Loss) for the year	25,797	(28,985)

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

The amount owing by another joint venture, denominated in Australian Dollar, was given by a subsidiary which was incorporated in Australia. This amount is non-trade, unsecured with no fixed term of repayment and is subject to interest charge of 6% (2015: 6%) per annum.

Details of the joint ventures are shown in Note 43.

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

22. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Shares at cost				
In unquoted corporations	44,718	47,087	13,866	13,866
Shares at fair value				
In Malaysia quoted corporations	68,117	54,084	-	91
In overseas quoted corporations	1,569,099	1,741,545	10,733	6,930
	1,637,216	1,795,629	10,733	7,021
	1,681,934	1,842,716	24,599	20,887
Impairment in value of investments				
At beginning of the year	(5,837)	(4,751)	-	-
Impairment loss	(1,548)	(1,396)	-	-
Reversal of impairment loss	485	310	-	-
At end of the year	(6,900)	(5,837)	-	-
	1,675,034	1,836,879	24,599	20,887
Amounts owing by investee companies	19,307	-	-	-
	1,694,341	1,836,879	24,599	20,887
Market value of shares				
In quoted corporations	1,630,316	1,789,792	10,733	7,021

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% (2015: 8%) per annum.

24. DEFERRED TAXATION

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

	Liabilities		Assets		Net	
	2016	2015	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
Property, plant and equipment						
Capital allowances	(44,716)	235,346	(15,519)	(17,322)	(60,235)	218,024
Revaluation	94,464	105,310	-	-	94,464	105,310
Unutilised tax losses	-	-	(132,537)	(110,533)	(132,537)	(110,533)
Derivative financial instruments	4,031	-	(1,220)	(8,531)	2,811	(8,531)
Other items	7,022	4,583	(98,066)	(72,283)	(91,044)	(67,700)
Tax liabilities/(assets)	60,801	345,239	(247,342)	(208,669)	(186,541)	136,570
Set off of tax	220,373	(60,173)	(220,373)	60,173	-	-
Net tax liabilities/(assets)	281,174	285,066	(467,715)	(148,496)	(186,541)	136,570

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:

	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							
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 October 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 (Over)/Under-provision in respect of previous years	(4,650)	631	-	311	372	1	(145)	611	(2,869)
Currency translation differences	(3)	-	(399)	(5,812)	250	-	-	13,388	7,424
	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
Recognised in profit or loss	11,018	(9,376)	2,145	(7,271)	763	-	11,312	(3,967)	4,624
Recognised in equity	-	-	-	-	-	-	-	(22,737)	(22,737)
Revaluation of biological assets	(283,157)	-	-	-	-	-	-	-	(283,157)
Changes in tax rate (Over)/Under-provision in respect of previous years	-	-	535	-	-	-	-	-	535
Currency translation differences	(14)	-	-	(9,976)	1,365	-	-	(126)	(8,751)
	(7,909)	(1,470)	(241)	(4,757)	(325)	-	30	1,047	(13,625)
At 30 September 2016	(44,716)	94,464	7,022	(132,537)	(15,519)	-	2,811	(98,066)	(186,541)

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

	Group	
	2016	2015
	RM'000	RM'000
Unabsorbed capital allowances	297,323	171,661
Deductible temporary differences	357	6,682
Unutilised tax losses	277,279	302,640
Property, plant and equipment	(571,306)	(450,086)
	3,653	30,897

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 RM243,079,000 (2015: RM239,731,000) do not expire under current tax legislation.

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

	Group	
	2016	2015
	RM'000	RM'000
Unutilised tax losses of RM34,200,000 (2015: RM62,909,000) will expire as follows under the respective tax legislation of countries in which certain sub-subsidiaries domicile:		
Year of expiry		
2016	-	29,649
2017	11,506	12,837
2018	2,192	-
2019	4,238	3,404
2020	16,264	17,019
	34,200	62,909

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 RM808,841,000 (2015: RM736,348,000) which give rise to the recognised and unrecognised deferred tax assets in respect of unutilised tax losses above, which are subject to agreement by the tax authorities.

25. INVENTORIES

	Group	
	2016	2015
	RM'000	RM'000
At cost		
Inventories of produce	1,186,552	983,566
Developed property held for sale	11,802	8,619
Stores and materials	487,231	520,152
	1,685,585	1,512,337
At net realisable value		
Inventories of produce	262,866	134,950
Stores and materials	2,245	10,189
	1,950,696	1,657,476

Inventories recognised in cost of sales of the Group were RM13,919,874,000 (2015: RM11,252,684,000).

26. TRADE RECEIVABLES

	Group	
	2016	2015
	RM'000	RM'000
Trade receivables	1,579,689	1,809,860
Allowance for impairment losses	(19,842)	(23,499)
	1,559,847	1,786,361
Accrued billings	-	13,471
	1,559,847	1,799,832

Included in trade receivables are amounts owing by related parties of RM202,571,000 (2015: RM100,714,000).

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

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

	Gross RM'000	Individual Impairment RM'000	Collective Impairment RM'000	Net RM'000
Group				
2016				
Not past due	1,406,697	-	-	1,406,697
Past due 1 - 30 days	97,893	-	-	97,893
Past due 31 - 60 days	28,548	-	-	28,548
Past due 61 - 90 days	17,351	-	-	17,351
Past due 91 - 120 days	1,641	-	-	1,641
Past due more than 120 days	27,559	19,842	-	7,717
	1,579,689	19,842	-	1,559,847
2015				
Not past due	1,637,917	-	-	1,637,917
Past due 1 - 30 days	111,434	-	-	111,434
Past due 31 - 60 days	17,025	-	-	17,025
Past due 61 - 90 days	8,615	-	-	8,615
Past due 91 - 120 days	1,501	44	-	1,457
Past due more than 120 days	33,368	23,455	-	9,913
	1,809,860	23,499	-	1,786,361

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

	Group	
	2016	2015
	RM'000	RM'000
At beginning of the year	23,499	9,595
Impairment losses	707	9,339
Reversal of impairment losses	(2,942)	-
Impairment losses written off	(23)	(101)
Currency translation differences	(1,399)	4,666
At end of the year	19,842	23,499

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 (2015: 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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Other receivables	383,963	296,009	548	14,613
Indirect tax receivables	210,192	217,789	-	-
Advance payment for purchase of assets in Emery	-	199,236	-	-
Prepayments	95,521	139,675	-	-
Deposit for acquisition of land for property development	-	87,120	-	-
Refundable deposits	22,470	23,437	8	8
	712,146	963,266	556	14,621

On 27 May 2015, a subsidiary via its wholly-owned subsidiary, KLK Emmerich GmbH, entered into a conditional Asset Purchase Agreement with Emery Oleochemical GmbH ("Emery") to acquire, for cash, Emery's oleochemical assets and business in Holthausen, Dusseldorf, Germany at a purchase price of Euro39.8 million. An advance was paid for the purchase of assets in Emery amounted to RM199,236,000 as at 30 September 2015. This transaction was completed on 1 October 2015.

In previous financial year, included in the Company's other receivables was an amount of RM14,186,000 related to share application monies that was yet to be allotted by its subsidiaries.

28. PROPERTY DEVELOPMENT COSTS

	Group	
	2016 RM'000	2015 RM'000
Property development costs comprise:		
Land costs	11,083	11,083
Development costs	123,502	59,069
	134,585	70,152
Costs incurred during the year		
Development costs	98,136	64,433
	232,721	134,585
Costs recognised as an expense in profit or loss:		
Previous years	(74,621)	(15,836)
Current year	(71,926)	(58,785)
Transfer to inventories	(2,711)	-
	83,463	59,964

29. DERIVATIVE FINANCIAL INSTRUMENTS

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

	Contract/Notional Amount Net long/(short) RM'000	Assets RM'000	Liabilities RM'000
Group			
2016			
Forward foreign exchange contracts	(1,095,734)	375	(24,499)
Commodities future contracts	(318,252)	119,079	(194,287)
Total derivative financial instruments		119,454	(218,786)
2015			
Forward foreign exchange contracts	(872,347)	3,105	(134,891)
Commodities future contracts	4,221	312,720	(221,588)
Total derivative financial instruments		315,825	(356,479)

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

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

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

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

30. SHORT TERM FUNDS

	Group	
	2016 RM'000	2015 RM'000
Deposits with licensed banks	194,520	-
Fixed income trust funds, at fair value through profit or loss	874,196	-
	1,068,716	-

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

The effective interest rates per annum of deposits with licensed banks and fixed income trust funds at the end of the reporting dates were as follows:

	Group	
	2016	2015
Deposits with licensed banks	1.25% to 7.75%	-
Fixed income trust funds	3.45% to 4.00%	-

The maturities and repricing of deposits with licensed banks and fixed income trust funds as at the end of the financial year were as follows:

	Group	
	2016 RM'000	2015 RM'000
Maturities above 3 months to 1 year		
Deposits with licensed banks	194,520	-
Fixed income trust funds	874,196	-
	1,068,716	-

Deposit with licensed bank of the Group as at 30 September 2016 amounting to RM18,261,000 (2015: Nil) has been pledged for a banking facility granted to an outside party for the purpose of the "Kredit Koperasi Primer untuk Anggotanya" scheme in Indonesia.

31. CASH AND CASH EQUIVALENTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deposits with licensed banks	549,657	829,159	33	407
Fixed income trust funds, at fair value through profit or loss	648,510	1,408,926	198,735	245,244
Cash and bank balances	350,738	458,521	95,649	156,384
	1,548,905	2,696,606	294,417	402,035

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

Deposits with licensed banks and investment in fixed income trust funds in Malaysia represent short term investments in highly liquid money market. These investments are readily convertible to cash and have insignificant risk of changes in value with original maturities of three months or less.

Included in the Group's cash and bank balances is RM16,041,000 (2015: RM13,415,000) held under Housing Development Account. The utilisation of this fund is subject to the Housing Developers (Housing Development Account) (Amendment) Regulations 2002.

The effective interest rates per annum of deposits with licensed banks and fixed income trust funds at the end of the reporting dates were as follows:

	Group		Company	
	2016	2015	2016	2015
Deposits with licensed banks	0.01% to 9.25%	0.01% to 9.25%	3.40%	3.40%
Fixed income trust funds	3.62% to 3.92%	3.62% to 3.92%	3.22% to 3.90%	3.67% to 3.77%

The maturities and repricing of deposits with licensed banks and fixed income trust funds as at the end of the reporting dates were as follows:

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Maturities of 3 months or below				
Deposits with licensed banks	549,657	829,159	33	407
Fixed income trust funds	648,510	1,408,926	198,735	245,244
	1,198,167	2,238,085	198,768	245,651

Deposit with licensed bank of the Group amounted to RM17,329,000 as at end of previous reporting date had been pledged for a banking facility granted to an outside party for the purpose of the "Kredit Koperasi Primer untuk Anggotanya" scheme in Indonesia.

32. SHARE CAPITAL

	Group and Company			
	2016	2016	2015	2015
	Number of		Number of	
	Shares		Shares	
	'000	RM'000	'000	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	30,791	403,272	29,606	382,208

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 17 February 2016. 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.

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

During the year, the Company bought back a total of 1,185,200 of its issued shares from the open market for a total cost of RM21,063,550. The average price paid for the shares bought back was RM17.70 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, 30,790,931 (2015: 29,605,731) are held as treasury shares by the Company as at 30 September 2016. As at this date, the number of outstanding shares issued and fully-paid, after deducting treasury shares held is 405,160,069 (2015: 406,345,269) shares of RM1 each.

33. RESERVES

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Non-distributable				
Capital reserve	331,743	331,743	-	-
Revaluation reserve	4,722	4,810	16	16
Exchange fluctuation reserve	208,133	233,463	-	-
Capital redemption reserve	28,752	27,743	-	-
Fair value reserve	560,878	633,402	5,362	1,544
	1,134,228	1,231,161	5,378	1,560
Distributable				
Capital reserve	491,511	489,989	32,555	32,555
General reserve	7,035	7,035	6,739	6,739
Retained earnings	4,414,356	3,826,264	663,979	625,935
	4,912,902	4,323,288	703,273	665,229
	6,047,130	5,554,449	708,651	666,789

Capital and general reserves

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

Revaluation reserve

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

Exchange fluctuation reserve

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

Fair value reserve

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

Retained earnings

Of the Company's retained earnings at year end, RM403,271,952 (2015: 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 32.

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

34. DEFERRED INCOME

	Group	
	2016	2015
	RM'000	RM'000
Government grants		
At cost		
At beginning of the year	132,601	109,362
Received during the year	11,741	17,121
Currency translation differences	(519)	6,118
At end of the year	<u>143,823</u>	<u>132,601</u>
Accumulated amortisation		
At beginning of the year	12,719	2,910
Amortisation charge	6,397	5,522
Currency translation differences	(286)	4,287
At end of the year	<u>18,830</u>	<u>12,719</u>
Carrying amounts	<u>124,993</u>	<u>119,882</u>
Deferred income is disclosed under:		
Non-current liabilities	118,665	113,154
Current liabilities	6,328	6,728
	<u>124,993</u>	<u>119,882</u>

The sub-subsidiaries, KL-Kepong Oleomas Sdn Bhd, Palm-Oleo (Klang) Sdn Bhd and Davos Life Science Sdn Bhd received government grants from Malaysian Palm Oil Board which were conditional upon the construction of specific projects.

Another sub-subsidiary, KLK Tensachem SA received government grants from its local government to finance its capital expenditure.

The government grants are to be amortised over the life of the assets when the assets are commissioned.

35. PROVISION FOR RETIREMENT BENEFITS

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Present value of funded obligations	240,890	234,374	-	-
Fair value of plan assets	(201,634)	(210,706)	-	-
	<u>39,256</u>	<u>23,668</u>	<u>-</u>	<u>-</u>
Unfunded obligations	464,742	339,411	114	42
Present value of net obligations	<u>503,998</u>	<u>363,079</u>	<u>114</u>	<u>42</u>
Represented by:				
Payable not later than 1 year	348	-	-	-
Payable later than 1 year	503,650	363,079	114	42
	<u>503,998</u>	<u>363,079</u>	<u>114</u>	<u>42</u>

The provision for retirement benefits of the Group payable not later than 1 year amounting to RM348,000 (2015: Nil) was included in other payables.

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

Defined benefit obligations

- (i) The Group's plantation operations in Malaysia operate defined benefit plans based on the terms of the union's collective agreements in Malaysia. These retirement benefit plans are unfunded. The benefits payable on retirement are based on the last drawn salaries, the length of service and the rates set out in the union's collective agreements.

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

- (ii) All the plantations subsidiaries in Indonesia operate unfunded defined benefit plans for all its eligible employees. The obligations of the retirement benefit plans are calculated using the projected unit credit method.
- (iii) A sub-subsidiary in Germany, KLK Emmerich GmbH, operates an unfunded retirement benefit plan for its eligible employees. The obligations of the retirement benefit plan are determined by an independent qualified actuary. The last actuarial valuation was on 30 September 2016.
- (iv) 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 2016 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 2016. The plan assets are stated at their market value as at 30 September 2016.

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 RM18,853,000 in contributions to be paid to the defined benefit plans in the next financial year.

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Notes to the Financial Statements (Continued)

Movement in Net Defined Benefit Liabilities	Present Value of Funded Obligations RM'000	Unfunded Obligations RM'000	Fair Value of Plan Assets RM'000	Present Value of Net Obligations RM'000
Group				
At 1 October 2014	154,791	277,418	(145,171)	287,038
Included in profit or loss				
Service cost	6,575	28,562	-	35,137
Over-provision	-	(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
Included in other comprehensive income				
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
Other				
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
At 30 September 2015	234,374	339,411	(210,706)	363,079
Included in profit or loss				
Service cost	9,329	18,844	-	28,173
Under-provision	-	42	-	42
Administration cost	110	-	-	110
Interest cost/(income)	2,164	11,976	(1,933)	12,207
	11,603	30,862	(1,933)	40,532
Included in other comprehensive income				
Remeasurement loss/(gain)				
Actuarial loss/(gain) from:				
- Financial assumptions	19,804	64,755	-	84,559
- Demographic assumptions	(3,121)	-	-	(3,121)
- Experience assumptions	4,309	5,310	-	9,619
Return on plan assets excluding interest income	-	-	(6,739)	(6,739)
	20,992	70,065	(6,739)	84,318
Other				
Contribution paid by employer	-	(25,155)	(7,235)	(32,390)
Employee contributions	5,224	-	(5,224)	-
Benefits paid	(18,028)	-	18,028	-
Addition	-	57,885	-	57,885
Currency translation differences	(13,275)	(8,326)	12,175	(9,426)
At 30 September 2016	240,890	464,742	(201,634)	503,998

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.

On 1 October 2015, KLK Emmerich completed its acquisition of the oleochemical assets and business of Emery Oleochemical GmbH ("Emery") in Holthausen, Dusseldorf, Germany. Arising from this, KLK Emmerich assumed the obligations of Emery's unfunded retirement plan amounting to RM57,885,000.

The amount of remeasurement loss of RM61,581,000 (2015: loss RM15,991,000) recognised in other comprehensive income is net of deferred tax of RM22,737,000 (2015: RM3,111,000) (Note 24).

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

	Group	
	2016	2015
	RM'000	RM'000
Plan assets		
Plan assets comprise:		
Equity funds quoted in Switzerland	60,228	60,416
Equity funds quoted in the United States of America	8,334	7,981
Bond funds quoted in Switzerland	91,162	99,032
Real estate funds quoted in Switzerland	34,684	36,146
Cash and cash equivalents	5,612	4,411
Other assets	1,614	2,720
	201,634	210,706

Fair value of the plan assets is based on the market price information and in the case of quoted securities is the published bid price.

The pension fund's board of trustees is responsible for the risk management of the funds. The cash funding of the plan is designed to ensure that present and future contributions should be sufficient to meet future liabilities.

	Company	
	2016	2015
	RM'000	RM'000
Unfunded obligations		
Movement in the unfunded defined benefit obligations		
At beginning of the year	42	30
Expense recognised in profit or loss	72	12
At end of the year	114	42
Expense recognised in profit or loss		
Current service cost	9	3
Interest cost	6	2
Under-provision	57	7
	72	12

	Group	
	2016	2015
	%	%
Actuarial assumptions		
Principal actuarial assumptions of the funded plan operated by the sub-subsidiary in Switzerland (expressed as weighted averages):		
Discount rates	0.3	1.0
Future salary increases	1.5	1.5
Principal assumptions of the unfunded plan used by plantations subsidiaries in Indonesia:		
Discount rate	5.0 to 8.8	5.4 to 9.0
Future salary increases	3.0 to 11.0	4.0 to 7.0

Principal actuarial assumptions of the unfunded plan operated by the sub-subsidiary in Germany:		
Discount rate	1.1	2.2
Future salary increase	2.5	2.5
Future pension increase	1.8	1.8

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Notes to the Financial Statements (Continued)

As at end of the reporting period, the weighted average duration of the funded defined benefit obligation was 16.7 years (2015: 15.4 years).

Sensitivity analysis

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

	Group	
	Defined Benefit Obligation Increase RM'000	Decrease RM'000
2016		
Discount rate (0.25% movement)	(26,187)	29,107
Future salary growth (0.25% movement)	6,417	(6,054)
Life expectancy (1 year movement)	22,577	(22,619)
2015		
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)

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

36. BORROWINGS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-Current				
Secured				
Term loan	11,424	1,286	-	-
Unsecured				
Term loans	356,384	279,935	-	-
Islamic medium term notes	3,100,000	2,900,000	500,000	500,000
	3,456,384	3,179,935	500,000	500,000
	3,467,808	3,181,221	500,000	500,000
Current				
Secured				
Term loan	7,899	1,001	-	-
Unsecured				
Bank overdrafts	40,710	27,168	-	-
Term loans	82,459	186,623	-	-
Export credit refinancing	287,125	135,920	-	-
Bankers' acceptance	433,741	556,817	-	-
Revolving credit	126,934	193,918	-	-
Trade financing	293,354	813,493	-	-
Islamic medium term notes	300,000	-	-	-
	1,564,323	1,913,939	-	-
	1,572,222	1,914,940	-	-
Total borrowings	5,040,030	5,096,161	500,000	500,000

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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 ("1st Programme") at par with a profit of 3.88% per annum.

Salient features of the 1st Programme are as follows:

- Total outstanding nominal value of the ICP and IMTN (collectively known as "Notes") shall not exceed RM300 million.
- The tenure of the 1st Programme is up to 5 years from the date of the first issuance of any Notes under the 1st Programme.
- The ICP will be issued at a discount to the nominal value and has a maturity of either 1, 2, 3, 6, 9 or 12 months and on condition that the maturity dates of the ICP do not exceed the tenure of the 1st Programme. There will not be profit payable on the ICP issued under the 1st Programme in view that they are issued at a discount.
- The IMTN may be issued at a discount or at par to the nominal value and has a maturity of more than 1 year and up to 5 years and on condition that the maturity dates of the IMTN do not exceed the tenure of the 1st Programme. The IMTN may be non-profit bearing or bear profit at a rate determined at the point of issuance. The profit is payable semi-annually in arrears from the date of issue of the IMTN with the last profit payment to be made on the maturity dates.
- Debt-to-equity ratio of the subsidiary (group results) shall be maintained at not more than one time throughout the tenure of the 1st Programme.

The RM300 million IMTN under the 1st Programme was redeemed in October 2016 and this amount was reclassified to current liabilities as at 30 September 2016.

- (c) During the financial year ended 30 September 2012, a subsidiary had issued another RM1.0 billion 10 years Ringgit Sukuk Ijarah Islamic Medium Term Notes under the RM1.0 billion Sukuk Ijarah Multi-Currency Islamic Medium Term Notes ("MCIMTN") Programme ("2nd Programme") at par with a profit of 4.0% per annum.

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

Salient features of the 2nd Programme are as follows:

- Total outstanding nominal value of the Ringgit Sukuk Ijarah and Non-Ringgit Sukuk Ijarah MCIMTN shall not exceed RM1.0 billion.
 - The tenure of the 2nd Programme is up to 10 years from the date of the first issuance of any MCIMTN under the 2nd Programme.
 - The MCIMTN has a maturity of more than 1 year and up to 10 years and on condition that the maturity dates of the MCIMTN do not exceed the tenure of the 2nd Programme. The MCIMTN may be non-profit bearing or bear profit at a rate determined at the point of issuance. The profit is payable semi-annually in arrears from the date of issue of the MCIMTN with the last profit payment to be made on the maturity dates.
 - Debt-to-equity ratio of the subsidiary (group results) shall be maintained at not more than one time throughout the tenure of the 2nd Programme.
- (d) During the financial year ended 30 September 2015, a subsidiary had issued RM1.1 billion 10 years Ringgit Sukuk Ijarah Islamic Medium Term Notes under the RM1.6 billion Multi-Currency Sukuk Ijarah and/or Wakalah Islamic Medium Term Notes Programme ("3rd Programme") at par with a profit of 4.58% per annum.

During the financial year, the subsidiary has issued the balance of the 3rd Programme of RM500 million 10 years Ringgit Sukuk Ijarah Islamic Medium Term Notes at par with a profit rate of 4.65% per annum.

Salient features of the 3rd Programme are as follows:

- The 3rd Programme shall comprise Ringgit denominated Islamic medium term notes ("Ringgit Sukuk") and non-Ringgit denominated Islamic medium term notes ("Non-Ringgit Sukuk") issuances.
 - The aggregate outstanding nominal value of the Ringgit Sukuk and Non-Ringgit Sukuk issued under the 3rd Programme shall not exceed RM1.6 billion (or its equivalent in foreign currencies).
 - The tenure of the 3rd Programme shall be more than 1 year and up to 12 years from the date of the first issuance of the programme.
 - The Ringgit Sukuk/Non-Ringgit Sukuk under the 3rd Programme may be issued under the Shariah principle(s) of Ijarah and/or Wakalah Bi Al-Istithmar.
 - The expected periodic distribution rate (under the principle of Wakalah Bi Al-Istithmar) or periodic distribution rate (under the principle of Ijarah) (if any) shall be determined at the point of issuance. For the Ringgit Sukuk/Non-Ringgit Sukuk with periodic distributions, the profit is payable semi-annually in arrears from the date of issuance of the Ringgit Sukuk/Non-Ringgit Sukuk with the last periodic distribution to be made on the relevant maturity dates.
 - Debt-to-equity ratio of the subsidiary (group results) shall be maintained at not more than one time throughout the tenure of the 3rd Programme.
- (e) The secured term loan of the Group is secured by way of a fixed charge on the property, plant and equipment of an overseas sub-subsidiary with the carrying amount of RM116,799,000 (2015: RM94,599,000) as at 30 September 2016.
- (f) Certain unsecured term loans, bank overdrafts and revolving credit are supported by corporate guarantees of RM610.6 million (2015: RM682.6 million) issued by a subsidiary. The bank overdraft facilities are renewable annually.

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

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

	Group		Company	
	2016	2015	2016	2015
Bank overdrafts	0.33% to 0.34%	0.60% to 1.94%	-	-
Term loans	1.12% to 2.86%	1.12% to 4.65%	-	-
Trade financing	0.66% to 1.67%	0.63% to 1.02%	-	-
Export credit refinancing	3.40% to 3.80%	3.60% to 3.80%	-	-
Bankers' acceptance	3.04% to 4.30%	3.37% to 4.59%	-	-
Revolving credit	1.00% to 4.53%	1.00% to 2.55%	-	-
Islamic medium term notes	3.88% to 4.65%	3.88% to 4.58%	4.05%	4.05%

(h) An amount of RM760,224,000 (2015: RM1,474,500,000) of the Group's borrowings consists of floating rate borrowings which interest rates reprice within a year.

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

37. TRADE PAYABLES

	Group	
	2016 RM'000	2015 RM'000
Trade payables	655,042	723,565
Progress billings	13,283	80
	668,325	723,645

The normal trade credit terms granted to the Group ranged from 7 to 90 (2015: 7 to 90) days.

38. OTHER PAYABLES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Other payables	419,069	462,048	-	-
Accruals	303,945	233,493	10,192	9,786
Deposit received	591	1,570	-	-
Indirect tax payable	8,871	48,745	-	-
	732,476	745,856	10,192	9,786

Included under other payables of the Group as at 30 September 2015 was an amount of RM87,120,000 being deposit received from an associate for the purchase of land from a subsidiary. This transaction was completed on 1 October 2015.

39. RELATED PARTY TRANSACTIONS

(a) The Company has a controlling related party relationship with all its subsidiaries. Significant inter-company transactions of the Company are as follows:

	Company	
	2016 RM'000	2015 RM'000
Rental paid to a subsidiary	96	96
Interest received from subsidiaries	4,791	973

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Notes to the Financial Statements (Continued)

(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	
	2016	2015
	RM'000	RM'000
(i) Transactions with associates		
Processing fee earned	662	734
Sales of finished goods	18,171	8,047
Sales of electricity	1,082	1,196
Purchase of goods	874,566	3,563
Service charges paid	2,414	3,350
Research and development services paid	13,218	11,254
(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	252,680	244,406
Taiko Marketing (S) Pte Ltd	4,939	4,566
Chlor-Al Chemical Pte Ltd	16,897	20,811
Premier Bleaching Earth Sdn Bhd	-	37
Siam Taiko Marketing Co Ltd	3,592	2,149
Freight income earned		
Taiko Marketing Sdn Bhd	1,151	1,554
Chlor-Al Chemical Pte Ltd	140	1,245
Storage tanks rental received		
Taiko Marketing Sdn Bhd	3,077	2,826
Purchase of goods		
Taiko Marketing Sdn Bhd	34,211	36,703
Taiko Marketing (S) Pte Ltd	33,577	21,745
Taiko Acid Works Sdn Bhd	11,073	250
Borneo Taiko Clay Sdn Bhd	4,776	4,228
Bukit Katho Estate Sdn Bhd	3,336	3,061
Kampar Rubber & Tin Co Sdn Bhd	7,531	8,617
Kekal & Deras Sdn Bhd	1,312	1,335
Ladang Tai Tak (Kota Tinggi) Sdn Bhd	2,153	2,709
Malay-Rubber Plantations (M) Sdn Bhd	5,042	6,382
P.T. Agro Makmur Abadi	53,334	69,984
P.T. Bumi Karyatama Raharja	1,931	-
P.T. Safari Riau	28,350	31,670
P.T. Taiko Persada Indoprima	-	4,554
Taiko Clay Marketing Sdn Bhd	1,663	1,915
Taiko Drum Industries Sdn Bhd	3,638	2,775
Taiko Fertiliser Marketing Sdn Bhd	16	5,728
Yayasan Perak-Wan Yuen Sdn Bhd	118	458
Management fees paid		
Farming Management Services Pty Ltd	1,832	1,597
Aircraft operating expenses and management services paid		
Smooth Route Sdn Bhd	1,641	1,508
Supply of contract labours and engineering works		
K7 Engineering Sdn Bhd	3,436	3,146
Sales commissions charged by		
Taiko Marketing Sdn Bhd	59	3,929

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Notes to the Financial Statements (Continued)

	Group	
	2016	2015
	RM'000	RM'000
(iii) Transactions between subsidiaries and non-controlling interests		
Sales of goods		
Mitsubishi Corporation	195,152	86,846
Mitsui & Co Ltd	314,023	224,549
Tejana Trading & Management Services Sdn Bhd	4,830	2,344
Purchase of goods		
P.T. Eka Dura Indonesia	23,243	-
P.T. Letawa	43,980	-
P.T. Tanjung Sarana Lestari	1,220,434	-
40. CAPITAL COMMITMENTS		
	Group	
	2016	2015
	RM'000	RM'000
Capital expenditure		
Approved and contracted	255,875	195,474
Approved but not contracted	639,613	947,260
	895,488	1,142,734
Acquisition of shares in a sub-subsidiary		
Approved and contracted	1,336	1,268
Acquisition of land for property development in a sub-subsidiary		
Approved and contracted	-	784,080
41. LEASE COMMITMENTS		
	Group	
	2016	2015
	RM'000	RM'000
Lease as a lessee		
Total future minimum lease payments under non-cancellable operating leases are as follows:		
Less than 1 year	6,395	9,830
Between 1 and 5 years	47,636	54,779
More than 5 years	116,752	131,734
	170,783	196,343
Lease as a lessor		
The Group leases out its investment property (Note 13) and the future minimum lease receivables under non-cancellable leases are as follows:		
Less than 1 year	5,956	4,592
Between 1 and 5 years	5,075	4,528
	11,031	9,120
42. CONTINGENT LIABILITIES – UNSECURED		
(a) A subsidiary has an unsecured contingent liability of RM610.6 million (2015: RM682.6 million) in respect of corporate guarantees given to certain banks for credit facilities utilised by certain of its subsidiaries at 30 September 2016.		
(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.		

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Notes to the Financial Statements (Continued)

43. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

Subsidiaries	Country of Incorporation	Principal Country of Operation	Percentage of Equity Held		Principal Activities
			2016	2015	
Held by the Company:					
MANUFACTURING					
CHEMICALS					
See Sen Chemical Berhad †	Malaysia	Malaysia	61	61	Manufacturing of chemicals
Malay-Sino Chemical Industries Sendirian Berhad †	Malaysia	Malaysia	86	86	Manufacturing of chemicals
INVESTMENT HOLDING					
Batu Kawan Holdings Sdn Bhd †	Malaysia	Malaysia	100	100	Investment property
Caruso Enterprises Sdn Bhd †	Malaysia	Malaysia	100	100	Dormant
Whitmore Holdings Sdn Bhd †	Malaysia	Malaysia	100	100	Investment holding
Enternal Edge Sdn Bhd †	Malaysia	Malaysia	100	100	Investment holding
BKB Overseas Investments Ltd ††	British Virgin Islands	British Virgin Islands	100	100	Investment holding
Synergy Motion Sdn Bhd †	Malaysia	Malaysia	100	100	Investment holding
Caruso Ventures Pte Ltd †	Singapore	Singapore	100	100	Investment holding
PLANTATIONS					
PENINSULAR MALAYSIA					
Kuala Lumpur Kepong Berhad	Malaysia	Malaysia	47	47	Plantation
Held through Subsidiaries:					
Malay-Sino Chemical Industries Sendirian Berhad:					
MANUFACTURING					
CHEMICALS AND					
TRANSPORTATION SERVICES					
Malay-Sino Agro-Chemical Products Sdn Bhd †	Malaysia	Malaysia	100	100	Manufacture and sale of methyl chloride
Circular Agency Sdn Bhd †	Malaysia	Malaysia	100	100	General transportation services
North-South Transport Sdn Bhd †	Malaysia	Malaysia	100	100	General transportation services
Malay-Sino Properties Sdn Bhd †	Malaysia	Malaysia	100	100	Letting of storage warehouse facilities
Malay-Sino Chemical Holdings Berhad †	Malaysia	Malaysia	100	100	Dormant (Note 47)
See Sen Chemical Berhad:					
MANUFACTURING					
CHEMICALS					
See Sen Bulking Installation Sdn Bhd †	Malaysia	Malaysia	100	100	Dormant
Whitmore Holdings Sdn Bhd:					
PLANTATIONS					
INDONESIA					
P.T. Satu Sembilan Delapan †	Indonesia	Indonesia	92	92	Plantation
P.T. Tekukur Indah †	Indonesia	Indonesia	90	90	Plantation
Caruso Ventures Pte Ltd:					
INVESTMENT HOLDING					
Caruso Australia Ventures Pty Ltd ††	Australia	Australia	100	100	Investment holding
Caruso Epping Pty Ltd ††	Australia	Australia	100	100	Trustee company

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Notes to the Financial Statements (Continued)

Subsidiaries	Country of Incorporation	Principal Country of Operation	Percentage of Equity Held		Principal Activities
			2016	2015	
INVESTMENT HOLDING					
Caruso Epping Unit Trust ††	Australia	Australia	100	100	Joint venture partner in property development
Caruso Greenvale Pty Ltd ††	Australia	Australia	100	100	Trustee company
Caruso Greenvale Unit Trust ††	Australia	Australia	100	100	Investment in land and property development projects
Vivaldi Victoria Pty Ltd ††	Australia	Australia	100	-	Trustee company
Vivaldi Victoria Unit Trust ††	Australia	Australia	100	-	Dormant
Kuala Lumpur Kepong Berhad:					
PLANTATIONS					
PENINSULAR MALAYSIA					
Uni-Agro Multi Plantations Sdn Bhd	Malaysia	Malaysia	51	51	Plantation
Betatechnic Sdn Bhd	Malaysia	Malaysia	100	100	Operating biogas capture plants
Gunong Pertanian Sdn Bhd	Malaysia	Malaysia	100	100	Extraction of crude palm oil
KL-Kepong Edible Oils Sdn Bhd	Malaysia	Malaysia	100	100	Refining of palm products
Rubber Fibreboards Sdn Bhd	Malaysia	Malaysia	100	100	Manufacturing of fibre mat
Taiko Plantations Sdn Bhd †	Malaysia	Malaysia	100	100	Management of plantations
Golden Complex Sdn Bhd	Malaysia	Malaysia	100	100	Investment holding
Jasachem Sdn Bhd	Malaysia	Malaysia	100	100	Investment holding
KL-Kepong Plantation Holdings Sdn Bhd	Malaysia	Malaysia	100	100	Investment holding
Kulumpang Development Corporation Sdn Bhd (In Members' Voluntary Liquidation)	Malaysia	Malaysia	100	100	Dormant
SABAH					
Bornion Estate Sdn Bhd	Malaysia	Malaysia	63	63	Plantation
KL-Kepong (Sabah) Sdn Bhd	Malaysia	Malaysia	100	100	Plantation
Sabah Cocoa Sdn Bhd	Malaysia	Malaysia	100	100	Plantation
KLK Premier Oils Sdn Bhd	Malaysia	Malaysia	85	85	Refining of palm products and kernel crushing
Golden Yield Sdn Bhd	Malaysia	Malaysia	85	85	Processing and marketing of oil palm products
Sabah Holdings Corporation Sdn Bhd	Malaysia	Malaysia	70	70	Investment holding
Fajar Palmkel Sdn Bhd	Malaysia	Malaysia	100	100	Dormant
INDONESIA					
P.T. ADEI Plantation & Industry †	Indonesia	Indonesia	95	95	Plantation, refining of palm products and kernel crushing
P.T. Alam Karya Sejahtera AKS †	Indonesia	Indonesia	62	62	Plantation
P.T. Anugrah Surya Mandiri †	Indonesia	Indonesia	95	95	Plantation
P.T. Hutan Hijau Mas †	Indonesia	Indonesia	92	92	Plantation
P.T. Jabontara Eka Karsa †	Indonesia	Indonesia	95	95	Plantation
P.T. Karya Makmur Abadi †	Indonesia	Indonesia	90	90	Plantation
P.T. Langkat Nusantara Kepong †	Indonesia	Indonesia	60	60	Plantation
P.T. Malindomas Perkebunan †	Indonesia	Indonesia	92	92	Plantation
P.T. Menteng Jaya Sawit Perdana †	Indonesia	Indonesia	80	80	Plantation
P.T. Mulia Agro Permai †	Indonesia	Indonesia	90	90	Plantation

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Notes to the Financial Statements (Continued)

Subsidiaries	Country of Incorporation	Principal Country of Operation	Percentage of Equity Held		Principal Activities
			2016	2015	
PLANTATIONS					
INDONESIA					
P.T. Parit Sembada †	Indonesia	Indonesia	90	90	Plantation
P.T. Steelindo Wahana Perkasa †	Indonesia	Indonesia	95	95	Plantation, refining of palm products and kernel crushing
P.T. Sekarbumi Alamlestari †	Indonesia	Indonesia	65	65	Plantation
P.T. KLK Agriservindo †	Indonesia	Indonesia	100	100	Management of plantations
SINGAPORE					
Astra-KLK Pte Ltd #	Singapore	Singapore	51	51	Marketing of refined palm oil products and provision of logistics services related to palm products
Collingwood Plantations Pte Ltd †	Singapore	Singapore	**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 plantations
PAPUA NEW GUINEA					
Ang Agro Forest Management Ltd †	Papua New Guinea	Papua New Guinea	**69	**69	Plantation
Kubahi Marine Services Ltd †	Papua New Guinea	Papua New Guinea	**69	**69	Dormant
UNITED KINGDOM					
Equatorial Palm Oil Plc †	United Kingdom	United Kingdom	63	63	Investment holding
GUERNSEY					
Equatorial Biofuels (Guernsey) Ltd †	Guernsey	Guernsey	63	63	Investment holding
MAURITIUS					
Liberian Palm Developments Ltd ††	Mauritius	Mauritius	82	82	Investment holding
EBF (Mauritius) Ltd ††	Mauritius	Mauritius	82	82	Investment holding
EPO (Mauritius) Ltd ††	Mauritius	Mauritius	82	82	Investment holding
LIBERIA					
Liberia Forest Products Inc †	Liberia	Liberia	82	82	Plantation
LIBINC Oil Palm Inc †	Liberia	Liberia	82	82	Plantation
Equatorial Palm Oil (Liberia) Incorporated †	Liberia	Liberia	82	82	Management of plantations
Liberian Agriculture Developments Corporation †	Liberia	Liberia	82	82	Dormant
MANUFACTURING					
OLEOCHEMICALS					
Palm-Oleo Sdn Bhd	Malaysia	Malaysia	80	80	Manufacturing of fatty acids
Palm-Oleo (Klang) Sdn Bhd	Malaysia	Malaysia	80	80	Manufacturing of oleochemicals
KSP Manufacturing Sdn Bhd	Malaysia	Malaysia	80	80	Manufacturing of soap noodles
Palmamide Sdn Bhd	Malaysia	Malaysia	80	80	Manufacturing of industrial amides

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Notes to the Financial Statements (Continued)

Subsidiaries	Country of Incorporation	Principal Country of Operation	Percentage of Equity Held		Principal Activities
			2016	2015	
MANUFACTURING OLEOCHEMICALS					
KL-Kepong Oleomas Sdn Bhd	Malaysia	Malaysia	96	96	Manufacturing of fatty alcohol and methyl esters
Davos Life Science Sdn Bhd	Malaysia	Malaysia	100	100	Manufacturing of palm phytonutrients and other palm derivatives
KLK Bioenergy Sdn Bhd	Malaysia	Malaysia	96	96	Manufacturing of methyl esters
KLK Emmerich GmbH †	Germany	Germany	100	100	Manufacturing of fatty acids and glycerine
Taiko Palm-Oleo (Zhangjiagang) Co Ltd †	People's Republic of China	People's Republic of China	80	80	Manufacturing and trading of fatty acids, glycerine, soap noodles, triacetin, special paper chemicals and surfactants
Shanghai Jinshan Jingwei Chemical Co Ltd †	People's Republic of China	People's Republic of China	100	100	Manufacturing of detergents, auxiliary materials for detergents and cosmetics and investment holding
P.T. KLK Dumai †	Indonesia	Indonesia	100	100	Manufacturing of basic organic chemicals from agricultural products
Capital Glogalaxy Sdn Bhd	Malaysia	Malaysia	100	100	Dormant
KLK Oleo (Shanghai) Co Ltd †	People's Republic of China	People's Republic of China	100	100	Trading and distribution of oleochemicals
KLK Tensachem SA #	Belgium	Belgium	100	100	Manufacturing of alcohol ether sulphates, alcohol sulphates and sulphonic acids
KL-Kepong Industrial Holdings Sdn Bhd	Malaysia	Malaysia	100	100	Investment holding
KLK Premier Capital Ltd	British Virgin Islands	Malaysia	80	80	Investment holding and trading in commodities
NON-IONIC SURFACTANTS AND ESTERS					
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

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Notes to the Financial Statements (Continued)

Subsidiaries	Country of Incorporation	Principal Country of Operation	Percentage of Equity Held		Principal Activities
			2016	2015	
MANUFACTURING					
NON-IONIC SURFACTANTS AND ESTERS					
Dr. W. Kolb Deutschland GmbH †	Germany	Germany	100	100	Distribution of non-ionic surfactants and esters
GLOVE PRODUCTS					
KL-Kepong Rubber Products Sdn Bhd †	Malaysia	Malaysia	100	100	Manufacturing and trading in rubber products
Masif Latex Products Sdn Bhd †	Malaysia	Malaysia	100	100	Dormant
PARQUET FLOORING					
B.K.B. Hevea Products Sdn Bhd †	Malaysia	Malaysia	100	100	Manufacturing of parquet flooring products
B.K.B. Flooring Sdn Bhd †	Malaysia	Malaysia	100	100	Dormant
SOAP					
KLK Overseas Investments Ltd ††	British Virgin Islands	British Virgin Islands	100	100	Investment holding
Standard Soap Company Ltd † (In Members' Voluntary Liquidation)	England	England	-	100	Liquidated
NUTRACEUTICAL, COSMETOCEUTICAL & PHARMACEUTICAL PRODUCTS					
Davos Life Science Pte Ltd †	Singapore	Singapore	100	100	Sales of pharmaceutical and bio-pharmaceutical intermediates and fine chemicals and investment holding
Biogene Life Science Pte Ltd †	Singapore	Singapore	100	100	Research collaboration and investment holding
Centros Life Science Pte Ltd †	Singapore	Singapore	100	100	Sales of pharmaceutical and bio-pharmaceutical intermediates fine chemicals
STORAGE & DISTRIBUTION					
Stolthaven (Westport) Sdn Bhd	Malaysia	Malaysia	51	51	Storing and distribution of bulk liquid
PROPERTIES					
Colville Holdings Sdn Bhd	Malaysia	Malaysia	100	100	Property development
KL-K Holiday Bungalows Sdn Bhd	Malaysia	Malaysia	100	100	Operating holiday bungalows
KL-Kepong Complex Sdn Bhd	Malaysia	Malaysia	100	100	Property development
KL-Kepong Country Homes Sdn Bhd	Malaysia	Malaysia	100	100	Property development
KL-Kepong Property Development Sdn Bhd	Malaysia	Malaysia	100	100	Property development
KL-Kepong Property Management Sdn Bhd	Malaysia	Malaysia	100	100	Property management and property development
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

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Notes to the Financial Statements (Continued)

Subsidiaries	Country of Incorporation	Principal Country of Operation	Percentage of Equity Held		Principal Activities
			2016	2015	
PROPERTIES					
Scope Energy Sdn Bhd	Malaysia	Malaysia	60	60	Property development
Selasih Ikhtisas Sdn Bhd	Malaysia	Malaysia	100	100	Property development
KLK Landscape Services Sdn Bhd	Malaysia	Malaysia	100	-	Dormant
KLK Park Homes Sdn Bhd	Malaysia	Malaysia	100	-	Dormant
KLK Retail Centre Sdn Bhd	Malaysia	Malaysia	100	-	Dormant
KLK Security Services Sdn Bhd	Malaysia	Malaysia	100	-	Dormant
Austerfield Corporation Sdn Bhd (In Members' Voluntary Liquidation)	Malaysia	Malaysia	100	100	Dormant
Brecon Holdings Sdn Bhd (In Members' Voluntary Liquidation)	Malaysia	Malaysia	100	100	Dormant
INVESTMENT HOLDING					
Ablington Holdings Sdn Bhd	Malaysia	Malaysia	100	100	Investment holding
Draw Fields Sdn Bhd	Malaysia	Malaysia	100	100	Investment holding
KL-Kepong Equity Holdings Sdn Bhd	Malaysia	Malaysia	100	100	Investment holding
Ortona Enterprise Sdn Bhd	Malaysia	Malaysia	100	100	Money lending
Quarry Lane Sdn Bhd	Malaysia	Malaysia	100	100	Investment holding
KL-Kepong International Ltd ††	Cayman Islands	Cayman Islands	100	100	Investment holding
KLKI Holdings Ltd †	England	England	100	100	Investment holding
Kuala Lumpur-Kepong Investments Ltd †	England	Malaysia	100	100	Investment holding
Ladang Perbadanan-Fima Bhd	Malaysia	Malaysia	100	100	Dormant
Richinstock Sawmill Sdn Bhd	Malaysia	Malaysia	100	100	Dormant
Kersten Holdings Ltd ††	British Virgin Islands	British Virgin Islands	100	100	Investment holding
OTHERS					
Somerset Cuisine Ltd †	England	England	100	100	Manufacturing of jams and preserves
KLK Farms Pty Ltd #	Australia	Australia	100	100	Farming
KLK Assurance (Labuan) Ltd †	Malaysia	Malaysia	100	100	Offshore captive insurance
KLK Capital Resources (L) Ltd	Malaysia	Malaysia	100	100	Dormant
KLK Global Resourcing Sdn Bhd	Malaysia	Malaysia	100	100	Dormant

† Companies not audited by KPMG

Companies audited by overseas affiliates of KPMG

†† These companies are not required to be audited in the country of incorporation. The results of these companies are consolidated based on the unaudited financial statements.

** The Group effectively hold 69% of Collingwood Plantations Pte Ltd and its subsidiaries with 51% held by KLK Group and 18% held by another subsidiary.

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

Associates	Country of Incorporation	Percentage of Equity Held		Principal Activities
		2016	2015	
Held by the Company:				
Smith Zain (Penang) Sdn Bhd	Malaysia	42.1	30.0	Dormant (Note 47)
Held through Subsidiaries:				
See Sen Chemical Berhad:				
BASF See Sen Sdn Bhd	Malaysia	30.0	30.0	Manufacture of sulphuric acid products

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Notes to the Financial Statements (Continued)

Associates	Country of Incorporation	Percentage of Equity Held		Principal Activities
		2016	2015	
Caruso Ventures Pte Ltd:				
Satterley Forrestfield Pty Ltd	Australia	40.0	-	Land development or subdivision
Kuala Lumpur Kepong Berhad:				
Applied Agricultural Resources Sdn Bhd	Malaysia	50.0	50.0	Agronomic service and research
Aura Muhibah Sdn Bhd	Malaysia	40.0	40.0	Property development
FKW Global Commodities (Pvt) Ltd	Pakistan	30.0	30.0	Trading in commodities
Kumpulan Sierramas (M) Sdn Bhd	Malaysia	50.0	50.0	Property development
Malaysia Pakistan Venture Sdn Bhd	Malaysia	37.5	37.5	Investment holding
MAPAK Edible Oils (Private) Ltd	Pakistan	30.0	30.0	Manufacturing and marketing of palm and other soft oils
MEO Trading Sdn Bhd	Malaysia	30.0	30.0	Trading in commodities
Phytopharma Co Ltd	Japan	22.8	22.8	Import, export and distribution of herbal medicine and raw materials thereof, raw materials of pharmaceutical products and cosmetic products
Rainbow State Ltd	British Virgin Islands	- *	25.0	Owning and operating of aircraft
Joint Ventures				
Held through Subsidiaries:				
Caruso Ventures Pte Ltd:				
Riverlee Caruso Epping Pty Ltd	Australia	50.0	50.0	Property development
Satterley Greenvale Joint Venture	Australia	25.0	-	Land development or subdivision
Kuala Lumpur Kepong Berhad:				
P.T. Kreasijaya Adhikarya	Indonesia	50.0	50.0	Refining of crude palm oil and bulking installation
Rainbow State Ltd	British Virgin Islands	50.0 *	-	Owning and operating of aircraft

* On 2 August 2016, KLK Overseas Investments Ltd ("KLKOI"), a wholly-owned subsidiary of KLK Group, acquired an additional 25% equity interest in Rainbow State Ltd ("Rainbow"), an associate. Subsequent to the said acquisition, KLKOI's shareholdings in Rainbow increased to 50% and KLKOI has rights to the net assets of Rainbow. Accordingly, the Group's investment in Rainbow has been classified as a joint venture.

(b) Acquisitions and disposals of subsidiaries and sub-subsidiaries 2016

Acquisition of subsidiaries

- On 18 November 2015, Caruso Australia Ventures Pty Ltd ("CAV"), a wholly-owned subsidiary of the Group, had incorporated a wholly-owned subsidiary, Vivaldi Victoria Pty Ltd, which has an issued and paid-up capital of AUD100, and set-up a unit trust Vivaldi Victoria Unit Trust, with 100 units created under the trust deed and wholly subscribed by CAV.
- On 15 April 2016, KLK Land Sdn Bhd ("KLK Land"), a wholly-owned subsidiary of KLK Group, acquired two wholly-owned subsidiaries, namely KLK Park Homes Sdn Bhd and KLK Landscape Services Sdn Bhd, which each has an issued and paid-up capital of RM2.
- On 5 May 2016, KLK Land acquired another two wholly-owned subsidiaries, namely KLK Security Services Sdn Bhd and KLK Retail Centre Sdn Bhd, which each has an issued and paid-up capital of RM2.

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Notes to the Financial Statements (Continued)

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 Carrying Amount RM'000	Fair Value Adjustments RM'000	Recognised Value in Acquisition 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 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 was 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 was 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.

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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 had 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 was considered as a deemed disposal of a subsidiary and the surplus on disposal was recognised in profit or loss.

The effect of the deemed disposal of PT Kreasijaya on the financial position of the Group was 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 was 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 was 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.

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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:

	2016			2015		
	Kuala Lumpur Kepong Berhad RM'000	Other Subsidiaries with Immaterial NCI RM'000	Total RM'000	Kuala Lumpur Kepong Berhad RM'000	Other Subsidiaries with Immaterial NCI RM'000	Total RM'000
NCI percentage of ownership interest and voting interest	53%			53%		
Carrying amount of NCI	6,000,915	89,957	6,090,872	4,742,462	546,982	5,289,444
Profit allocated to NCI	940,861	10,866	951,727	463,680	21,948	485,628
Summary of financial information before inter-company elimination:						
Total assets	18,336,573			17,259,615		
Total liabilities	7,048,547			7,131,505		
Revenue	16,505,810			13,649,991		
Profit for the year	1,683,140			884,038		
Net (decrease)/increase in cash and cash equivalents	(1,118,759)			607,410		
Dividend paid to NCI	(29,610)			(49,863)		

44. SEGMENT INFORMATION – GROUP

The Group has 4 reportable segments which are the Group's strategic business units. The strategic business units offer different products and are managed separately as they require different technology and marketing strategies. The Company's Managing Director and the Chief Executive Officer of KLK Group review internal management reports of each of the strategic business units on a monthly basis.

The reportable segments are summarised below:

Plantation	Cultivation and processing of palm and rubber products, refining of palm products, kernel crushing and trading of palm products
Manufacturing	Manufacturing of chemicals and transportation services, oleochemicals, non-ionic surfactants and esters, rubber gloves, parquet flooring products, pharmaceutical products and storing and distribution of bulk liquid
Property development	Development of residential and commercial properties
Investment holding/Others	Placement of deposits with licensed banks, investment in fixed income trust funds, investment in quoted and unquoted corporations, letting out of office space and car parks, farming, management services and money lending

The accounting policies of the reportable segments are the same as described in Note 3.26.

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

Performance is measured based on segment profit before tax as included in the internal management reports that are reviewed by the Company's Managing Director and the Chief Executive Officer of KLK Group. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate with these industries.

Segment assets exclude tax assets.

Segment liabilities exclude tax liabilities.

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Notes to the Financial Statements (Continued)

(a) Business segment

	Plantation RM'000	Manufacturing RM'000	Property Development RM'000	Investment Holding/ Others RM'000	Elimination RM'000	Consolidated RM'000
2016						
Revenue						
Sale to external customers	8,477,713	8,148,758	110,693	232,087	-	16,969,251
Inter-segment sales	951,341	-	-	83,150	(1,034,491)	-
Total revenue	9,429,054	8,148,758	110,693	315,237	(1,034,491)	16,969,251
Results						
Operating results	843,210	485,778	25,225	678,229	(37,423)	1,995,019
Finance costs	(11,041)	(53,228)	-	(151,306)	37,423	(178,152)
Share of profits/(losses) of equity accounted associates, net of tax	4,985	(2,146)	3,407	(8,433)	-	(2,187)
Share of profits of equity accounted joint ventures, net of tax	4,425	-	-	3,481	-	7,906
Segment results	841,579	430,404	28,632	521,971	-	1,822,586
Profit before taxation						1,822,586
Tax expense						(45,691)
Profit for the year						1,776,895
Assets						
Operating assets	6,413,914	7,099,082	1,321,245	4,031,527	-	18,865,768
Associates	62,602	6,421	70,452	31,258	-	170,733
Joint ventures	163,472	-	-	87,940	-	251,412
Segment assets	6,639,988	7,105,503	1,391,697	4,150,725	-	19,287,913
Unallocated assets						527,303
Total assets						19,815,216
Liabilities						
Segment liabilities	1,321,434	2,501,801	43,487	3,421,538	-	7,288,260
Unallocated liabilities						356,275
Total liabilities						7,644,535
Other information						
Depreciation of property, plant and equipment	158,377	240,778	949	11,446	-	411,550
Depreciation of investment property	-	-	-	929	-	929
Amortisation of prepaid lease payments	6,000	1,068	-	-	-	7,068
Amortisation of biological assets	60,848	-	-	-	-	60,848
Non-cash expenses						
Property, plant and equipment written off	1,977	3,692	-	-	-	5,669
Retirement benefits provision	19,454	20,950	-	128	-	40,532
Retrenchment benefits provision	-	1,689	-	-	-	1,689
Amortisation of intangible assets	-	4,650	-	-	-	4,650
Impairment of						
- property, plant and equipment	-	4,068	-	8,096	-	12,164
- goodwill	-	-	-	1,369	-	1,369

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Notes to the Financial Statements (Continued)

	Plantation RM'000	Manufacturing RM'000	Property Development RM'000	Investment Holding/ Others RM'000	Elimination RM'000	Consolidated RM'000
2015						
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	7,787,157	6,617,000	123,275	730,638	(1,202,762)	14,055,308
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/(loss) of equity accounted associates, net of tax	4,541	622	11,582	(4,325)	-	12,420
Share of loss of equity accounted joint ventures, net of tax	(14,250)	-	-	(226)	-	(14,476)
Segment results	785,600	259,550	61,162	135,210	-	1,241,522
Profit before taxation						1,241,522
Tax expense						(271,054)
Profit for the year						970,468
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	6,861,655	6,953,308	518,907	4,099,704	-	18,433,574
Unallocated assets						186,786
Total assets						18,620,360
Liabilities						
Segment liabilities	2,177,229	2,253,946	24,744	2,949,183	-	7,405,102
Unallocated liabilities						317,622
Total liabilities						7,722,724
Other information						
Depreciation of property, plant and equipment	160,248	189,238	854	9,419	-	359,759
Depreciation of investment property	-	-	-	929	-	929
Amortisation of prepaid lease payments	5,738	965	-	-	-	6,703
Amortisation of biological assets	51,057	-	-	-	-	51,057
Non-cash expenses						
Property, plant and equipment written off	1,442	1,482	-	-	-	2,924
Retirement benefits provision	21,761	7,982	-	34	-	29,777
Amortisation of intangible assets	-	3,843	-	-	-	3,843

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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 RM'000	Manufacturing RM'000	Property Development RM'000	Investment Holding/ Others RM'000	Total RM'000
2016					
Capital expenditure	379,949	495,016	870	71,871	947,706
Land held for property development	-	-	903,959	-	903,959
Intangible assets	-	5,333	-	-	5,333
	379,949	500,349	904,829	71,871	1,856,998
2015					
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
	462,210	474,192	11,149	55,148	1,002,699

(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

	2016 RM'000	2015 RM'000
Malaysia	2,706,912	2,343,994
Far East	4,686,690	3,944,472
Middle East	256,448	212,514
South East Asia	3,554,840	2,640,256
Southern Asia	1,094,233	1,078,958
Europe	3,790,711	3,104,294
North America	328,238	349,376
South America	101,724	78,761
Australia	97,676	103,093
Africa	122,926	89,605
Others	228,853	109,985
	16,969,251	14,055,308

(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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Malaysia	4,863,241	3,999,682	177,021	296,531
Indonesia	2,567,727	2,340,087	281,883	321,788
Australia	405,191	339,700	70,893	54,593
People's Republic of China	400,692	398,620	69,042	139,110
Europe	1,220,294	1,070,493	292,586	106,275
Liberia	348,257	318,554	55,905	73,748
Others	41,596	57,023	376	517
	9,846,998	8,524,159	947,706	992,562

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

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Notes to the Financial Statements (Continued)

45. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

Financial instruments of the Group and the Company are categorised as follows:

- (i) Loans and receivables ("L&R");
- (ii) Fair value through profit or loss ("FVTPL");
- (iii) Available-for-sale financial assets ("AFS"); and
- (iv) Financial liabilities measured at amortised cost ("FL").

	Carrying Amounts RM'000	L&R RM'000	FVTPL RM'000	AFS RM'000	FL RM'000
Group					
2016					
Financial assets					
Available-for-sale investments	1,694,341	-	-	1,694,341	-
Trade receivables	1,559,847	1,559,847	-	-	-
Other receivables, net of prepayments	616,625	616,625	-	-	-
Derivative financial assets	119,454	-	119,454	-	-
Fixed income trust funds	1,522,706	-	1,522,706	-	-
Cash, deposits and bank balances	1,094,915	1,094,915	-	-	-
	6,607,888	3,271,387	1,642,160	1,694,341	-
Financial liabilities					
Borrowings	5,040,030	-	-	-	5,040,030
Trade payables	668,325	-	-	-	668,325
Other payables	732,476	-	-	-	732,476
Derivative financial liabilities	218,786	-	218,786	-	-
	6,659,617	-	218,786	-	6,440,831
2015					
Financial assets					
Available-for-sale investments	1,836,879	-	-	1,836,879	-
Trade receivables	1,799,832	1,799,832	-	-	-
Other receivables, net of prepayments	823,591	823,591	-	-	-
Derivative financial assets	315,825	-	315,825	-	-
Fixed income trust funds	1,408,926	-	1,408,926	-	-
Cash, deposits and bank balances	1,287,680	1,287,680	-	-	-
	7,472,733	3,911,103	1,724,751	1,836,879	-
Financial liabilities					
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	-	-
	6,922,141	-	356,479	-	6,565,662
Company					
2016					
Financial assets					
Available-for-sale investments	24,599	-	-	24,599	-
Other receivables, net of prepayments	556	556	-	-	-
Amounts owing by subsidiaries	146,818	146,818	-	-	-
Fixed income trust funds	198,735	-	198,735	-	-
Cash, deposits and bank balances	95,682	95,682	-	-	-
	466,390	243,056	198,735	24,599	-
Financial liabilities					
Borrowings	500,000	-	-	-	500,000
Other payables	10,192	-	-	-	10,192
	510,192	-	-	-	510,192

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Notes to the Financial Statements (Continued)

Company	Carrying Amounts RM'000	L&R RM'000	FVTPL RM'000	AFS RM'000	FL RM'000
2015					
Financial assets					
Available-for-sale investments	20,887	-	-	20,887	-
Other receivables, net of prepayments	14,621	14,621	-	-	-
Amounts owing by subsidiaries	44,949	44,949	-	-	-
Fixed income trust funds	245,244	-	245,244	-	-
Cash, deposits and bank balances	156,791	156,791	-	-	-
	482,492	216,361	245,244	20,887	-
Financial liabilities					
Borrowings	500,000	-	-	-	500,000
Other payables	9,786	-	-	-	9,786
	509,786	-	-	-	509,786

(b) Net gains and losses arising from financial instruments

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Net (losses)/gains on:				
Financial instruments at fair value through profit or loss	(93,768)	(59,556)	32	124
Available-for-sale investments				
- recognised in other comprehensive income	(164,558)	666,753	3,817	325
- reclassified from equity to profit or loss	1,726	1,466	(14)	-
	(162,832)	668,219	3,803	325
Loans and receivables	54,419	165,504	5,533	1,892
Financial liabilities measured at amortised cost	(150,134)	(190,323)	(20,305)	(20,250)
	(352,315)	583,844	(10,937)	(17,909)

(c) Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

(d) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and investment securities and derivative assets used for hedging. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries.

(i) Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and exposure to credit risk is monitored on an on-going basis. Credit worthiness review is regularly performed for new customers and existing customers who trade on credit, to mitigate exposure on credit risk. Where appropriate, the Group requires its customers to provide collateral before approvals are given to trade on credit.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statements of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due the agreed credit periods, which are deemed to have higher credit risk, are monitored individually.

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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	
	2016 RM'000	2015 RM'000
Plantation	422,996	767,893
Manufacturing	1,084,839	976,755
Property development	48,173	46,469
Others	3,839	8,715
	1,559,847	1,799,832

(ii) Investments and other financial assets

Risk management objectives, policies and processes for managing the risk

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group. Transactions involving derivative financial instruments are with approved financial institutions.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the Group invested in both domestic and overseas securities. The maximum exposure to credit risk is represented by the carrying amounts in the statements of financial position.

In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations.

The investments and other financial assets are unsecured.

(iii) Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Group provides unsecured financial guarantees to banks in respect of banking facilities granted to certain sub-subsidiaries. The Group monitors on an on-going basis the results of the sub-subsidiaries and repayments made by the sub-subsidiaries.

Exposure to credit risk, credit quality and collateral

As at end of the reporting period, there was no indication that any subsidiary and/or sub-subsidiary would default on repayment.

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

(iv) Inter-company balances

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

Impairment losses

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

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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 Amounts RM'000	Contractual Interest/ Coupon Rate	Contractual Cash Flows RM'000	Less than 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Group							
2016							
Borrowings	5,040,030	0.33% to 4.65%	6,124,508	1,710,499	144,735	770,457	3,498,817
Trade payables	668,325	-	668,325	668,325	-	-	-
Other payables	732,476	-	732,476	732,476	-	-	-
Derivative financial liabilities	218,786	-	218,786	218,786	-	-	-
	6,659,617		7,744,095	3,330,086	144,735	770,457	3,498,817
2015							
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	-	-	-
	6,922,141		7,899,592	3,768,524	600,548	527,149	3,003,371
Company							
2016							
Borrowings	500,000	4.05%	662,111	20,250	20,250	60,805	560,806
Other payables	10,192	-	10,192	10,192	-	-	-
	510,192		672,303	30,442	20,250	60,805	560,806
2015							
Borrowings	500,000	4.05%	682,305	20,195	20,250	60,805	581,055
Other payables	9,786	-	9,786	9,786	-	-	-
	509,786		692,091	29,981	20,250	60,805	581,055

(f) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flows.

(i) Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases, inter-company advances and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Pound Sterling ("GBP"), Euro, Australian Dollar ("AUD"), Singapore Dollar ("SGD"), Indonesian Rupiah ("Rp") and Papua New Guinean Kina ("PGK").

Risk management objectives, policies and processes for managing the risk

Foreign currencies exposures of the Group are hedged through forward exchange contracts. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward exchange contracts are rolled over at maturity.

Exposure to foreign currency risk

The Group's significant exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at end of the reporting period was:

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Notes to the Financial Statements (Continued)

Group	Denominated in foreign currencies					
	USD RM'000	GBP RM'000	Euro RM'000	AUD RM'000	SGD RM'000	Rp RM'000
2016						
Trade and other receivables	421,879	17,938	243,123	4,085	4,904	23,841
Deposits with licensed banks under short term funds	1,443	-	-	-	6,301	-
Cash and cash equivalents	253,703	4,928	14,770	21,551	57,471	3
Borrowings	(348,556)	-	-	-	-	-
Trade and other payables	(66,094)	(442)	(115,926)	-	(307)	(442)
Forward exchange contracts	(19,150)	(14)	(4,902)	(63)	-	-
Exposure in the statement of financial position	243,225	22,410	137,065	25,573	68,369	23,402
2015						
Trade and other receivables	372,040	19,377	247,986	2,794	14,306	21,046
Cash and cash equivalents	211,490	10,431	36,490	23,844	121,295	1
Borrowings	(266,798)	(26,637)	(4,941)	-	-	-
Trade and other payables	(59,867)	(220)	(110,194)	-	(408)	(420)
Forward exchange contracts	(110,977)	-	(23,563)	-	-	-
Exposure in the statement of financial position	145,888	2,951	145,778	26,638	135,193	20,627
Company						
2016						
Other receivables	-	-	-	529	-	-
Cash and cash equivalents	25,745	-	-	46	45,895	-
Exposure in the statement of financial position	25,745	-	-	575	45,895	-
2015						
Other receivables	-	-	-	65	-	-
Cash and cash equivalents	27,815	-	-	-	103,428	-
Exposure in the statement of financial position	27,815	-	-	65	103,428	-

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	2016		2015	
	Profit/(Loss) RM'000	Equity RM'000	Profit/(Loss) RM'000	Equity RM'000
Functional currency/Foreign currency				
RM/GBP	(248)	(25,160)	(315)	(28,741)
RM/Euro	13,597	-	12,601	-
RM/USD	24,899	-	28,943	-
RM/SGD	(3,376)	(2,459)	(6,282)	(5,705)
RM/Rp	(1,171)	-	(1,031)	-
CHF/Euro	(5,969)	-	(6,037)	-
Rmb/USD	944	-	(1,902)	-
Euro/USD	(8,628)	-	(7,550)	-
Rp/USD	4,818	-	9,187	-
USD/GBP	(604)	(41,158)	559	(47,016)
USD/AUD	(1,073)	-	(981)	-
USD/HKD	-	-	-	(556)
USD/RM	(2,131)	-	(2,299)	-

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Notes to the Financial Statements (Continued)

Company	2016		2015	
	Profit/(Loss) RM'000	Equity RM'000	Profit/(Loss) RM'000	Equity RM'000
Functional currency/Foreign currency				
RM/USD	(1,287)	-	(1,391)	-
RM/SGD	(2,295)	(537)	(5,171)	(347)
RM/AUD	(29)	-	(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. Fixed income trust funds, deposits with licensed banks, short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group through its Treasury Committee reviews the funding requirements for its business operations and capital expenditures and adopts a policy to secure an appropriate mix of fixed and floating rate exposure suitable for the Group.

To achieve this objective, the Group has obtained the most competitive cost of capital through the issuance of Islamic medium term notes, long term and short term borrowings and trade financing facilities.

Exposure 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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Fixed rate instruments				
Financial assets	2,266,883	2,238,085	198,768	245,651
Financial liabilities	(4,279,806)	(3,619,561)	(500,000)	(500,000)
	(2,012,923)	(1,381,476)	(301,232)	(254,349)
Floating rate instruments				
Financial assets	107,976	133,938	-	-
Financial liabilities	(760,224)	(1,476,600)	-	-
	(652,248)	(1,342,662)	-	-

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	2016		2015	
	Profit/(Loss) RM'000	Equity RM'000	Profit/(Loss) RM'000	Equity RM'000
Floating rate instruments				
Increase by 50 basis points	(2,822)	-	(4,969)	-
Decrease by 50 basis points	2,822	-	4,969	-

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Notes to the Financial Statements (Continued)

As the Company did not have any floating rate instruments as at 30 September 2016 and 30 September 2015, 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% increase in equity prices at the end of the reporting period would have increased the Group's and the Company's equity by RM80,941,000 (2015: RM80,616,000) and RM537,000 (2015: RM351,000) respectively. A 5% decrease 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:

	2016		2015	
	Profit/(Loss) RM'000	Equity RM'000	Profit/(Loss) RM'000	Equity RM'000
Group				
5% increase in commodities prices	(23,925)	-	2,614	-
5% decrease in commodities prices	23,925	-	(2,614)	-

- (g) Fair value of financial instruments

The carrying amounts of cash and cash equivalents, deposits with licensed banks, short term receivables and payables and short term borrowings 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	
	2016 RM'000	2015 RM'000
Group		
Investments in quoted shares	1,630,316	1,789,792
Fixed income trust funds	1,522,706	1,408,926
Derivative financial instruments		
Forward foreign exchange contracts	(24,124)	(131,786)
Commodities future contracts	(75,208)	91,133
Other receivable – advance to plasma plantation projects	237,505	204,825
Borrowings	(5,040,030)	(5,096,161)

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Notes to the Financial Statements (Continued)

	2016		2015	
	Carrying Amounts	Fair Value	Carrying Amounts	Fair Value
	RM'000	RM'000	RM'000	RM'000
Company				
Investments in quoted shares	450,649	11,902,452	446,937	10,768,084
Fixed income trust funds	198,735	198,735	245,244	245,244
Amounts owing by subsidiaries	146,818	146,818	44,949	44,949
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.

Fixed income trust funds

The fair value of fixed income trust 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 0.33% to 4.65% (2015: 0.60% to 4.58%) and 4.05% (2015: 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
Group				
2016				
Investments in quoted shares	1,630,316	-	-	1,630,316
Fixed income trust funds	-	1,522,706	-	1,522,706
Derivative financial instruments				
Forward foreign exchange contracts	-	(24,124)	-	(24,124)
Commodities future contracts	(75,208)	-	-	(75,208)
	1,555,108	1,498,582	-	3,053,690
2015				
Investments in quoted shares	1,789,792	-	-	1,789,792
Fixed income trust 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
Company				
2016				
Investments in quoted shares	11,902,452	-	-	11,902,452
Fixed income trust funds	-	198,735	-	198,735
	11,902,452	198,735	-	12,101,187
2015				
Investments in quoted shares	10,768,084	-	-	10,768,084
Fixed income trust funds	-	245,244	-	245,244
	10,768,084	245,244	-	11,013,328

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46. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The net debt-to-equity ratios at end of the reporting period were:

	Group	
	2016 RM'000	2015 RM'000
Total borrowings (Note 36)	5,040,030	5,096,161
Less: Short term funds (Note 30)	(1,068,716)	-
Less: Cash and cash equivalents (Note 31)	(1,548,905)	(2,696,606)
Net debt	2,422,409	2,399,555
Total equity	12,170,681	10,897,636*
Net debt-to-equity ratio	0.20	0.22*

* These figures have been restated to conform with current year's presentation.

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

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

The Group is required to maintain the debt-to-equity ratio at not more than one time throughout the tenure of the Islamic Medium Term Notes Programmes (Note 36).

47. EVENTS SUBSEQUENT TO REPORTING DATE

(a) On 25 October 2016, a subsidiary, Kuala Lumpur Kepong Berhad ("KLK") made an announcement to the Alternative Investment Market of the London Stock Exchange ("AIM") that it intended to make a cash offer, via its wholly-owned subsidiary, KL-Kepong International Ltd ("KLKI"), to acquire the entire issued and paid-up capital of M.P. Evans Group PLC ("MP Evans"), a company listed on AIM ("Initial Offer") by way of a takeover offer under the UK City Code on Takeovers and Mergers, at a price of 640 pence per MP Evans Share.

Further thereto, on 15 November 2016, KLK announced that it would increase its Initial Offer ("Increased Offer") to a final price of 740 pence per MP Evans Share ("Increased Offer Consideration").

The principal activity of MP Evans is the ownership, management and development of sustainable oil palm estates in Indonesia. Its segments include plantations (predominantly oil palm) in Indonesia (with a residual balance in Malaysia) and property development in Malaysia.

The Increased Offer Consideration values the entire issued and to be issued share capital of MP Evans at approximately GBP415.4 million. The cash consideration payable pursuant to the Increased Offer will be financed through a loan facility provided by The Hongkong and Shanghai Banking Corporation Limited and the KLK Group's internal cash resources.

KLK Group believes there to be strategic merit in synergizing the operations of MP Evans with the KLK Group's from a geographical and capabilities perspective.

The Increased Offer will not have any effect on the Company's share capital nor the shareholdings of the Company's substantial shareholders.

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Notes to the Financial Statements (Continued)

On the assumption that KLKI receives valid acceptances in respect of, or otherwise acquires, all MP Evans Shares, the effect of the Increased Offer on the net assets, earnings, gearing, gearing ratio and net gearing ratio of the Group for the financial year ending 30 September 2017 will be as follows:

- (i) Net assets – no material effect;
- (ii) Earnings – no material effect;
- (iii) Gearing – expected to increase from approximately RM5.1 billion to RM7.5 billion;
- (iv) Gearing ratio – expected to increase from 0.44 to 0.65; and
- (v) Net gearing ratio – expected to increase from 0.21 to 0.41.

The Increased Offer is solely conditional upon valid acceptances being received in respect of MP Evans Shares which carry in aggregate more than 50 percent of the voting rights then normally exercisable at a general meeting of MP Evans (“the Condition”).

Subject to the satisfaction of the Condition, completion of the Increased Offer is expected to occur in December 2016.

- (b) On 4 October 2016, Smith Zain (Penang) Sdn Bhd, an associate of the Company, was placed under members' voluntary winding up and there was an impairment made amounted to RM2,021,000 as stated in Note 20.
- (c) A subsidiary of the Company, Malay-Sino Chemical Holdings Berhad (“MSCH”), has on 9 August 2016 applied to Companies Commission of Malaysia (“CCM”) under Section 308 of the Companies Act, 1965 in Malaysia, to strike the name of MSCH off the register of companies. The strike off process is pending for CCM to publish in the Gazette with a view to striking the name of MSCH off the register.
- (d) Subsequent to 30 September 2016 until the date of this financial statements, the Company bought back a total of 40,200 of its issued shares from the open market for a total cost of RM729,000. The average price paid for the shares bought back was RM18.06 per share. The shares bought back were financed by internally generated funds and borrowings and held as treasury shares.

48. AUTHORISATION FOR ISSUE

The financial statements were authorised for issue by the Board of Directors on 9 December 2016.

BATU KAWAN BERHAD

Notes to the Financial Statements (Continued)

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

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total retained earnings of the Company and its subsidiaries				
Realised	7,618,338	6,751,335	662,258	598,542
Unrealised	621,229	322,044	1,721	27,393
	8,239,567	7,073,379	663,979	625,935
Total share of retained earnings from associates				
Realised	67,927	73,854	-	-
Unrealised	238	287	-	-
	68,165	74,141	-	-
Total share of (accumulated loss)/ retained earnings from joint ventures				
Realised	(24,561)	(25,082)	-	-
Unrealised	10,214	10,606	-	-
	(14,347)	(14,476)	-	-
	8,293,385	7,133,044	663,979	625,935
Consolidation adjustments	(3,879,029)	(3,306,780)	-	-
Total retained earnings at 30 September	4,414,356	3,826,264	663,979	625,935

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 48 to 128 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 2016 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 49 on page 129 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)

9 December 2016

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 48 to 129 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 9 December 2016.)

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 2016 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 48 to 128.

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 2016 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 43 to the financial statements. We have also considered the unaudited financial statements of subsidiaries identified in Note 43 to the financial statements.
- (c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports of the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

BATU KAWAN BERHAD

Independent Auditors' Report to the Members (Continued)

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 49 on page 129 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
9 December 2016

CHEW BENG HONG

Partner
Approval Number: 2920/02/18 (J)
Chartered Accountant

BATU KAWAN BERHAD

Analysis of Shareholdings

At 1 December 2016

Authorised Share Capital	:	RM1,000,000,000
Issued and Fully Paid-up Capital	:	RM435,951,000 (including 30,831,131 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	82	1.70	2,583	0.00
100 – 1,000	1,495	31.06	1,090,634	0.27
1,001 – 10,000	2,370	49.24	8,881,219	2.19
10,001 – 100,000	693	14.40	21,081,758	5.20
100,001 – less than 5% of issued holdings	171	3.55	163,939,258	40.47
5% and above of issued holdings	2	0.04	210,124,417	51.87
TOTAL	4,813	100.00	405,119,869	100.00

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS

Name of Shareholder	No. of Shares	% of Issued Share Capital [^]
1. Arusha Enterprise Sdn Bhd	189,754,667	46.84
2. Lembaga Kemajuan Tanah Persekutuan (FELDA)	20,369,750	5.03
3. Yeoh Chin Hin Investments Sdn Berhad	15,300,000	3.78
4. CIMSEC Nominees (Tempatan) Sdn Bhd		
- CIMB for Heah Seok Yeong Realty Sdn Berhad (PB)	10,000,000	2.47
5. Lee Chan Investments Sdn Bhd	9,159,275	2.26
6. Di-Yi Sdn Bhd	8,780,180	2.17
7. High Quest Holdings Sdn Bhd	8,262,955	2.04
8. Yeoh Meng Ghee	8,000,000	1.97
9. ABB Nominee (Tempatan) Sdn Bhd		
- Pledged Securities Account for Lembaga Kemajuan Tanah Persekutuan (FELDA)	7,000,000	1.73
10. Leong Wan Chin	6,973,705	1.72
11. Yeoh Chin Hin	6,311,250	1.56
12. Teoh Guat Eng	6,132,188	1.51
13. CIMSEC Nominees (Tempatan) Sdn Bhd		
- CIMB for Heah Seok Yeong Realty Sdn Berhad (PB)	4,850,000	1.20
14. Key Development Sdn Berhad	3,476,300	0.86
15. Malay-Sino Formic Acid Sdn Bhd	3,083,450	0.76
16. Malay Rubber Plantations (Malaysia) Sdn Berhad	2,792,250	0.69
17. HSBC Nominees (Asing) Sdn Bhd		
- BNP Paribas Sec SVS LUX for Aberdeen Global	2,351,700	0.58
18. Steppe Structure Sdn Bhd	2,224,250	0.55
19. Chinchoo Investment Sdn Berhad	2,170,600	0.54
20. Citigroup Nominees (Asing) Sdn Bhd		
- CBNY for Dimensional Emerging Markets Value Fund	2,090,450	0.52
21. Gan Teng Siew Realty Sdn Berhad	1,718,200	0.42
22. Citigroup Nominees (Tempatan) Sdn Bhd		
- Employees Provident Fund Board (Aberdeen)	1,545,900	0.38
23. HSBC Nominees (Asing) Sdn Bhd		
- Exempt An for Credit Suisse (SG BR-TST-Asing)	1,525,880	0.38
24. Arusha Enterprise Sdn Bhd	1,500,000	0.37
25. Leong Wan Chin	1,500,000	0.37

BATU KAWAN BERHAD

Analysis of Shareholdings (Continued)

At 1 December 2016

Name of Shareholder	No. of Shares	% of Issued Share Capital [^]
26. CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB for Lyne Ching Sdn Berhad (PB)	1,485,000	0.37
27. HSBC Nominees (Asing) Sdn Bhd - 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 - Kumpulan Wang Persaraan (Diperbadankan) (Aberdeen)	1,109,000	0.27
30. Rengo Malay Estate Sendirian Berhad	1,057,500	0.26
TOTAL	332,858,700	82.16

[^] Calculated based on 405,119,869 shares (excluding 30,831,131 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 → No. of Shares	%	← Deemed → No. of Shares	%	← Total → No. of Shares	%
Arusha Enterprise Sdn Bhd	191,554,667	47.28	5,875,700 ¹	1.45	197,430,367	48.73
Lembaga Kemajuan Tanah Persekutuan (FELDA)	27,369,750	6.76	-	-	27,369,750	6.76
Di-Yi Sdn Bhd	8,780,180	2.17	197,438,754 ³	48.74	206,218,934	50.90
High Quest Holdings Sdn Bhd	8,262,955	2.04	197,438,754 ³	48.74	205,701,709	50.78
Dato' Lee Hau Hian	1,425,530	0.35	205,842,209 ⁵	50.81	207,267,739	51.16
Tan Sri Dato' Seri Lee Oi Hian	854,355	0.21	207,038,934 ⁴	51.11	207,893,289	51.32
Wan Hin Investments Sdn Berhad	8,387	*	197,430,367 ²	48.73	197,438,754	48.74
Grateful Blessings Inc	-	-	206,218,934 ⁶	50.90	206,218,934	50.90
Grateful Blessings Foundation	-	-	206,218,934 ⁶	50.90	206,218,934	50.90
Cubic Crystal Corporation	-	-	205,701,709 ⁷	50.78	205,701,709	50.78
High Quest Anstalt	-	-	205,701,709 ⁷	50.78	205,701,709	50.78

Notes:

* Less than 0.01%.

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

² 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.

³ 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.

⁴ 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 [whose entire issued and paid-up capital is held by Grateful Blessings Foundation (founded 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.

⁵ 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 [whose entire issued and paid-up capital is held by High Quest Anstalt (founded 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.

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

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

BATU KAWAN BERHAD

Analysis of Shareholdings (Continued)

At 1 December 2016

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 ¹	51.11
Dato' Lee Hau Hian	1,425,530	0.35	205,842,209 ²	50.81
Dato' Yeoh Eng Khoon	315,000	0.08	15,391,000 ³	3.80
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 [whose entire issued and paid-up capital is held by Grateful Blessings Foundation (founded 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 [whose entire issued and paid-up capital is held by High Quest Anstalt (founded 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	1,000	*
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

* Less than 0.01%

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 2016

Location	Tenure	Year Lease Expiring	Titled Area Hectares [#]	Description / Existing Use	Year of Acquisition / Last Revaluation	Age of Buildings (Years)	Net Carrying Amounts RM'000
PLANTATIONS							
<u>MALAYSIA</u>							
Kedah							
Ladang Pelam Kulim	Freehold	–	2,959	Oil palm and rubber estate	1986 1992	–	50,428
Ladang Batu Lintang Serdang	Freehold	–	1,808	Oil palm estate and palm oil mill	1986	30	28,119
Ladang Buntar Serdang	Freehold	–	547	Oil palm estate	1986	–	13,798
Perak							
Ladang Lekir Manjung	Freehold	–	3,311	Oil palm estate	2008	–	176,147
Ladang Changkat Chermin Manjung	Leasehold	2080	2,530	Oil palm estate and palm oil mill	2008	33	106,757
Ladang Raja Hitam Manjung	Freehold	–	1,497	Oil palm estate	2008	–	79,151
Ladang Subur Batu Kurau	Freehold	–	1,290	Oil palm estate	1986	–	14,644
Ladang Glenealy Parit	Freehold	–	1,059	Oil palm and rubber estate	1992	–	14,978
Ladang Serapoh Parit	Freehold	–	936	Oil palm and rubber estate	1979* 1992	–	9,241
Ladang Kuala Kangsar Padang Rengas	Freehold Leasehold	– 2896	510 333	Oil palm and rubber estate	1979*	–	6,269
Ladang Allagar Trong	Freehold Leasehold	– 2908	549 256	Oil palm estate	1986	–	12,907
Selangor							
Ladang Changkat Asa Hulu Selangor	Freehold	–	1,541	Oil palm and rubber estate, palm oil mill and rubber factory	1979*	36 41	17,397
Ladang Tuan Mee Sungai Buloh	Freehold	–	1,488	Oil palm estate and palm oil mill	1979*	43	17,460
Ladang Kerling Kerling	Freehold	–	1,222	Oil palm and rubber estate	1979* 1985 2002	–	53,891

[#] Titled area is in hectares except otherwise indicated

^{*} Year of last revaluation

BATU KAWAN BERHAD

Properties Held by the Group (Continued)

At 30 September 2016

Location	Tenure	Year Lease Expiring	Titled Area Hectares [#]	Description / Existing Use	Year of Acquisition / Last Revaluation	Age of Buildings (Years)	Net Carrying Amounts RM'000
Negeri Sembilan							
Ladang Ayer Hitam Bahau	Freehold	–	2,640	Oil palm estate	1985	–	38,733
Ladang Batang Jelai Rompin	Freehold	–	2,149	Oil palm and rubber estate	1985	–	32,550
Ladang Jeram Padang Bahau	Freehold	–	2,114	Oil palm and rubber estate, palm oil mill and rubber factory	1985	27 27	35,353
Ladang Kombok Rantau	Freehold	–	1,910	Oil palm and rubber estate	1985	–	32,010
Ladang Ulu Pedas Pedas	Freehold	–	922	Oil palm estate	1985	–	17,496
Ladang Gunong Pertanian Simpang Durian	Leasehold	2077	686	Oil palm estate	1985	–	9,405
Johor							
Ladang Landak Paloh	Leasehold	2068 and 2078	4,451	Oil palm estate	1979*	–	40,934
Ladang Kekayaan Paloh	Leasehold	2068 and 2078	4,436	Oil palm estate and palm oil mill	1979*	10	60,708
Ladang Voules Segamat	Freehold	–	2,969	Oil palm and rubber estate and rubber factory	1979*	43	25,452
Ladang Paloh Paloh	Freehold	–	2,003	Oil palm estate and palm oil mill	1979*	44	31,243
Ladang Fraser Kulai	Freehold	–	1,915	Oil palm estate	1979*	–	22,324
Ladang New Pogoh Segamat	Freehold	–	1,545	Oil palm and rubber estate	1979*	–	14,066
Ladang Sungei Penggeli Bandar Tenggara	Leased property	2087	942	Oil palm estate	1988	–	9,529
Ladang Ban Heng Pagoh, Muar	Freehold	–	631	Oil palm estate	1979*	–	8,204
Ladang Sungai Bekok Bekok	Freehold	–	625	Oil palm estate	1979*	–	8,094

[#] Titled area is in hectares except otherwise indicated

* Year of last revaluation

BATU KAWAN BERHAD

Properties Held by the Group (Continued)

At 30 September 2016

Location	Tenure	Year Lease Expiring	Titled Area Hectares [#]	Description / Existing Use	Year of Acquisition / Last Revaluation	Age of Buildings (Years)	Net Carrying Amounts RM'000
Ladang See Sun Renggam	Freehold	–	589	Oil palm estate	1984	–	9,855
KL-Kepong Edible Oils Pasir Gudang	Leasehold	2045	5	Refinery	1985	33	1,859
Pahang							
Ladang Sungei Kawang Lanchang	Freehold	–	1,889	Oil palm and rubber estate	1979*	–	14,934
Ladang Renjok Bentong	Freehold	–	1,578	Oil palm and rubber estate	1979*	–	15,947
Ladang Tuan Bentong	Freehold Leasehold	– 2030 and 2057	910 443	Oil palm and rubber estate	1979*	–	10,046
Ladang Selborne Padang Tengku, Kuala Lipis	Freehold	–	1,258	Rubber estate and rubber factory	1992	47	16,544
Ladang Kemasul Mengkarak	Freehold	–	459	Rubber estate	1983	–	1,007
Kelantan							
Ladang Kuala Gris Kuala Krai	Freehold	–	2,429	Rubber estate and rubber factory	1992	16	30,497
Ladang Kerilla Tanah Merah	Freehold	–	2,176	Oil palm and rubber estate and rubber factory	1992	41	27,449
Ladang Pasir Gajah Kuala Krai	Freehold Leasehold	– 2907	952 1,155	Oil palm estate and palm oil mill	1981*	35	21,965
Ladang Sungai Sokor Tanah Merah	Freehold	–	1,603	Oil palm and rubber estate	1992	–	17,164
Ladang Kuala Hau Machang	Freehold Leasehold	– 2326	305 242	Rubber estate	1980*	–	3,137
Sabah Tawau Region							
Ladang Jatika	Leasehold	Between 2068 and 2083	3,508	Oil palm estate	1991	–	46,252

[#] Titled area is in hectares except otherwise indicated

* Year of last revaluation

BATU KAWAN BERHAD

Properties Held by the Group (Continued)

At 30 September 2016

Location	Tenure	Year Lease Expiring	Titled Area Hectares [#]	Description / Existing Use	Year of Acquisition / Last Revaluation	Age of Buildings (Years)	Net Carrying Amounts RM'000
Ladang Sigalong	Leasehold	Between 2063 and 2079	2,864	Oil palm estate	1983	–	25,969
Ladang Pangeran	Leasehold	Between 2063 and 2080	2,855	Oil palm estate and palm oil mill	1983	15	41,530
Ladang Sri Kunak	Leasehold	Between 2063 and 2076	2,770	Oil palm estate	1983	–	33,535
Ladang Pang Burong	Leasehold	Between 2063 and 2080	2,548	Oil palm estate	1983	–	32,628
Ladang Pinang	Leasehold	Between 2068 and 2085	2,420	Oil palm estate	1983	–	36,530
Ladang Tundong	Leasehold	Between 2063 and 2073	2,155	Oil palm estate and palm oil mills	1983	29 and 33	25,038
Ladang Ringlet	Leasehold	Between 2065 and 2081	1,834	Oil palm estate	1989	–	15,143
Lahad Datu Region							
Ladang Tungku	Leasehold	2085	3,418	Oil palm estate	1991*	–	27,765
Ladang Bornion	Leasehold	2078	3,233	Oil palm estate and palm oil mill	1992	18	37,949
Ladang Bukit Tabin	Leasehold	2079	2,916	Oil palm estate	1993	–	34,762
Ladang Segar Usaha	Leasehold	2077	2,792	Oil palm estate	1990*	–	31,607
Ladang Rimmer	Leasehold	2085	2,730	Oil palm estate and palm oil mill	1991*	20	24,912
Ladang Sungai Silabukan	Leasehold	2079	2,654	Oil palm estate	1993	–	31,753
Ladang Lungmanis	Leasehold	2085	1,656	Oil palm estate and palm oil mill	1991*	16	16,711
KLK Premier Oils	Leasehold	2066	4	Kernel crushing plant and refinery	1998	13	13,108
	Leasehold	2912	2	PKC warehouse	2007	9 7	5,541

Titled area is in hectares except otherwise indicated

* Year of last revaluation

BATU KAWAN BERHAD

Properties Held by the Group (Continued)

At 30 September 2016

Location	Tenure	Year Lease Expiring	Titled Area Hectares [#]	Description / Existing Use	Year of Acquisition / Last Revaluation	Age of Buildings (Years)	Net Carrying Amounts RM'000
INDONESIA							
Belitung							
Kebun Steelindo Wahana Perkasa	Hak Guna Usaha	2020	14,065	Oil palm estate, palm oil mill, refinery and kernel crushing plant	1994	17 3 3	45,457
Kebun Parit Sembada	Hak Guna Usaha	2020	3,990	Oil palm estate and palm oil mill	2003	9	12,370
Kebun Alam Karya Sejahtera	Izin Lokasi	–	2,336	Oil palm estate	2010	–	63,499
Sumatra Riau Region							
Kebun Mandau	Hak Guna Usaha	Between 2020 and 2075	14,799	Oil palm estate, palm oil mill, kernel crushing plant and refinery	1996	13 9 3	171,492
Kebun Nilo	Hak Guna Usaha	2083	12,860	Oil palm estate and palm oil mills	1996	14 and 5	91,166
	Izin Lokasi	–	1,400	Oil palm estate	2005		12,341
Kebun Sekarbumi Alamlestari	Hak Guna Usaha	2049	6,200	Oil palm estate and palm oil mill	2009	20	73,258
Sumatra Utara Region							
PT LNK □	Leased property	2039	21,359	Oil palm estate and palm oil mill	2009	2	290,639
Kalimantan Timur							
Kebun Jabontara Eka Karsa Berau	Hak Guna Usaha	2033	14,086	Oil palm estate and palm oil mill	2006	1	240,121
Kebun Malindomas Perkebunan Berau	Hak Guna Usaha	2043	7,971	Oil palm estate	2007	–	130,501
Kebun Hutan Hijau Mas Berau	Hak Guna Usaha	2029 and 2043	7,317	Oil palm estate and palm oil mill	2007 2009	8	115,655
Kebun Anugrah Surya Mandiri Berau	Hak Guna Usaha	2048	2,682	Oil palm estate	2012	–	6,988

□ PT Langkat Nusantara Kepong operates on the property owned by the joint venture partner, PT Perkebunan Nusantara II.

Titled area is in hectares except otherwise indicated

BATU KAWAN BERHAD

Properties Held by the Group (Continued)

At 30 September 2016

Location	Tenure	Year Lease Expiring	Titled Area Hectares [#]	Description / Existing Use	Year of Acquisition / Last Revaluation	Age of Buildings (Years)	Net Carrying Amounts RM'000
Kebun Satu Sembilan Delapan Berau	Leasehold	Between 2029 and 2044	5,728	Oil palm estate and palm oil mill	Between 2008 and 2009	2	124,724
Kebun Tekukur Indah Berau	Izin Lokasi	-	2,030	Oil palm estate	Between 2012 and 2016	-	7,935
Kalimantan Tengah							
Kebun Karya Makmur Abadi Mentaya Hulu	Izin Lokasi	-	13,148	Oil palm estate and palm oil mill	2007	1	276,344
Kebun Mulia Agro Permai Baamang	Hak Guna Usaha	2040	9,056	Oil palm estate and palm oil mill	2006	3	218,926
Kebun Menteng Jaya Sawit Perdana Mentaya Hilir Utara	Izin Lokasi	-	5,893	Oil palm estate	2007	-	49,010
<u>LIBERIA</u>							
Palm Bay Estate Grand Bassa County	Leasehold	2057	13,007	Oil palm estate	2013	-	222,945
Butaw Estate Sinoe County	Leasehold	2057	8,011	Oil palm estate	2013	-	98,921
<u>MANUFACTURING MALAYSIA</u>							
KL-Kepong Oleomas Klang, Selangor	Leasehold	2097	19	Oleochemicals factory	2004	7 and 10	39,915
Palm-Oleo Rawang, Selangor	Freehold	-	15	Oleochemicals, soap noodles and industrial amides factories	1991 1994	20 and 25	14,345
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	5 to 18	25,106
See Sen Chemical Lot 2989 and 3558 Kawasan Perindustrian Teluk Kalung, Kemaman, Terengganu	Leasehold	2055	12	Chemical factory	1995	20	3,932
Palm-Oleo (Klang) Klang, Selangor	Leased property	2088	7	Oleochemicals factory	2007	25 and 35	29,462

[#] Titled area is in hectares except otherwise indicated

BATU KAWAN BERHAD
Properties Held by the Group (Continued)
At 30 September 2016

Location	Tenure	Year Lease Expiring	Titled Area Hectares [#]	Description / Existing Use	Year of Acquisition / Last Revaluation	Age of Buildings (Years)	Net Carrying Amounts RM'000
Malay-Sino Chemical Industries Lot 70810 and 70811 4½ Miles, Jalan Lahat Ipoh, Perak	Leasehold	2074	5	Chemical factory and Methyl Chloride factory	1996* 2011	40 6	4,231 741
B.K.B. Hevea Products Ipoh, Perak	Leasehold	2089	5	Parquet factory	1994	22	3,508
KL-Kepong Rubber Products Ipoh, Perak	Freehold	–	3	Rubber gloves factory	2012	32	15,807
See Sen Chemical PT 6326, Bandar Sri Sendayan Seremban, Negeri Sembilan	Freehold	–	2	Chemical factory	2013	2	9,473
See Sen Chemical PTD 21873, Pasir Gudang Industrial Estate, Pasir Gudang, Johor	Leasehold	2039	2	Chemical factory	1979	31	1,760
KLK Bioenergy Shah Alam, Selangor	Leasehold	2074	1	Biodiesel plant	2009	31	3,333
Malay-Sino Chemical Industries Lot 541, Kg Acheh Industrial Estate, Sitiawan, Perak	Leasehold	2087	1	Industrial land with warehouse	1996*	27	600
See Sen Chemical Lot 5441 Kawasan Perindustrian Teluk Kalung, Kemaman, Terengganu	Leasehold	2056	9,013 sq m	Acid pipeline	2003	–	103
Malay-Sino Properties Lot 9878, Kg Acheh Industrial Estate Sitiawan, Perak	Leasehold	2093	4,282 sq m	Industrial land with warehouse	1996*	21	219
INDONESIA							
PT KLK Dumai Dumai Timur, Riau	Leased property	2031	12,876 sq m	Oleochemicals factory	2011	2	24,110
BELGIUM							
KLK Tensachem SA Liege	Freehold	–	10	Surfactant factory	2014	9 to 86	16,330

Titled area is in hectares except otherwise indicated

* Year of last revaluation

BATU KAWAN BERHAD

Properties Held by the Group (Continued)

At 30 September 2016

Location	Tenure	Year Lease Expiring	Titled Area Hectares [#]	Description / Existing Use	Year of Acquisition / Last Revaluation	Age of Buildings (Years)	Net Carrying Amounts RM'000
CHINA							
Taiko Palm-Oleo (Zhangjiagang) Zhangjiagang City, Jiangsu	Leasehold	2054	20	Oleochemicals factory	2004	11	41,518
Shanghai Jinshan Jingwei Chemical Jinshan, Shanghai	Leasehold	2052	2	Oleochemicals factory	2008	11	3,940
GERMANY							
KLK Emmerich Emmerich Am Rhein	Freehold	–	21	Oleochemicals factory	2010	23 and 63	18,488
KLK Emmerich Dusseldorf	Leasehold	2104	6	Oleochemicals factory	2015	11 and 106	43,820
NETHERLANDS							
Dr. W. Kolb Netherlands BV Moerdijk	Freehold	–	8	Ethoxylation factory	2007	23	78,648
SWITZERLAND							
Dr. W. Kolb AG Hedingen	Freehold	–	2	Ethoxylation factory	2007	16 and 52	73,283
PROPERTIES MALAYSIA							
KL-Kepong Country Homes	Freehold	–	110	Property development	1979	–	16,314
Ijok, Selangor	Freehold	–	667	Property development	1979	–	11,134
	Leasehold	2082 and 2108	11	operating as oil palm estate	2010		
Colville Holdings Setul, Negeri Sembilan	Freehold	–	421	Property development operating as oil palm estate	1985	–	10,429
KL-Kepong Property Development Gombak, Selangor	Freehold	–	403	Property development operating as oil palm estate	2004	–	141,421
Palermo Corporation Bagan Samak, Kedah	Freehold	–	351	Property development operating as oil palm estate	1986	–	12,997

[#] Titled area is in hectares except otherwise indicated

BATU KAWAN BERHAD

Properties Held by the Group (Continued)

At 30 September 2016

Location	Tenure	Year Lease Expiring	Titled Area Hectares [#]	Description / Existing Use	Year of Acquisition / Last Revaluation	Age of Buildings (Years)	Net Carrying Amounts RM'000
Scope Energy Tanjung Kupang, Johor	Freehold	–	203	Property development	2016	–	883,590
Kompleks Tanjong Malim Hulu Selangor, Selangor	Freehold	–	172	Property development operating as oil palm estate	1979	–	7,609
KL-Kepong Property Management Paloh, Johor	Freehold	–	26	Property development operating as oil palm estate	1979*	–	391
KL-Kepong Complex Sungai Buloh, Selangor	Freehold	–	8	Property development	1979	–	2,806
INVESTMENT PROPERTY							
<u>MALAYSIA</u>							
Batu Kawan Holdings Menara KLK No 1, Jalan PJU 7/6 Mutiara Damansara Petaling Jaya, Selangor	Freehold	–	5,730 sq m	Office building	2003	7	50,192
OTHER PROPERTIES							
<u>MALAYSIA</u>							
Stolthaven (Westport) Klang, Selangor	Leased property	2024	12	Bulking installation	2006 2014	2 and 19	15,469
See Sen Bulking Installation Lot 4735, Kawasan Perindustrian Teluk Kalung Kemaman, Terengganu	Leasehold	2025	5	Vacant industrial land	2016*	–	978
Circular Agency Lot 202186, 202187 and 202188, Zarib Industrial Park, Lahat Ipoh, Perak	Leasehold	2092	1	Land with office building and workshop	1996*	22	2,233
Wisma Taiko, 1, Jalan S.P.	Freehold	–	2,984 sq m	Head office building	1983	31	3,933
Seenivasagam Ipoh, Perak	Leasehold	2892	2,408 sq m		2000		1,603
Kelkay Bulking Installation Port Klang, Selangor	Leased property	2013	3,351 sq m	Bulking installation	1975 2014	41	408

Titled area is in hectares except otherwise indicated

* Year of last revaluation

BATU KAWAN BERHAD

Properties Held by the Group (Continued)

At 30 September 2016

Location	Tenure	Year Lease Expiring	Titled Area Hectares [#]	Description / Existing Use	Year of Acquisition / Last Revaluation	Age of Buildings (Years)	Net Carrying Amounts RM'000
INDONESIA							
SWP Bulking Installation Belitung	Hak Guna Bangunan	2035	20	Bulking installation and jetty	2005	7 and 11 10	9,351
3, 5, 6 & 7, Block C Ruko Puri Mutiara Sunter Agung Tanjung Priok Jakarta Utara	Hak Guna Bangunan	2027	300 sq m	Office building	2007	9	193
PT Hutan Hijau Mas Berau, Kalimantan Timur	Hak Pakai	2035	8	Jetty	2010	2	1,707
UNITED KINGDOM							
27, Kelso Place Kensington, London	Freehold	–	489 sq m	Office building	2001	135	30,064
AUSTRALIA							
Chilimony Farm Northampton Western Australia	Freehold	–	16,189	Cereal farm	2012 2013	–	92,003
Wyunga Farm Dandaragan Western Australia	Freehold	–	14,418	Cereal and cattle farm	2013 2014 2016	–	109,542
Erregulla Farm Mingenew Western Australia	Freehold	–	5,290	Cereal and sheep farm	1989*	–	4,598
Warrenning Gully Farm Williams Western Australia	Freehold	–	5,119	Cereal and sheep farm	1989* 2014	–	30,997
Jonlorrie Farm York Western Australia	Freehold	–	4,927	Cereal and sheep farm	2013 2014 2015	–	76,439
Tatchbrook Farm Arthur River Western Australia	Freehold	–	3,406	Cereal and sheep farm	2015 2016	–	34,389

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* 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

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

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, 15 February 2017 at 2.30 p.m. and at any adjournment thereof, and to vote as indicated below:

Resolution	Relating to:	For	Against
1	Declaration of Final Single Tier Dividend		
2	Re-election of the following Director in accordance to the Company's Articles of Association: Tan Sri Dato' Seri Lee Oi Hian		
3	Re-appointment of Director pursuant to Section 129(6) of the Companies Act, 1965: R. M. Alias		
4	Payment of Directors' fees		
5	Re-appointment of Auditors and their remuneration		
6	Proposed Renewal of Authority to Buy Back Shares		
7	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)-(d) of the Companies Act, 1965 shall not apply to the Company.
- Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of Annual General Meeting shall be put to vote by poll.
- 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 Register of Members and Record of Depositors as at 9 February 2017 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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THE COMPANY SECRETARIES
BATU KAWAN BERHAD
WISMA TAIKO
NO. 1, JALAN S.P. SEENIVASAGAM
30000 IPOH, PERAK
MALAYSIA.

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