

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Bursa Malaysia Securities Berhad ("**Bursa Securities**") has not perused Part A of this Circular prior to its issuance as it is prescribed as an Exempt Circular and conducted limited review on Part B. Bursa Securities has perused Part C of this Circular.

Bursa Securities takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.

BATU KAWAN BERHAD (6292-U)

(Incorporated In Malaysia)

PART A

STATEMENT TO SHAREHOLDERS IN RELATION TO THE PROPOSED RENEWAL OF AUTHORITY TO BUY BACK ITS OWN SHARES BY THE COMPANY

PART B

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

PART C

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE PROPOSED DIVIDEND REINVESTMENT PLAN

Principal Adviser for Part C



CIMB Investment Bank Berhad (18417-M)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of Annual General Meeting is sent to you together with this Circular. The Annual General Meeting will be held at the registered office of the Company, Wisma Taiko, No. 1, Jalan S.P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan, Malaysia on Tuesday, 13 February 2018 at 2.30 p.m. Shareholders are advised to refer to the Notice of Annual General Meeting and the Form of Proxy which are included in the 2017 Annual Report of the Company. A member entitled to attend and vote at the meeting is entitled to appoint one proxy to attend and vote on his behalf. The Form of Proxy should be completed and lodged at the registered office of the Company not less than 24 hours before the time set for the meeting.

This Circular is dated 29 December 2017

DEFINITIONS

Unless where the context otherwise requires, the following definitions shall apply throughout this Circular where applicable:

"Act"	: Companies Act 2016, as amended from time to time and any re-enactment thereof
"AGM"	: Annual General Meeting
"Allotment Date"	: Date of allotment of the New Shares which falls within eight (8) market days from the Expiry Date or such other periods as may be prescribed by Bursa Securities
"BKB" or "the Company"	: Batu Kawan Berhad
"BKB Group" or "the Group"	: BKB and its subsidiaries
"BKB Shares"	: Ordinary shares of BKB
"Board"	: Board of Directors of BKB
"Books Closure Date"	: Books closure date in relation to a Dividend to which the Proposed DRP applies
"Bursa Securities"	: Bursa Malaysia Securities Berhad
"CDS"	: Central Depository System
"CIMB"	: CIMB Investment Bank Berhad
"Circular"	: This circular to Shareholders dated 29 December 2017
"CMSA"	: Capital Markets and Services Act 2007, as amended from time to time and any re-enactment thereof
"Director"	: Has the meaning given in Section 2(1) of the CMSA and includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon, a director of BKB or its subsidiary or holding company or a chief executive officer of BKB, its subsidiary or holding company
"Dividend"	: Future cash dividend declared by BKB, whether interim, final, special or other cash dividend
"Electable Portion"	: The portion of a Dividend that may be declared by the Company to which the Reinvestment Option applies, as determined by the Board
"EPS"	: Earnings per share
"Expiry Date"	: The last day (which will be a date to be fixed and announced by the Board) by which an election to be made by a Shareholder in relation to the Electable Portion must be received by the Company
"FYE"	: Financial year ended
"Issue Price"	: The issue price for the New Shares as determined by the Board on a Price Fixing Date, and shall be determined based on the 5-day VWAMP of the BKB Shares immediately preceding the Price Fixing Date, with a discount of not more than ten percent (10%). The 5-day VWAMP shall be adjusted ex-dividend before applying the aforementioned discount in fixing the Issue Price
"Issued and Paid-up Share Capital"	: RM435,951,000 comprising 435,951,000 BKB Shares (including 33,949,631 Treasury Shares) as at LPD

DEFINITIONS *(cont'd)*

"Listing Requirements"	: Main Market Listing Requirements of Bursa Securities, including any amendment that may be made from time to time and any Practice Notes issued in relation thereto
"LPD"	: 30 November 2017, being the latest practicable date prior to the date of this Circular
"M&A"	: Memorandum and Articles of Association of BKB
"Major Shareholder"	<p>: A person who has an interest or interests in one or more voting shares in the Company and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is:</p> <p>(a) ten percent (10%) or more of the aggregate of the nominal amounts of all the voting shares in the Company; or</p> <p>(b) five percent (5%) or more of the aggregate of the nominal amounts of all the voting shares in the Company where such person is the largest Shareholder of the Company,</p> <p>and includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon, a Major Shareholder of BKB or any other company which is its subsidiary or holding company</p> <p>For the purpose of this definition, "interest in shares" shall have the meaning given in Section 8 of the Act</p>
"NA"	: Net assets
"New Shares"	: New BKB Shares to be issued pursuant to the Proposed DRP
"Non-Electable Portion"	: The portion of a Dividend that may be declared by the Company to which the Reinvestment Option does not apply, as determined by the Board
"Notice of Election"	: Notice of election by which Shareholders confirm their exercise of the Reinvestment Option
"Overseas Shareholders"	: Shareholders with addresses outside Malaysia
"Person Connected"	<p>: In relation to a Director or a Major Shareholder, means such person who falls under one of the following categories:</p> <p>(a) a family member of the Director or Major Shareholder;</p> <p>(b) a trustee of a trust (other than a trustee for a share scheme for employees or pension scheme) under which the Director, Major Shareholder or a member of the Director's or Major Shareholder's family is the sole beneficiary;</p> <p>(c) a partner of the Director, Major Shareholder or a partner of a person connected with that Director or Major Shareholder;</p> <p>(d) a person who is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the Director or Major Shareholder;</p> <p>(e) a person in accordance with whose directions, instructions or wishes the Director or Major Shareholder is accustomed or is under an obligation, whether formal or informal, to act;</p> <p>(f) a body corporate or its directors which/who is/are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions, or wishes of the Director or Major Shareholder;</p>

DEFINITIONS *(cont'd)*

"Person(s) Connected" <i>(cont'd)</i>	: (g) a body corporate or its directors whose directions, instructions or wishes the Director or Major Shareholder is accustomed or under an obligation, whether formal or informal to act; (h) a body corporate in which the Director, Major Shareholder and/or persons connected with him are entitled to exercise or control the exercise of, not less than 20% of the votes attached to voting shares in the body corporate; or (i) a body corporate which is a related corporation
"Price Fixing Date"	: A date to be determined by the Board on which the Issue Price will be determined
"Proposed DRP"	: Proposed dividend reinvestment plan that will provide Shareholders the option to reinvest their Dividend declared by BKB in New Shares
"Proposed Renewal of Authority to Buy Back Shares"	: A Proposal by the Company to grant its Directors a general mandate to exercise the authority to carry out a share buyback not exceeding ten percent (10%) of its own BKB Shares or 43,595,100 shares of its issued and paid-up share capital as at LPD
"Proposed Shareholders' Mandate"	: Proposed shareholders' mandate for the BKB Group to enter into Recurrent Related Party Transactions of a revenue or trading nature with Related Parties in the ordinary course of business which are necessary for the BKB Group's day-to-day operations
"Reinvestment Option"	: The option given to Shareholders pursuant to the Proposed DRP to reinvest the Electable Portion of a Dividend in New Shares, as the Board may, at its absolute discretion, apply to the Dividend
"Related Party"	: A Director, Major Shareholder of BKB or its subsidiaries, or person connected with such Director or Major Shareholder
"Recurrent Related Party Transactions"	: Related Party Transactions which are recurrent, of a revenue or trading nature and which are necessary for the BKB Group's day-to-day operations
"Related Party Transaction"	: A transaction entered into by the BKB Group which involves the interest, direct or indirect, of a Related Party
"Rules on Take-overs"	: Rules on Take-overs, Mergers and Compulsory Acquisitions, as amended from time to time
"Share Registrar"	: Symphony Share Registrars Sdn Bhd
"Shareholder"	: Shareholder of BKB
"Substantial Shareholder"	: A person who has an interest or interests in one or more voting shares in the Company and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is not less than five percent (5%) of the aggregate of the nominal amounts of all the voting shares of the Company For the purpose of this definition, "interest in shares" shall have the meaning given in Section 8 of the Act
"Treasury Shares"	: BKB Shares purchased and retained by the Company under the share buyback mandate of up to a maximum of ten percent (10%) of its total number of issued shares
"VWAMP"	: Volume weighted average market price

DEFINITIONS *(cont'd)*

Currency

“RM and sen” : Ringgit Malaysia and sen respectively

Unless otherwise stated, the information set out in this Circular in relation to the Major Shareholder, Director and Person Connected with them is as at the LPD.

All references to “our Company” in this Circular means BKB, references to “our Group” and “BKB Group” mean our Company and our subsidiaries. References to “we”, “us”, “our” and “ourselves” mean our Company, or where the context otherwise requires, our Group. All references to “you” in this Circular mean the Shareholders of our Company, unless the context otherwise requires. All references in this Circular to an “affiliate” of any entity in our Group mean, in relation to such entity, any other person which is deemed to be related (as defined in the Act) to the said entity.

Words denoting the singular shall include the plural and vice versa, and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders, and vice versa. References to persons shall include corporations.

Any reference to any enactment in this Circular is a reference to that enactment as for the time being amended or re-enacted.

Any reference in time of day in this Circular is a reference to Malaysian time, unless otherwise stated.

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PART A

**STATEMENT TO SHAREHOLDERS IN RELATION TO THE
PROPOSED RENEWAL OF AUTHORITY TO BUY BACK SHARES**

BATU KAWAN BERHAD (6292-U)
(Incorporated in Malaysia)

Registered Office:
Wisma Taiko
No. 1, Jalan S.P. Seenivasagam
30000 Ipoh
Perak Darul Ridzuan
Malaysia

29 November 2017

Directors:

Tan Sri Dato' Seri Lee Oi Hian - *Chairman/Non-Independent Non-Executive Director*
Dato' Lee Hau Hian - *Managing Director/Non-Independent Executive Director*
Dato' Yeoh Eng Khoon - *Senior Independent Non-Executive Director*
R. M. Alias - *Independent Non-Executive Director*
Mr. Quah Chek Tin - *Independent Non-Executive Director*
Tan Sri Rastam bin Mohd Isa - *Independent Non-Executive Director*

To: The Shareholders of BKB

Dear Sir/Madam

PROPOSED RENEWAL OF AUTHORITY TO BUY BACK SHARES

1. INTRODUCTION

At the last AGM held on 15 February 2017, your Board obtained shareholders' authorisation for the Company to buy back its own BKB Shares ("Authorisation") up to ten percent (10%) of the Issued and Paid-up Share Capital of BKB.

In accordance with Paragraph 12 of the Listing Requirements, the Authorisation shall lapse at the conclusion of the forthcoming AGM to be held on 13 February 2018, unless a new Authorisation is received.

Consequently, on 22 November 2017, the Company announced that your Board proposes to seek shareholders' approval for a new Authorisation to undertake the Proposed Renewal of Authority to Buy Back Shares at the forthcoming AGM, to be held on 13 February 2018.

The purpose of this Circular is to provide you with details of the Proposed Renewal of Authority to Buy Back Shares and to seek your approval for the ordinary resolution pertaining to the Proposed Renewal of Authority to Buy Back Shares to be tabled as Special Business at the forthcoming AGM.

2. THE PROPOSED RENEWAL OF AUTHORITY TO BUY BACK SHARES

Your Board seeks the authority from Shareholders to purchase the BKB Shares on Bursa Securities through its appointed stockbrokers (pursuant to Paragraph 12.16 of the Listing Requirements). Your Board proposes to allocate a maximum amount not exceeding the total retained earnings of the Company for the Proposed Renewal of Authority to Buy Back Shares. The audited retained earnings of the Company as at 30 September 2017 was RM696,082,915. For the Proposed Renewal of Authority to Buy Back Shares, the Company may buy back its own BKB Shares up to 43,595,100 shares representing an amount not exceeding ten percent (10%) of its Issued and Paid-up Share Capital. The Proposed Renewal of Authority to Buy Back Shares will be valid immediately upon the passing of the ordinary resolution pertaining to the Proposed Renewal of Authority to Buy Back Shares up till the conclusion of the next AGM of BKB or the expiry of the period within which the next AGM is required by law to be held, unless earlier revoked or varied by the said ordinary resolution of Shareholders in a general meeting.

The Company may only purchase the BKB Shares at a price which is not more than 15% above the weighted average market price on Bursa Securities for the past five (5) market days immediately preceding the date of the purchase(s). The funding for the Proposed Renewal of Authority to Buy Back Shares will be from internal funds and/or borrowings. Any purchase(s) or resale of the BKB Shares will be made through the Company's stockbrokers in accordance to the Listing Requirements.

Under the Rules on Take-overs, a director and any person acting in concert with him or a relevant shareholder will be required to make a mandatory offer if his stake in the company is increased to beyond 33% of its issued and paid-up share capital or if his existing shareholding is between 33% and 50% and it increases by another two percent (2%) in any 6-month period.

In the event that the Proposed Renewal of Authority to Buy Back Shares results in the shareholding of any of the above parties being affected, the affected person will be obliged to make a mandatory offer for the above remaining BKB Shares not held by him. However, an exemption from a mandatory offer obligation may be granted by the Securities Commission under Practice Note 9 Paragraph 24.1 of the Rules on Take-overs, subject to the affected person and the parties acting in concert complying with certain conditions, if the obligation is triggered as a result of action outside their direct participation.

Your Board is mindful of the requirements of the Rules on Take-overs and will continue to be mindful of the requirements when making any purchase pursuant to the Proposed Renewal of Authority to Buy Back Shares.

When the BKB Shares are purchased by the Company, your Directors may resolve to cancel the BKB Shares so purchased or retain the BKB Shares so purchased to be held as Treasury Shares or retain part of the BKB Shares so purchased as Treasury Shares and cancel the remainder of the BKB Shares. Where your Directors resolve to cancel the BKB Shares so purchased or cancel any Treasury Shares, the Company's Issued and Paid-up Share Capital shall be diminished by the cancellation of the BKB Shares so purchased or cancellation of the Treasury Shares and the cost of the cancelled BKB Shares so purchased or cancelled Treasury Shares shall be applied in the reduction of the profits otherwise available for distribution as dividends. It is pertinent to note that the cancellation of BKB Shares so purchased made pursuant to the Act shall not be deemed to be a reduction of share capital within the meaning of the Act. Where your Directors resolve to retain the BKB Shares so purchased as Treasury Shares, your Directors may:

- (a) distribute the Treasury Shares as share dividends to Shareholders; or
- (b) resell the Treasury Shares or any of the Treasury Shares on Bursa Securities; or
- (c) transfer the Treasury Shares or any of the Treasury Shares for the purposes of or under an employees' share scheme; or
- (d) transfer the Treasury Shares or any of the Treasury Shares as purchase consideration; or
- (e) cancel the Treasury Shares or any of the Treasury Shares; or
- (f) sell, transfer or otherwise use the Treasury Shares for such other purposes as allowed by the Act.

While the BKB Shares so purchased are held as Treasury Shares, the rights attached to them as to the attendance and voting at meetings, dividends and participation in any other distribution or otherwise, of the Company's assets are suspended.

An immediate announcement will be made to Bursa Securities in respect of your Directors' decision on the treatment of BKB Shares purchased.

In the case of a resale of Treasury Shares, if any, the Company may only resell Treasury Shares on Bursa Securities at a price which is not less than the weighted average market price of the BKB Shares for the past five (5) market days immediately preceding the date of the resale(s) or not less than five (5%) below the weighted average market price for the BKB Shares for the five (5) market days immediately prior to the resale provided that:

- (a) the resale takes place no earlier than 30 days from the date of purchase; and
- (b) the resale price is not less than the cost of purchase of the BKB Shares being resold.

As at LPD, the public shareholding spread of the Company was 33.12%. Assuming that the Proposed Renewal of Authority to Buy Back Shares was carried out in full and the BKB Shares so purchased were all cancelled on LPD, the pro-forma public shareholding of the Company would be 31.48%.

3. RATIONALE FOR THE PROPOSED RENEWAL OF AUTHORITY TO BUY BACK SHARES

The Proposed Renewal of Authority to Buy Back Shares, if exercised, is expected to potentially benefit the Company and Shareholders as follows:

- The Company would expect to enhance the EPS of the Group (in the case where your Directors resolve to cancel the Treasury Shares and/or retain the Treasury Shares and the Treasury Shares are not subsequently resold), and thereby long-term and genuine investors are expected to enjoy a corresponding increase in the value of their investments in the Company; and
- If the BKB Shares bought back are kept as Treasury Shares, it will give your Directors an option to sell the Treasury Shares at a higher price and therefore make an exceptional gain for the Company. Alternatively, the Treasury Shares can be distributed as share dividends to Shareholders.

The Proposed Renewal of Authority to Buy Back Shares is not expected to have any potential material disadvantage to the Company and Shareholders as it will be exercised only after taking into consideration of the financial resources of the Group and of the resultant impact on Shareholders.

4. FINANCIAL EFFECTS OF THE PROPOSED RENEWAL OF AUTHORITY TO BUY BACK SHARES

The Proposed Renewal of Authority to Buy Back Shares, if exercised, will reduce the cash flow of BKB and may result in BKB having to forego other alternative investment opportunities which may emerge in the future, and it may reduce the financial resources of BKB for payment of dividends. Nevertheless, your Directors will be mindful of the interests of BKB and Shareholders when exercising the Proposed Renewal of Authority to Buy Back Shares.

Share Capital

The effect of the Proposed Renewal of Authority to Buy Back Shares on the Issued and Paid-up Share Capital of BKB assuming BKB buys and subsequently cancels up to 43,595,100 Shares, representing an amount not exceeding ten percent (10%) of the existing Issued and Paid-up Share Capital as at LPD, is as follows:

	No. of Shares	RM
Existing as at LPD	435,951,000	435,951,000
Less:		
Treasury Shares as at LPD if to be cancelled	33,949,631	33,949,631
Number of BKB Shares if to be cancelled pursuant to the Proposed Renewal of Authority to Buy Back Shares	9,645,469	9,645,469
Upon completion of the Proposed Renewal of Authority to Buy Back Shares	392,355,900	392,355,900

However, there should be no effect on the Issued and Paid-up Share Capital of BKB if the BKB Shares so purchased are retained as treasury shares.

The following are the details of BKB Shares bought back in the previous 12 months (up to LPD). These shares are currently held as treasury shares and none of them were cancelled.

Date	No. of Shares	Highest price paid per share RM	Lowest price paid per share RM	Average price paid per share RM	Total consideration RM
DECEMBER 2016					
22 December 2016	395,000	18.20	18.16	18.1942	7,210,822.74
FEBRUARY 2017					
21 February 2017	39,200	19.30	19.26	19.2828	758,729.86
23 February 2017	29,900	19.50	19.44	19.4982	585,235.50
24 February 2017	24,800	19.50	19.32	19.3881	482,706.81
27 February 2017	72,600	19.60	19.42	19.4834	1,419,642.74
28 February 2017	10,600	19.60	19.44	19.5306	207,948.53
MARCH 2017					
13 March 2017	180,200	19.36	19.30	19.3341	3,496,343.95
14 March 2017	69,100	19.32	19.30	19.3143	1,339,486.62
15 March 2017	109,500	19.32	19.28	19.3071	2,121,722.66
16 March 2017	6,400	19.36	19.32	19.3313	124,227.10
17 March 2017	72,800	19.60	19.50	19.5040	1,425,057.98
21 March 2017	6,800	19.46	19.42	19.4559	132,895.91
22 March 2017	11,100	19.42	19.40	19.4182	216,496.00
24 March 2017	65,800	19.52	19.50	19.5113	1,288,534.43
APRIL 2017					
21 April 2017	45,300	19.02	19.00	19.0069	864,224.40
25 April 2017	11,600	19.10	19.00	19.0626	222,099.66
26 April 2017	174,800	19.02	18.98	18.9989	3,332,824.61
27 April 2017	44,200	19.00	19.00	19.0000	842,937.62
MAY 2017					
24 May 2017	148,700	18.66	18.62	18.6470	2,782,708.20
25 May 2017	107,000	18.66	18.62	18.6428	2,001,957.35
JUNE 2017					
2 June 2017	44,800	18.86	18.82	18.8589	848,034.12
15 June 2017	18,900	18.70	18.70	18.7000	354,866.30
22 June 2017	6,000	18.84	18.80	18.8007	113,311.79
23 June 2017	31,800	18.80	18.80	18.8000	600,131.25
28 June 2017	8,100	18.80	18.76	18.7948	152,923.41
29 June 2017	21,600	18.90	18.80	18.8963	409,787.83
30 June 2017	8,500	18.90	18.82	18.8953	161,332.87
JULY 2017					
3 July 2017	33,200	18.92	18.90	18.9104	630,221.42
10 July 2017	67,800	18.92	18.80	18.8975	1,285,932.32
AUGUST 2017					
1 August 2017	41,700	19.12	19.10	19.1137	800,029.35
7 August 2017	100,000	19.14	19.14	19.1400	1,920,895.17
16 August 2017	160,400	18.90	18.86	18.8684	3,037,278.03
23 August 2017	13,000	18.82	18.80	18.8123	245,615.37
24 August 2017	5,900	18.90	18.80	18.8556	111,749.18
25 August 2017	5,700	18.88	18.84	18.8568	107,967.75
29 August 2017	13,000	18.90	18.80	18.8329	245,884.11
SEPTEMBER 2017					
6 September 2017	11,800	18.90	18.70	18.8983	223,979.99
11 September 2017	9,500	18.94	18.80	18.9221	180,568.76
25 September 2017	13,900	19.08	18.92	19.0765	266,290.89
26 September 2017	6,100	19.08	19.02	19.0711	116,857.65
OCTOBER 2017					
5 October 2017	13,000	19.16	19.14	19.1585	250,131.71
10 October 2017	14,500	19.20	19.20	19.2000	279,573.84
12 October 2017	26,900	19.50	19.36	19.4375	524,897.76
NOVEMBER 2017					
2 November 2017	58,400	20.00	20.00	20.0000	1,172,285.66
10 November 2017	132,400	19.90	19.84	19.8997	2,644,136.54

Date	No. of Shares	Highest price paid per share RM	Lowest price paid per share RM	Average price paid per share RM	Total consideration RM
NOVEMBER 2017					
16 November 2017	258,400	19.90	19.80	19.8990	5,159,512.84
20 November 2017	69,500	19.88	19.88	19.8800	1,386,693.05
21 November 2017	151,000	19.86	19.80	19.8024	3,000,821.99
22 November 2017	26,400	19.80	19.80	19.8000	524,748.48
23 November 2017	33,600	19.80	19.70	19.7785	667,082.22
27 November 2017	87,300	19.72	19.70	19.7186	1,727,655.37

The Treasury Shares bought or to be bought back pursuant to the Proposed Renewal of Authority to Buy Back Shares shall not be entitled to any of the rights attached to the existing BKB Shares as to voting, dividends and participation in other distribution and otherwise are suspended.

The aforesaid Treasury Shares shall not be taken into account in calculating the number or percentage of BKB Shares or of a class of shares in the Company for any purpose including, without limiting the generality of this provision, the provisions of any law or requirement of the articles of association of the Company or the listing rules of Bursa Securities on the substantial shareholding, notices, the requisitioning of meetings, the quorum for a meeting and the results of a vote on a resolution at a meeting.

NA per BKB Share and EPS

The Proposed Renewal of Authority to Buy Back Shares will reduce the NA per BKB Share of the BKB Group if the purchase price exceeds the audited NA per BKB Share of the BKB Group at the time of the purchase and conversely will increase the NA per share of the BKB Group if the purchase price is less than the audited NA per BKB Share of the BKB Group at the time of purchase. The effects of the Proposed Renewal of Authority to Buy Back Shares on EPS of BKB Group would depend on the purchase price and number of BKB Shares purchased.

The audited NA of the BKB Group as at 30 September 2017 was RM13.37 billion representing a NA per BKB Share of RM16.63.

Working Capital

The Proposed Renewal of Authority to Buy Back Shares, if exercised, will reduce the working capital of the Group to the extent of the amount of funds utilised for the purchase of the BKB Shares.

Similarly, the working capital of the Group will increase to the extent of the amount of funds obtained from the resale of the Treasury Shares.

5. SHAREHOLDINGS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save for the inadvertent increase in the percentage shareholding and/or voting rights of the shareholders of the Company as a consequence of the Proposed Renewal of Authority to Buy Back Shares, none of the Directors, Substantial Shareholders and Persons Connected with the Directors and/or Substantial Shareholders of the BKB Group have direct or indirect interest in the Proposed Renewal of Authority to Buy Back Shares and/or the resale of the Treasury Shares, if any.

The proforma table below shows the equity interests held directly and indirectly in BKB by the Directors and Substantial Shareholders as at LPD before and after the Proposed Renewal of Authority to Buy Back Shares (assuming it was carried out in full).

	No. of BKB Shares held							
	Based on Issued Capital as at LPD of 402,001,369 BKB Shares (after excluding 33,949,631 Treasury Shares)				Based on Pro-forma Issued Capital as at LPD of 392,355,900 (after excluding 43,595,100 Shares being cancelled) upon completion of Proposed Renewal of Authority to Buy Back Shares			
	Direct		Deemed		Direct		Deemed	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Directors								
Tan Sri Dato' Seri Lee Oi Hian	854,355	0.21	213,728,705 ¹	53.17	854,355	0.22	213,728,705 ¹	54.47
Dato' Lee Hau Hian	1,425,530	0.35	212,531,980 ²	52.87	1,425,530	0.36	212,531,980 ²	54.17
R. M. Alias	-	-	-	-	-	-	-	-
Dato' Yeoh Eng Khoon	315,000	0.08	15,391,000 ³	3.83	315,000	0.08	15,391,000 ³	3.92
Mr. Quah Chek Tin	-	-	-	-	-	-	-	-
Tan Sri Rastam bin Mohd Isa	-	-	-	-	-	-	-	-
Substantial Shareholders								
Arusha Enterprise Sdn Bhd	191,554,667	47.65	5,875,700 ⁴	1.46	191,554,667	48.82	5,875,700 ⁴	1.50
Di-Yi Sdn Bhd	16,249,951	4.04	197,438,754 ⁴	49.11	16,249,951	4.14	197,438,754 ⁴	50.32
High Quest Holdings Sdn Bhd	14,952,726	3.72	197,438,754 ⁴	49.11	14,952,726	3.81	197,438,754 ⁴	50.32
Dato' Lee Hau Hian	1,425,530	0.35	212,531,980 ²	52.87	1,425,530	0.36	212,531,980 ²	54.17
Tan Sri Dato' Seri Lee Oi Hian	854,355	0.21	213,728,705 ¹	53.17	854,355	0.22	213,728,705 ¹	54.47
Wan Hin Investments Sdn Berhad	8,387	*	197,430,367 ⁴	49.11	8,387	*	197,430,367 ⁴	50.32
Grateful Blessings Inc	-	-	213,688,705 ⁴	53.16	-	-	213,688,705 ⁴	54.46
Grateful Blessings Foundation	-	-	213,688,705 ⁴	53.16	-	-	213,688,705 ⁴	54.46
Cubic Crystal Corporation	-	-	212,391,480 ⁴	52.83	-	-	212,391,480 ⁴	54.13
High Quest Anstalt	-	-	212,391,480 ⁴	52.83	-	-	212,391,480 ⁴	54.13

Notes:

* Less than 0.01%.

¹ Deemed interest through the shares held by his children. Tan Sri Dato' Seri Lee Oi Hian is also deemed to have an interest by virtue of Section 8(4) of the Act although he does not have any economic or beneficial interest in the BKB Shares as his deemed interest is held via the interest of his family members as discretionary beneficiaries of Grateful Blessings Foundation (which said family members' interest is held subject to the discretion of Grateful Blessings Foundation Council).

² Deemed interest through the shares held by his child and by virtue of Section 8(4) of the Act.

³ Deemed interest through the shares held by his spouse and children, and by virtue of Section 8(4) of the Act.

⁴ Deemed interest by virtue of Section 8(4) of the Act.

6. CANCELLATION AND RESALE MADE IN THE PREVIOUS 12 MONTHS

BKB has not made any cancellation or resold its Treasury Shares in the previous 12 months.

7. DIRECTORS' RECOMMENDATION

Your Directors, having considered all aspects of the Proposed Renewal of Authority to Buy Back Shares, are of the opinion that the Proposed Renewal of Authority to Buy Back Shares is in the best interests of the Company. Accordingly, your Directors **recommend that you vote in favour of the ordinary resolution pertaining to the Proposed Renewal of Authority to Buy Back Shares** to be tabled at the forthcoming AGM.

8. AGM

The ordinary resolution to vote on the Proposed Renewal of Authority to Buy Back Shares has been incorporated into the notice of AGM in the 2017 Annual Report of the Company which is sent to you together with this Circular. The AGM will be held at Wisma Taiko, No. 1, Jalan S.P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan, Malaysia on Tuesday, 13 February 2018 at 2.30 p.m.

If you are unable to attend the AGM in person, kindly complete and return the enclosed Form of Proxy in accordance with the instructions printed therein to the registered office of BKB, Wisma Taiko, No. 1, Jalan S.P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan, Malaysia not less than 24 hours before the time fixed for the AGM. The completion, signing and returning of the Form of Proxy will not, however, preclude you from attending and voting at the AGM should you find that you are subsequently able to do so.

9. FURTHER INFORMATION

Shareholders are requested to refer to the attached Appendix V for further information.

Yours faithfully
for and on behalf of the Board
BATU KAWAN BERHAD

DATO' YEOH ENG KHOON
Senior Independent Non-Executive Director

PART B

**CIRCULAR TO SHAREHOLDERS IN RELATION TO
THE PROPOSED SHAREHOLDERS' MANDATE**

BATU KAWAN BERHAD (6292-U)
(Incorporated in Malaysia)

Registered Office:

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

29 December 2017

Directors:

Tan Sri Dato' Seri Lee Oi Hian - *Chairman/Non-Independent Non-Executive Director*
Dato' Lee Hau Hian - *Managing Director/Non-Independent Executive Director*
Dato' Yeoh Eng Khoon - *Senior Independent Non-Executive Director*
R. M. Alias - *Independent Non-Executive Director*
Mr. Quah Chek Tin - *Independent Non-Executive Director*
Tan Sri Rastam bin Mohd Isa – *Independent Non-Executive Director*

To: The Shareholders of BKB

Dear Sir/Madam

PROPOSED SHAREHOLDERS' MANDATE

1. INTRODUCTION

At the last AGM held on 15 February 2017, the Company obtained shareholders' mandate to enter into Recurrent Related Party Transactions ("RRPT") of a revenue and trading nature. The mandate shall, in accordance with the Listing Requirements, lapse at the conclusion of the forthcoming AGM which will be held on 13 February 2018 unless the mandate is renewed.

On 22 November 2017, the Company announced to Bursa Securities that it proposes to seek shareholders' approval for the Proposed Shareholders' Mandate in accordance with Part E, Paragraph 10.09 of the Listing Requirements.

The purpose of this Circular is to provide you with details of the Proposed Shareholders' Mandate, to set out the views of your Directors and to seek your approval for the ordinary resolution pertaining to the Proposed Shareholders' Mandate to be tabled at the forthcoming AGM. The notice of AGM has been incorporated in the 2017 Annual Report of the Company which is sent to you together with this Circular.

2. DETAILS OF THE PROPOSED SHAREHOLDERS' MANDATE

2.1 Listing Requirements

Pursuant to Part E, Paragraph 10.09 of the Listing Requirements, where related party transactions of a revenue or trading nature which are necessary for its day-to-day operations are entered into between a listed company or its subsidiaries with a related party, the listed company may seek a shareholders' mandate in respect of such transactions subject to the following:

- (a) The transactions are in the ordinary course of business, are on terms not more favourable to the related party than those generally available to the public and are not to the detriment of the minority shareholders;

- (b) The shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year where the aggregate value is equal to or more than the threshold prescribed under Paragraph 10.09(1) of the Listing Requirements;
- (c) Issuing of a circular to shareholders by the listed company; and
- (d) Where it involves the interest of a director, major shareholder or persons connected with a director or major shareholder, such director or major shareholder must not vote on the resolution approving the transactions. An interested director or major shareholder must ensure that persons connected with him abstain from voting on the resolution approving the transactions.

Your Directors are now seeking the approval of Shareholders for the Proposed Shareholders' Mandate, which will allow the BKB Group, in its normal course of business, to enter into categories of Related Party Transactions referred to in paragraph 2.2(a) below with the classes of Related Party referred to in paragraph 2.2(b) below, provided that such transactions, if any, are made at the Group's normal commercial terms which are not more favourable to the Related Party than those generally available to the public and are not to the detriment of the minority shareholders.

2.2 Proposed Shareholders' Mandate for Recurrent Related Party Transactions

BKB is an investment holding company. The activities of the BKB Group include business of producing palm products and natural rubber on its plantations, property development, manufacturing and sale of chemicals and general transport services, and investment holding. The companies in the BKB Group undertaking these activities are set out in Appendix I of this Circular.

It is envisaged that in the normal course of the Group's business, transactions of a revenue or trading nature between companies in the BKB Group and the Related Parties are likely to occur, which are necessary for its day-to-day operations and which are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders.

(a) Categories of Recurrent Related Party Transactions

The types of Recurrent Related Party Transactions to be covered by the Proposed Shareholders' Mandate relate principally to the purchase and supply of materials and services in the ordinary course of the BKB Group's business operations (excluding Recurrent Related Party Transactions for its listed subsidiary, Kuala Lumpur Kepong Berhad).

(i) Purchase and sale of products and services which relate to core chemical business

In the course of the BKB Group's businesses, the BKB Group may enter into Recurrent Related Party Transactions to purchase and sell products and services such as industrial and consumer chemicals and the provision of services which are necessary for its day-to-day operations. Transactions that may be carried out with Related Parties under this category include:

- Sale and purchase of raw materials (include industrial salt, bulk sulphur, sulphuric acid and caustic soda), finished goods (consist of liquid chlorine, caustic soda, hydrochloric acid, sulphuric acid, sulphur powder, oleum, aluminium sulphate, sodium silicate, ferric chloride and sodium hypochlorite) and storage tanks and packaging materials for use in the manufacturing and storage of industrial chemicals;

- Sale and purchase of consumable items such as diesel, fuel oil and spare parts;
- Sale of waterworks treatment chemicals and industrial acids/alkali;
- Purchase of finished goods for resale to third parties;
- Sale and purchase of electricity;
- Provision of oleum refinement processing services for use in the electronics industry;
- Provision of transport and haulage services; and
- Rental of transportation vehicles, motor vehicles, office premises, storage tanks and warehouse.

(ii) Procurement and provision of other products (include soda ash, sodium sulphite and flocculants) and services (supply of manpower and technical expertise)

In the course of the BKB Group's businesses, it is anticipated that transactions with Related Parties under this category include transactions such as:

- Procurement of manpower and technical expertise
Manpower and technical expertise are procured by the Group's subsidiaries and procured to Related Parties to maintain and operate their plant and machinery.
- Procurement of indirect materials
Indirect materials are purchased by the Group's subsidiaries from Related Parties to ensure their finished goods conform to the required specifications.

The inclusion of these categories of transactions in the Proposed Shareholders' Mandate will facilitate such transactions by the BKB Group with Related Parties that arise in the normal course of operations of the BKB Group.

(iii) Purchase and sale of fresh fruit bunches ("FFB") and palm products by/to a subsidiary

(iv) Purchase of materials required for plantation operations

(v) Procurement of logistics services for delivery of palm products

Details of these Recurrent Related Party Transactions are described in Appendix II of this Circular.

(b) Classes of Related Party

The Proposed Shareholders' Mandate will apply to the following classes of Related Party:

- (i) Directors and/or Major Shareholders; and
- (ii) Persons Connected with the Directors and/or Major Shareholders.

(c) Guidelines and Review Procedures

The BKB Group has in place a Policy on Related Party Transactions ("Policy") to establish adequate procedures and processes to ensure that the Recurrent Related Party Transactions are conducted on normal commercial terms consistent with the Group's business practices and policies, are not more favourable to the Related Party than those generally available to the public and are not to the detriment of the minority shareholders.

The procedures established by the Policy are as follows:

- (i) An updated list of Related Parties shall be circulated to the operating centres and subsidiaries from time to time for reference in ensuring that all transactions with such Related Parties are undertaken on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and are not detrimental to the minority shareholders. These include transacting at the prevailing market rates/prices of the services or products providers' usual commercial terms (including where appropriate, preferential rates and discounts accorded for bulk purchases which are the same as those accorded to third-party bulk purchases) and otherwise in accordance with applicable industry norms.
- (ii) Wherever practicable and/or feasible, at least two (2) other contemporaneous transactions with unrelated third parties for similar products/services and/or quantities will be used as comparison to determine whether the price and terms offered to/by the Related Parties are fair and reasonable and comparable to those offered to/by other unrelated third party for the same or substantially similar type of products/services and/or quantities. In the event that such quotation or comparative pricing cannot be obtained, the Board and the Audit Committee will rely on their market knowledge of prevailing industry norms bearing in mind the urgency and efficiency of services to be provided or required to ensure that the Recurrent Related Party Transactions are not detrimental to the Company/Group.
- (iii) All operating centres and subsidiaries shall review the existing information systems to ensure that features are incorporated into the systems for capturing information on Related Party Transactions at source, for instance, when purchase requisitions are raised.
- (iv) Records shall be maintained to capture all the Recurrent Related Party Transactions which are entered into pursuant to the Proposed Shareholders' Mandate. Details of the Recurrent Related Party Transactions made during the financial year shall be submitted to the Group Finance Department monthly and compiled quarterly for the review by the Internal Auditor which thereafter, the Internal Auditor will report on the findings from the audits at the Audit Committee meetings for further disclosure in the Company's Annual Report.
- (v) Any Director who has an interest or Persons Connected with him have an interest in a transaction, shall abstain from deliberation on the Board and from voting on the relevant resolution(s) in respect of the Recurrent Related Party Transactions.
- (vi) The Audit Committee shall review the management's system and procedures to compile Related Party Transactions data and if necessary, may request the Internal Auditor to review such procedures.
- (vii) Any member of the Audit Committee may, as he deems fit, request for additional information pertaining to the Recurrent Related Party Transactions from independent sources or advisers. An Audit Committee member who is interested in any transaction shall abstain from reviewing and approving the transaction.

The Policy has also set guidelines for the following approving authority practiced by the BKB Group in relation to the Recurrent Related Party Transactions:

Proposed Transaction	Material Threshold	Action Required
Recurrent Related Party Transactions	< 0.5% of Net Assets for the financial year	Approval by the management
	≥ 0.5% of Net Assets for the financial year	Review by the Audit Committee and approval by the Board

(d) Statement by Audit Committee

The Audit Committee is satisfied that the guidelines and review procedures for Related Party Transactions are sufficient to ensure that such Related Party Transactions will be carried out on normal commercial terms which are not prejudicial to the interests of shareholders, and that the terms of the Recurrent Related Party Transactions are not more favourable to the Related Party and are not detrimental to the minority shareholders of BKB.

The Audit Committee is of the view that BKB Group has in place adequate procedures and processes to monitor, track and identify Recurrent Related Party Transactions in a timely and orderly manner. The Audit Committee shall review these procedures and processes annually.

(e) Validity period of the Proposed Shareholders' Mandate

The Proposed Shareholders' Mandate is subject to annual review. In this respect, any authority conferred by the Proposed Shareholders' Mandate shall continue to be in force until:

- (i) the conclusion of the next AGM of the Company following the forthcoming AGM at which such Proposed Shareholders' 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 AGM meeting after the date it is required to be held pursuant to Section 340(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (iii) revoked or varied by resolution passed by Shareholders in general meeting;

whichever is the earlier.

(f) Disclosure

Disclosure will be made in accordance with Section 3.1.5 of Practice Note 12 of the Listing Requirements, which requires a breakdown of the aggregate value of the Recurrent Related Party Transactions made during the financial year, amongst others, based on the following information:

- (i) the type of the Recurrent Related Party Transactions made; and
- (ii) the names of the Related Parties involved in each type of the Recurrent Related Party Transactions made and their relationship with the Company

in the Company's annual report pursuant to the Proposed Shareholders' Mandate and in the annual reports for subsequent financial years that the Proposed Shareholders' Mandate continues to be in force.

(g) Amount Owed by Related Parties

As at the financial year ended 30 September 2017, there was no amount due and owing to the BKB Group by its Related Parties arising from the Recurrent Related Party Transactions which exceeded the credit terms.

3. RATIONALE AND BENEFITS FOR THE PROPOSED SHAREHOLDERS' MANDATE

The Proposed Shareholders' Mandate will facilitate transactions with Related Parties which are in the ordinary course of business of the BKB Group, are undertaken on normal commercial terms, are on terms not more favourable to the Related Party than those generally available to the public and are not to the detriment of the minority shareholders.

The Recurrent Related Party Transactions entered into by the BKB Group are intended to meet business needs at commercial terms which are not more favourable to the Related Party and would enhance its ability to explore beneficial business opportunities. The Proposed Shareholders' Mandate will enhance the BKB Group's ability to pursue business opportunities and operations which are time-sensitive in nature via the established relationships between the BKB Group and the Related Parties. Such relationships will also ensure that the BKB Group will continue to have support in the procurement of products and services of required quality.

For certain transactions, where it is vital that confidentiality be maintained, it would not be viable to obtain prior approval, as releasing details of the transaction prematurely will adversely affect and prejudice the BKB Group's interests and place the BKB Group at a disadvantage as compared with its competitors who may not require Shareholders' approval to be obtained.

By obtaining the Proposed Shareholders' Mandate and the renewal of the same on an annual basis, the necessity to make regular announcements to Bursa Securities and to convene separate general meetings from time to time, to seek Shareholders' approval as and when such Recurrent Related Party Transactions occur, would not arise. This would reduce substantial administrative time, inconvenience and expenses associated with the making of announcements or the convening of such meetings, without compromising the corporate objectives of the Group or adversely affecting the business opportunities available to the Group.

The BKB Group has long-standing business relationships with the Related Parties. The Related Parties are both good customers of the BKB Group as well as reliable suppliers of goods and services. The close cooperation between BKB Group and the Related parties has reaped mutual benefits which is expected to continue to be beneficial to the business of the Group.

4. EFFECTS OF THE PROPOSED SHAREHOLDERS' MANDATE

The Proposed Shareholders' Mandate should not have any impact on the share capital, NA, earnings, dividends and shareholding structure of BKB.

5. CONDITION OF THE PROPOSED SHAREHOLDERS' MANDATE

The Proposed Shareholders' Mandate is conditional upon approval being obtained from the shareholders of BKB at the forthcoming AGM.

6. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED WITH THEM

Save as disclosed below, none of the other Directors, Major Shareholders and/or Persons Connected with them has any interest, direct or indirect, in the Proposed Shareholders' Mandate.

The direct and indirect shareholdings of the interested Directors, Major Shareholders and/or Persons Connected with them in BKB as at LPD are as follows:

Based on Issued Capital as at LPD of 402,001,369 BKB Shares (after excluding 33,949,631 Treasury Shares)				
	Direct		Deemed	
	<u>No. of BKB Shares</u>	<u>%</u>	<u>No. of BKB Shares</u>	<u>%</u>
Directors				
Tan Sri Dato' Seri Lee Oi Hian	854,355	0.21	213,728,705 ¹	53.17
Dato' Lee Hau Hian	1,425,530	0.35	212,531,980 ²	52.87

**Based on Issued Capital as at LPD of 402,001,369
BKB Shares (after excluding 33,949,631 Treasury
Shares)**

	Direct		Deemed	
	<u>No. of BKB Shares</u>	<u>%</u>	<u>No. of BKB Shares</u>	<u>%</u>
Major Shareholders				
Arusha Enterprise Sdn Bhd	191,554,667	47.65	5,875,700 ³	1.46
Di-Yi Sdn Bhd	16,249,951	4.04	197,438,754 ³	49.11
High Quest Holdings Sdn Bhd	14,952,726	3.72	197,438,754 ³	49.11
Dato' Lee Hau Hian	1,425,530	0.35	212,531,980 ²	52.87
Tan Sri Dato' Seri Lee Oi Hian	854,355	0.21	213,728,705 ¹	53.17
Wan Hin Investments Sdn Berhad	8,387	*	197,430,367 ³	49.11
Grateful Blessings Inc	-	-	213,688,705 ³	53.16
Grateful Blessings Foundation	-	-	213,688,705 ³	53.16
Cubic Crystal Corporation	-	-	212,391,480 ³	52.83
High Quest Anstalt	-	-	212,391,480 ³	52.83
Persons Connected				
Malay-Rubber Plantations (Malaysia) Sdn Berhad	2,792,250 ⁴	0.69	-	-
Malay-Sino Formic Acid Sdn Bhd	3,083,450 ⁴	0.77	-	-
Steppe Structure Sdn Bhd	2,224,250 ⁵	0.55	-	-
Cengal Emas Sdn Bhd	130,500 ⁶	0.03	-	-
Dato' Lee Soon Hian	1,739,771 ⁷	0.43	-	-
Lee Oi Kum	1,439,771 ⁷	0.36	-	-
Lee Oi Loon	1,749,771 ⁷	0.44	-	-
Lim Peng Hong	31,500 ⁸	0.01	-	-
Lee Jia Zhang	10,000 ⁹	*	-	-
Lee Guo Zhang	10,000 ⁹	*	-	-
Lee Su-Ling	10,000 ⁹	*	-	-
Lee Wen Ling	10,000 ⁹	*	-	-
Lee Yuan Zhang	10,000 ¹⁰	*	-	-

Notes:

* Less than 0.01%.

¹ Deemed interest through the shares held by his children. Tan Sri Dato' Seri Lee Oi Hian is also deemed to have an interest by virtue of Section 8(4) of the Act although he does not have any economic or beneficial interest in the BKB Shares as his deemed interest is held via the interest of his family members as discretionary beneficiaries of Grateful Blessings Foundation (which said family members' interest is held subject to the discretion of Grateful Blessings Foundation Council).

² Deemed interest through the shares held by his child and by virtue of Section 8(4) of the Act.

³ Deemed interest by virtue of Section 8(4) of the Act.

⁴ Through the shareholdings of Tan Sri Dato' Seri Lee Oi Hian and Dato' Lee Hau Hian by virtue of Section 8(4) of the Act.

⁵ Through the shareholdings of Dr. Lee Oi Kum by virtue of Section 8(4) of the Act.

⁶ Through the shareholdings of Dato' Lee Hau Hian by virtue of Section 8(4) of the Act.

⁷ Siblings to Tan Sri Dato' Seri Lee Oi Hian and Dato' Lee Hau Hian.

⁸ Spouse to Madam Lee Oi Loon.

⁹ Children of Tan Sri Dato' Seri Lee Oi Hian.

¹⁰ Child of Dato' Lee Hau Hian.

The interested Directors namely, Tan Sri Dato' Seri Lee Oi Hian and Dato' Lee Hau Hian ("Interested Directors") have abstained and will continue to abstain from deliberating and voting on the resolution in respect of the Proposed Shareholders' Mandate at the relevant Board Meetings. The Interested Directors together with the Major Shareholders will also abstain from voting in respect of their direct and indirect interests in the Company on the Proposed Shareholders' Mandate at the forthcoming AGM. In addition, the Interested Directors and/or Major Shareholders have undertaken that they will ensure that Persons Connected with them will abstain from voting on the Proposed Shareholders' Mandate at the forthcoming AGM.

7. DIRECTORS' RECOMMENDATION

Your Directors (with the Interested Directors abstaining), having considered all aspects of the Proposed Shareholders' Mandate, are of the opinion that the Proposed Shareholders' Mandate is in the best interests of the Company. Accordingly, your Directors (with the Interested Directors abstaining themselves from making any recommendations on the Proposed Shareholders' Mandate), recommend that you vote in favour of the ordinary resolution pertaining to the Proposed Shareholders' Mandate to be tabled at the forthcoming AGM.

8. AGM

The ordinary resolution to vote on the Proposed Shareholders' Mandate has been incorporated in the notice of AGM in the Company's 2017 Annual Report which is sent to you together with this Circular. The AGM will be held at Wisma Taiko, No. 1, Jalan S.P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan, Malaysia on Tuesday, 13 February 2018 at 2.30 p.m.

If you are unable to attend the AGM in person, kindly complete and return the enclosed Form of Proxy in accordance with the instructions printed therein to the registered office of BKB, Wisma Taiko, No. 1, Jalan S.P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan, Malaysia not less than 24 hours before the time fixed for the AGM. The completion, signing and returning of the Form of Proxy will not, however, preclude you from attending and voting at the AGM should you find that you are subsequently able to do so.

9. FURTHER INFORMATION

Shareholders are advised to refer to the attached Appendix I, II and V for further information.

Yours faithfully
for and on behalf of the Board
BATU KAWAN BERHAD

DATO' YEOH ENG KHOON
Senior Independent Non-Executive Director

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PART C

**CIRCULAR TO SHAREHOLDERS IN RELATION TO THE
PROPOSED DRP**

BATU KAWAN BERHAD (6292-U)
(Incorporated in Malaysia)

Registered Office:

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

29 December 2017

Directors:

Tan Sri Dato' Seri Lee Oi Hian - *Chairman/Non-Independent Non-Executive Director*
Dato' Lee Hau Hian - *Managing Director/Non-Independent Executive Director*
Dato' Yeoh Eng Khoon - *Senior Independent Non-Executive Director*
R. M. Alias - *Independent Non-Executive Director*
Quah Chek Tin - *Independent Non-Executive Director*
Tan Sri Rastam Bin Mohd Isa - *Independent Non-Executive Director*

To: The Shareholders of BKB

Dear Sir/Madam

PROPOSED DRP

1. INTRODUCTION

On 22 November 2017, CIMB on behalf of the Board announced that we proposed to undertake a dividend reinvestment plan which will provide Shareholders an option to elect to reinvest in whole or in part, their Dividend in New Shares.

The purpose of Part C of this Circular is to provide you with information on the Proposed DRP and to seek your approval for the ordinary resolutions relating to the Proposed DRP to be tabled at the forthcoming AGM.

YOU ARE ADVISED TO READ THE CONTENTS OF PART C OF THIS CIRCULAR CAREFULLY BEFORE VOTING ON THE ORDINARY RESOLUTIONS RELATING TO THE PROPOSED DRP TO BE TABLED AT THE FORTHCOMING AGM. NOTICE OF THE AGM TOGETHER WITH THE FORM OF PROXY IS ENCLOSED IN THE 2017 ANNUAL REPORT OF BKB.

2. DETAILS OF THE PROPOSED DRP

2.1 Overview

The Proposed DRP will provide Shareholders with an opportunity in the future to reinvest their Dividend in New Shares instead of receiving it in cash.

In relation to any Dividend declared, the Board may, at its absolute discretion, determine whether to offer Shareholders the Reinvestment Option and if the Reinvestment Option is applied, the size of the Electable Portion.

In this respect, the Electable Portion may encompass the whole Dividend declared or only a portion of the Dividend. In the event the Electable Portion is not applicable for the whole Dividend declared, the Non-Electable Portion will be paid in cash.

Shareholders should note that the Company is not obliged to undertake the Proposed DRP for every Dividend declared. Unless the Board has determined that the Reinvestment Option will apply to a particular Dividend declared (whether in whole or in part), all Dividend as may be declared by BKB will be paid wholly in cash to Shareholders in the usual manner.

2.2 Election to reinvest Dividend in New Shares

Shareholders shall have the following options in respect of a Reinvestment Option announced by the Board under the Proposed DRP:

- (i) to elect to participate in the Reinvestment Option by reinvesting the entire Electable Portion in New Shares at an Issue Price to be determined on a Price Fixing Date to be announced later and to receive the Non-Electable Portion in cash;
- (ii) to elect to participate in the Reinvestment Option by reinvesting part of the Electable Portion in New Shares at the Issue Price and to receive the balance of the Electable Portion and Non-Electable Portion in cash; or
- (iii) to elect not to participate in the Reinvestment Option and thereby receive the entire Dividend entitlement (both Electable Portion and Non-Electable Portion) in cash.

The election to reinvest Dividend in New Shares can be made via a Notice of Election which will be despatched to Shareholders after the Books Closure Date. For further information on the administration of the Proposed DRP, please refer to Section 2.11 of Part C of this Circular.

Shareholders will receive the Electable Portion in cash if they do not expressly elect in writing to exercise the Reinvestment Option in accordance with the instructions set out in a Notice of Election. As such, Shareholders who wish to receive their Dividend wholly in cash need not take any action with regards to a Notice of Election.

The percentage shareholding of a Shareholder in the Company will be diluted should he/she not exercise his/her Reinvestment Option. However, the extent of the dilution will depend on the number of New Shares issued by the Company pursuant to the exercise level of the Reinvestment Option by the other Shareholders.

2.3 Taxation

Irrespective of whether an election is made by Shareholders to exercise the Reinvestment Option, a tax voucher will be issued and despatched to all Shareholders. For income tax purposes, a Shareholder is regarded as having received a cash distribution equivalent to the amount of the Dividend declared (which or part of which may be reinvested in New Shares depending on whether they elect to exercise the Reinvestment Option, if applicable). Hence, the election for the Reinvestment Option does not relieve a Shareholder from any income tax obligation (if applicable) and there is no tax advantage to be gained in exercising the Reinvestment Option or otherwise.

2.4 Pricing of New Shares

The Issue Price, which will be determined by the Board on a Price Fixing Date to be announced later relating to a relevant Dividend, shall be at an issue price of not more than a ten percent (10%) discount to the 5-day VWAMP of the BKB Shares immediately prior to the Price Fixing Date. The VWAMP shall be adjusted ex-dividend before applying the aforementioned discount in fixing the Issue Price.

The New Shares will be issued free of any brokerage fees and other related transaction costs to Shareholders (unless otherwise provided by any statute, law or regulation).

2.5 Utilisation of proceeds

The Proposed DRP will potentially result in cash retention for BKB if Shareholders elect to reinvest their Dividend in New Shares. The amount of proceeds reinvested into the Company arising from the Proposed DRP can only be ascertained on or after the relevant Expiry Date. Therefore, the time frame for utilisation of such cash proceeds can only be determined then. Nonetheless, the net cash proceeds from the Proposed DRP (after the deduction of estimated expenses amounting to approximately RM105,000 in respect of the Proposed DRP) will be utilised for general corporate and working capital requirements of BKB Group such as the funding of BKB Group's daily operations, general administrative and other operating expenditure.

2.6 Eligibility

The right to participate in the Proposed DRP will be granted to all Shareholders. Shareholders are eligible to participate in the Proposed DRP provided that such participation will not result in a breach of any restrictions applicable to such Shareholder's holding of BKB Shares which may be imposed by any statute, law or regulation in force in Malaysia or any other relevant jurisdiction, as the case may be.

Shareholders without a valid and subsisting CDS account should take note of the following:

As the New Shares to be issued pursuant to the Proposed DRP will be prescribed securities, the New Shares will be credited directly into the respective CDS accounts of the Shareholders who have elected to reinvest the Electable Portion. No physical share certificates will be issued. In this regard, it is important for Shareholders to have a valid and subsisting CDS account in order to receive their entitled New Shares should they wish to participate in the Proposed DRP.

Shareholders without a valid and subsisting CDS account and would like to participate in the Proposed DRP should put in place a valid CDS account.

Overseas Shareholders should take note of the following:

The Proposed DRP will only be offered for subscription in Malaysia, and will not be offered for subscription in any country other than Malaysia. No action has been or will be taken to ensure that the Proposed DRP complies with the laws of any countries or jurisdictions other than the laws of Malaysia. Accordingly, the documents relating to the Proposed DRP including a Notice of Election will not be sent to Overseas Shareholders. No Overseas Shareholder shall have a claim whatsoever against the Company as a result of the documents relating to the Proposed DRP not being sent to such Overseas Shareholder.

Overseas Shareholders who receive or come to have in their possession a Notice of Election and/or any other documents relating to the Proposed DRP may not treat the same as being applicable to them (except where the documents relating to the Proposed DRP have been collected from the Share Registrar in the manner specified below). In any event, such Shareholders are advised to inform themselves of, and to observe, any prohibitions and restrictions, and to comply with any applicable laws and regulations relating to the Proposed DRP as may be applicable to them.

Overseas Shareholders who wish to participate in the Proposed DRP are advised to update their addresses for service of documents to an address in Malaysia and should inform their respective stockbrokers to effect the change of address. Such notification should be done not later than three (3) market days before the relevant Books Closure Date.

Alternatively, such Overseas Shareholders may collect the Notice of Election and other documents relating to the Proposed DRP from the 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 or at such address as may be announced by the Company from time to time and the Share Registrar is in such an event entitled to satisfy itself as to the identity and authority of the person collecting the Notice of Election and other documents relating to the Proposed DRP; or alternatively, such **Overseas Shareholders may provide the Share Registrar with their respective address in Malaysia not later than three (3) market days before the relevant Books Closure Date in respect of any Dividend to which the Board has determined that the Proposed DRP shall apply.**

Overseas Shareholders will be solely responsible for seeking advice as to the laws of any jurisdiction that they may be subjected to, and participation by Overseas Shareholders in the Proposed DRP will be on the basis that they may lawfully so participate without the Company, its Directors and employees and its advisers and the employees of the advisers being in breach of the laws of any jurisdiction.

2.7 Odd lots and fractional shares

Shareholders who exercise the Reinvestment Option may be allotted New Shares in odd lots. Shareholders who receive odd lots of New Shares and who wish to trade such odd lots may do so via the Odd Lots Market of Bursa Securities which allows the trading of odd lots (with a minimum of one (1) BKB Share).

Fractional New Shares will not be allotted, any amount of the dividend payment that is insufficient for the issuance of one (1) whole New Share will be received in cash by Shareholders in the usual manner.

2.8 Maximum number of New Shares

The maximum number of New Shares to be issued under the Proposed DRP will depend on, amongst others, the quantum of the Dividend, the Board's decision on the proportion/size of the Electable Portion, the number of Shareholders who elect to exercise the Reinvestment Option and the extent of their election and the Issue Price.

Any New Shares to be issued pursuant to the Proposed DRP will not be underwritten.

2.9 Ranking of the New Shares

Any New Shares to be issued pursuant to the Proposed DRP will rank equally in all respects with the existing BKB Shares, save and except that the holders of New Shares shall not be entitled to any dividend, rights, allotments and/or other distributions in respect of which the entitlement date is before the Allotment Date.

2.10 Modification, suspension and termination

Subject to any requirement or provision imposed by any statute, law or regulation in force in Malaysia, as the case may be, the Proposed DRP may be modified, suspended (in whole or in part) or terminated at any time by the Board as it deems fit or expedient by giving notice in writing to all Shareholders in such manner as the Board deems fit, notwithstanding any other provision of the terms and conditions of the Proposed DRP stating the contrary and irrespective of whether an election to exercise the Reinvestment Option has been made by a Shareholder.

2.11 General

The following shall be applicable to any future Dividend to which the Reinvestment Option is applied.

Subject to all the relevant approvals for the Proposed DRP (as detailed in Section 6 of Part C of this Circular) being obtained, the Issue Price of the New Shares to be issued under the Electable Portion shall be announced on or before the announcement of the Books Closure Date. Approval for the listing of and quotation for the New Shares on the Main Market of Bursa Securities will be sought from Bursa Securities and the announcement of the Books Closure Date will be made after the receipt of the said approval from Bursa Securities.

Subsequent to the Books Closure Date, a Notice of Election will be despatched to Shareholders. Should Shareholders wish to exercise the Reinvestment Option, there will be instructions provided in the Notice of Election in respect of the action to be taken by Shareholders. The Notice of Election will specify, amongst others, the Expiry Date.

After the Expiry Date, the Company shall transfer funds amounting to the Dividend (net of any applicable tax) payable to Shareholders after deducting the Dividend reinvested in New Shares under the Proposed DRP, from its account to a non-interest bearing account opened to facilitate the payment of Dividend held in trust for the Shareholders.

An announcement in respect of the day on which the New Shares will be listed and quoted on the Main Market of Bursa Securities will also be released by the Company accordingly.

In accordance with Paragraph 6.09 of the Listing Requirements, BKB will within eight (8) market days from the Expiry Date or such date as may be prescribed by Bursa Securities, allot and issue the New Shares and despatch notices of allotment to Shareholders (who have elected to exercise the Reinvestment Option). Concurrently, on the Allotment Date, the cash payment in respect of the Non-Electable Portion and any remaining portion of the Electable Portion not reinvested will be despatched to Shareholders in the usual manner.

Further in accordance with Paragraphs 9.19(2)(a)(ii) and 8.26(2) of the Listing Requirements, a Dividend must be paid within one (1) month from the Books Closure Date and in any event, within three (3) months from the date of the declaration of the Dividend or the date on which the approval of the Dividend is obtained at the Company's general meeting, whichever is applicable. Dividend warrants, which will be made for the full amount of each Shareholder's entitlement to the Dividend will be despatched to Shareholders in the usual manner. Other than the funds to be reinvested by the Shareholders, there will be no new funds to be raised under the Proposed DRP.

We do not require amendments to our M&A for the Proposed DRP as our M&A and the Act do not prohibit the implementation of the Proposed DRP.

2.12 Illustration

Set out below is the illustration of the Proposed DRP after taking into consideration the following parameters:

- (i) illustrative dividend of RM0.45 per BKB Share;
- (ii) assuming that the Reinvestment Option applies to the entire said dividend;
- (iii) assuming that all Shareholders elect to participate in the Proposed DRP and choose to receive the said dividend wholly in New Shares; and
- (iv) the 5-day VWAMP of BKB Shares as at LPD being RM19.7359, and the illustrative Issue Price being based on the maximum allowable discount of ten percent (10%) to the adjusted ex-dividend 5-day VWAMP, which translates to an illustrative Issue Price of RM17.81 per BKB Share.

Based on the above, the illustrative maximum number of New Shares to be issued pursuant to the Proposed DRP in respect of the illustrative dividend can be estimated as follows:

Outstanding BKB Shares as at LPD (excluding Treasury Shares)	402,001,369	(A)
Illustrative dividend (RM per share)	0.45	(B)
Total dividend payout (RM million)	180.90	(C) = (A) x (B)
Illustrative Issue Price (RM) ⁽¹⁾	17.81	(D)
Number of New Shares issued ⁽²⁾	10,157,250	(E) = (C) / (D)

Notes:

- (1) Calculated based on the 5-day VWAMP of BKB Shares prior to and including the LPD of RM19.7359 after deducting the illustrative dividend of RM0.45 per BKB Share and thereafter applying a discount of approximately ten percent (10%).
- (2) The 10,157,250 New Shares to be issued represents 2.46% of BKB's enlarged share capital of 412,158,619 (excluding 33,949,631 Treasury Shares).

3. IMPLICATION OF THE RULES ON TAKE-OVERS AND OTHER SHAREHOLDING LIMITS

(i) The Rules on Take-overs

Under Paragraph 4.01, Part B of the Rules on Take-overs and Section 217 of the CMSA, a Shareholder may be under an obligation to extend a take-over offer for the remaining BKB Shares in the Company not already owned by him/her and persons acting in concert with him/her (collectively, the **"Affected Party"**), if:

- (a) by participating in the Proposed DRP in relation to the reinvestment of the Electable Portion, the Affected Party has obtained control via the acquisition or holding of, or entitlement to exercise or control the exercise of voting shares or voting rights of 33% or more of the Company or such other amount as may be prescribed in the Rules on Take-overs, howsoever effected; or
- (b) the Affected Party holds more than 33% but not more than 50% of the voting shares or voting rights of the Company and acquires, including by participating in the Proposed DRP in relation to any Electable Portion, more than two percent (2%) of the voting shares or voting rights of the Company in any 6-month period.

Therefore, in the event an obligation to undertake a mandatory offer is expected to arise resulting from a Shareholder's participation in the Proposed DRP, the Affected Party may wish to consult their professional adviser(s) in relation to:

- (a) any obligation to make a take-over offer under the Rules on Take-overs as a result of any subscription of New Shares through his/her participation in the Proposed DRP; and
- (b) whether or not to make an application to the Securities Commission Malaysia to obtain an approval for a waiver from the obligation to undertake a mandatory offer pursuant to the Rules on Take-overs prior to exercising his/her Reinvestment Option.

(ii) Other shareholding limits

Shareholders are responsible for ensuring that their participation will not result in a breach of any restrictions applicable to such Shareholder's holding of BKB Shares which may be imposed by any statute, law or regulation in force in Malaysia or any other relevant jurisdiction, as the case may be.

4. RATIONALE FOR THE PROPOSED DRP

The Proposed DRP will benefit BKB to the extent that any cash so retained within the Company, which would otherwise be made payable by way of Dividend, will be preserved to fund the general corporate and working capital requirements of BKB Group.

The Proposed DRP has capital management benefits where the reinvestment of Dividend by Shareholders for New Shares is expected to enlarge BKB's share capital base as well as strengthen BKB's capital position. It is also expected to improve the liquidity of the BKB Shares on the Main Market of Bursa Securities.

Shareholders are expected to benefit from their participation in the Proposed DRP as the New Shares may be issued at a discount and their subscription of New Shares will be free from any brokerage fees and other related transaction costs (unless otherwise provided by any statute, law or regulation). Shareholders will not be worse off as a result of the implementation of the Proposed DRP as Shareholders can still elect to receive their Dividend in cash.

Nonetheless, we wish to highlight that the Proposed DRP provides Shareholders with the option, and does not impose any obligation on them, to reinvest their Dividend, in whole or in part, in New Shares.

5. EFFECTS OF THE PROPOSED DRP

The effects of the Proposed DRP are dependent on several factors, which include, amongst others, the quantum of the Dividend, the Board's decision on the proportion/size of the Electable Portion, the number of Shareholders who elect to exercise the Reinvestment Option and the extent of their election and the Issue Price.

5.1 Share capital

Under the Proposed DRP, the issued and paid-up share capital of BKB will increase due to the issuance of New Shares pursuant to any exercise by Shareholders of the Reinvestment Option whenever the Reinvestment Option is applied by the Board.

The illustrative effects of the Proposed DRP on the issued share capital of BKB (based on the parameters set out in Section 2.12, Part C of this Circular) are as follows:

	No. of BKB Shares	%
As at LPD (excluding Treasury Shares)	402,001,369	97.54
Issuance of New Shares	10,157,250	2.46
Enlarged share capital of BKB (excluding Treasury Shares)	412,158,619	100.00

5.2 Substantial Shareholders' shareholdings

The Substantial Shareholders' shareholdings percentage in BKB will not be affected if all Shareholders fully exercise their respective Electable Portion.

However, where Substantial Shareholders elect to reinvest their Electable Portion in full and some or all of the other Shareholders do not elect to reinvest their Electable Portion or elect to reinvest only part of their Electable Portion, the Substantial Shareholders' shareholdings in the Company will increase; and vice versa.

For illustrative purposes, the effects of the Proposed DRP on our Substantial Shareholders and their shareholdings in BKB (based on the register of Substantial Shareholders of BKB as at LPD and the parameters in Section 2.12, Part C of this Circular) are as follows:

Substantial Shareholder	As at LPD				After the Proposed DRP			
	No. of shares held				No. of shares held			
	Direct	% ¹	Indirect	% ¹	Direct	%	Indirect	%
Arusha Enterprise Sdn Bhd	191,554,667	47.65	5,875,700 ²	1.46	196,394,622	47.65	6,024,160 ²	1.46
Di-Yi Sdn Bhd	16,249,951	4.04	197,438,754 ²	49.11	16,660,534	4.04	202,472,381 ²	49.11
High Quest Holdings Sdn Bhd	14,952,726	3.72	197,438,754 ²	49.11	15,330,532	3.72	202,472,381 ²	49.11
Tan Sri Dato' Seri Lee Oi Hian	854,355	0.21	213,728,705 ³	53.17	875,942	0.21	219,128,928 ³	53.17
Dato' Lee Hau Hian	1,425,530	0.35	212,531,980 ⁴	52.87	1,461,548	0.35	217,901,963 ⁴	52.87
Wan Hin Investments Sdn Berhad	8,387	*	197,430,367 ²	49.11	8,599	*	202,418,782 ²	49.11
Grateful Blessings Foundation	-	-	213,688,705 ²	53.16	-	-	219,087,914 ²	53.16
Grateful Blessings Inc	-	-	213,688,705 ²	53.16	-	-	219,087,914 ²	53.16
High Quest Anstalt	-	-	212,391,480 ²	52.83	-	-	217,757,913 ²	52.83
Cubic Crystal Corporation	-	-	212,391,480 ²	52.83	-	-	217,757,913 ²	52.83

Notes:

* Less than 0.01%.

1 Calculated based on 402,001,369 BKB Shares (excluding 33,949,631 Treasury Shares).

2 Deemed interest by virtue of Section 8(4) of the Act.

3 Deemed interest through the shares held by his children. Tan Sri Dato' Seri Lee Oi Hian is also deemed to have an interest by virtue of Section 8(4) of the Act although he does not have any economic or beneficial interest in the BKB Shares as his deemed interest is held via the interest of his family members as discretionary beneficiaries of Grateful Blessings Foundation (which said family members' interest is held subject to the discretion of Grateful Blessings Foundation Council).

4 Deemed interest through the shares held by his child and by virtue of Section 8(4) of the Act.

5.3 NA and gearing

The effects on the NA and gearing of BKB will depend on the extent the Shareholders elect to exercise the Reinvestment Option. As compared with paying Dividend wholly in cash which results in a decrease in retained earnings, the Proposed DRP will increase BKB's share capital arising from Shareholders option to exercise their Reinvestment Option on the Electable Portion. Thus, the NA of the Company may increase comparatively and this in turn is expected to improve the consolidated gearing position of the Company.

5.4 EPS

The consolidated EPS of the BKB Group will be diluted depending on the extent to which Shareholders elect to reinvest the Electable Portion. However, such reinvested amount will be retained to fund the general corporate and working capital requirements of BKB Group and is expected to contribute positively to the future earnings of BKB Group.

5.5 Convertible securities

BKB does not have any convertible securities, hence the Proposed DRP will not have any impact on such securities.

6. APPROVALS REQUIRED

- (a) The establishment of the Proposed DRP is conditional upon the approvals to be obtained from:
 - (i) Shareholders for the Proposed DRP at the Company's AGM to be convened; and
 - (ii) any other relevant authorities, or such other approvals, waiver and/or consent, if required.
- (b) In respect of any future Dividend to which the Reinvestment Option is applied, the New Shares to be issued pursuant to the exercise of the Reinvestment Option by Shareholders shall be conditional upon the approvals to be obtained from:
 - (i) Shareholders at the Company's AGM on an annual basis. For information, the first Shareholders' approval for the issuance of New Shares pursuant to the exercise of the Reinvestment Option by Shareholders will be sought at the AGM referred in Paragraph 6(a)(i);
 - (ii) Bursa Securities for the listing and quotation for the New Shares to be issued pursuant to the Proposed DRP, on the Main Market of Bursa Securities; and
 - (iii) any other relevant authorities, or such other approvals, waiver and/or consent, if required.

7. DETAILS OF ANY OTHER INTENDED CORPORATE EXERCISES WHICH HAVE BEEN ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed DRP, there are no other proposals announced but pending implementation prior to the printing of this Circular.

The Proposed DRP is not conditional or inter-conditional upon any other corporate exercise undertaken or to be undertaken by the Company.

8. HISTORICAL SHARE PRICE

Tabulated below are the monthly highest and lowest transacted last market prices of BKB Shares for the 12 months from December 2016 to November 2017 (being the last full trading month prior to the LPD):

	Low	High
	RM	
2016		
December	17.70	18.42
2017		
January	18.30	18.90
February	18.98	19.86
March	19.32	19.66
April	18.98	19.50
May	18.40	19.08
June	18.70	18.90
July	18.82	19.28
August	18.80	19.18
September	18.72	19.12
October	19.12	20.00
November	19.70	20.06

Last transacted market price of BKB Shares on 21 November 2017, being the last full trading day prior to the announcement of the Proposed DRP 19.80

Last transacted market price of BKB Shares as at LPD 19.88

Source: Bloomberg as at LPD

9. ESTIMATED TIMEFRAME FOR THE IMPLEMENTATION OF THE PROPOSED DRP

Subject to the receipt of the necessary approvals stated in Section 6 of Part C of this Circular and barring any unforeseen circumstances, the Proposed DRP is expected to be ready for implementation by the 1st quarter of 2018.

An illustrative timeline for the implementation of the Proposed DRP in respect of a Dividend to which the Reinvestment Option is applied by our Board is set out as follows:

Event	Indicative Timeline
Announcement of Issue Price and Books Closure Date	T
Books Closure Date	T+ 10 market days
Despatch Notice of Election to Shareholders	T+ 12 market days
Expiry Date	T+ 22 market days
Issuance and allotment of New Shares as well as payment of cash Dividend to Shareholders	T+ 30 market days
Listing of New Shares on the Main Market of Bursa Securities	T+ 31 market days

The above illustrative timeline sets out the indicative timing of the aforementioned events and may be subject to changes as allowed by the Listing Requirements.

10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

None of the Directors, Major Shareholders and/or Persons Connected with them have any interest, direct or indirect, in the Proposed DRP beyond their respective entitlements to Dividend and the Reinvestment Option as Shareholders.

11. DIRECTORS' RECOMMENDATION

After having considered all aspects of the Proposed DRP (including but not limited to the rationale and financial effects of the Proposed DRP), your Board is of the opinion that the Proposed DRP is in the best interests of the Company.

Accordingly, your Board recommends that you vote in favour of the ordinary resolutions pertaining to the Proposed DRP to be tabled at the forthcoming AGM.

12. AGM

The ordinary resolutions relating to the Proposed DRP are set out as Special Business in the Notice of AGM in the 2017 Annual Report of the Company which is being sent to you with this Circular. The AGM will be held at Wisma Taiko, No. 1, Jalan S.P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan, Malaysia on Tuesday, 13 February 2018 at 2.30 p.m.

If you are unable to attend and vote in person at the AGM, you are requested to complete and return the Form of Proxy enclosed in the 2017 Annual Report of BKB in accordance with the instructions printed thereon, so as to arrive at the registered office of BKB at Wisma Taiko, No. 1, Jalan S.P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan, Malaysia not less than 24 hours before the time set for convening the AGM or at any adjournment thereof. The lodging of the Form of Proxy does not preclude you from attending and voting in person at the meeting should you subsequently wish to do so.

13. FURTHER INFORMATION

Shareholders are requested to refer to the attached Appendix III, IV and V for further information.

Yours faithfully,
For and on behalf of the Board
BATU KAWAN BERHAD

DATO' YEOH ENG KHOON
Senior Independent Non-Executive Director

ACTIVITIES OF THE BKB GROUP AS AT LPD

The principal activity of the holding company, Batu Kawan Berhad, is that of investment holding.

The activities of its subsidiaries are as follows:

Name of subsidiaries	Effective % held	Principal activities
Kuala Lumpur Kepong Berhad	47	Plantation
See Sen Chemical Berhad	61	Chemicals manufacturing
See Sen Bulking Installation Sdn Bhd	61	Dormant
Malay-Sino Chemical Industries Sendirian Berhad	98	Chemicals manufacturing
Malay-Sino Agro-Chemical Products Sdn Bhd	98	Manufacture and sale of methyl chloride
Circular Agency Sdn Bhd	98	General transportation services
North-South Transport Sdn Bhd	98	General transportation services
Malay-Sino Properties Sdn Bhd	98	Letting of storage warehouse facilities
Malay-Sino Chemical Holdings Berhad	98	Dormant
Batu Kawan Holdings Sdn Bhd	100	Investment property
Caruso Enterprises Sdn Bhd	100	Dormant
Whitmore Holdings Sdn Bhd	100	Investment holding
Enternal Edge Sdn Bhd	100	Investment holding
Synergy Motion Sdn Bhd	100	Investment holding
PT Satu Sembilan Delapan (Incorporated in Indonesia)	92	Plantation
PT Tekukur Indah (Incorporated in Indonesia)	90	Plantation
BKB Overseas Investments Ltd (Incorporated in British Virgin Islands)	100	Investment holding
Caruso Ventures Pte Ltd (Incorporated in Singapore)	100	Investment holding
Caruso Australia Ventures Pty Ltd (Incorporated in Australia)	100	Investment holding
Caruso Epping Pty Ltd (Incorporated in Australia)	100	Trustee company
Caruso Epping Unit Trust (Established in Australia)	100	Joint venture partner in property development
Caruso Greenvale Pty Ltd (Incorporated in Australia)	100	Trustee company
Caruso Greenvale Unit Trust (Established in Australia)	100	Investment in land and property development projects
Vivaldi Victoria Pty Ltd (Incorporated in Australia)	100	Trustee company
Vivaldi Victoria Unit Trust (Established in Australia)	100	Dormant

DETAILS OF RECURRENT RELATED PARTY TRANSACTIONS

Recurrent related party transactions ("RRPT") of a revenue or trading nature in which the interested BKB Directors are Tan Sri Dato' Seri Lee Oi Hian ("LOH") and Dato' Lee Hau Hian ("LHH"):

(A) BKB and its subsidiaries(#)	(B) Related Parties involved and nature of relationships	(C) Categories of transactions	(D) Actual value transacted(*) RM'000	(E) Estimated value(^) per existing Mandate RM'000	(F) Proposed Estimated Mandate value(@) RM'000
Malay-Sino Chemical Industries Sendirian Berhad ("Malay-Sino") Group ⁷	Taiko Marketing Sdn Bhd ("TMK") Group ⁶ <u>Related Parties</u> Interested Major Shareholders ¹ Persons Connected ²	Sales and purchases of finished goods, raw materials, other products and services including transportation services	169,355	285,000	314,000
	Taiko Marketing (Singapore) Pte Ltd ("TMK(S)") ⁵ <u>Related Parties</u> Interested Major Shareholders ¹ Persons Connected ²	Purchases and sales of products and services which relate to core chemical business	23,667	64,000	60,000
	Chlor-Al Chemical Pte Ltd ("CAC") ⁵ <u>Related Parties</u> Interested Major Shareholders ¹ Persons Connected ²	Sales and purchases of raw materials, finished goods, other products and services including transportation services	5,762	28,000	30,000
See Sen Chemical Berhad ("See Sen") ³	TMK Group ⁶ <u>Related Parties</u> Interested Major Shareholders ¹ Persons Connected ²	Purchases of raw materials, finished goods, other products and services	11,197	28,000	30,000
		Sales of finished goods and other products and services	40,954	75,000	75,000

(A) BKB and its subsidiaries(#)	(B) Related Parties involved and nature of relationships	(C) Categories of transactions	(D) Actual value transacted(*) RM'000	(E) Estimated value(^) per existing Mandate RM'000	(F) Proposed Estimated Mandate value(@) RM'000
See Sen	Chlor-Al Chemical Pte Ltd ("CAC") ⁵ <u>Related Parties</u> Interested Major Shareholders ¹ Persons Connected ²	Purchases and sales of products and services	1,143	28,000	30,000
	Taiko Chemical Industries Sdn Bhd ("TCI") Group ⁴ <u>Related Parties</u> Interested Major Shareholders ¹ Persons Connected ²	Purchases and sales of products and services	3,283	28,000	30,000
	BASF See Sen Sdn Bhd ⁸ <u>Related Parties</u> Interested Major Shareholders ¹ Persons Connected ²	Sale of electricity and provision of other chemical-based products and services	7,335	28,000	30,000
PT Satu Sembilan Delapan	Kuala Lumpur Kepong Berhad ("KLK") Group ⁹ <u>Related Parties</u> Interested Major Shareholders ¹ Persons Connected ²	Sales of fresh fruit bunches ("FFB") and palm products	11,573	361,000	222,000
	KLK Group ⁹ <u>Related Parties</u> Interested Major Shareholders ¹ Persons Connected ²	Purchases of fresh fruit bunches ("FFB") and palm products	6,049	212,000	212,000

Notes:

Excludes RRPT for its listed subsidiary, Kuala Lumpur Kepong Berhad ("KLK"), as approval for its mandate shall be obtained from the shareholders of KLK pursuant to Chapter 10 of the Listing Requirements.

* Column D - The actual value of RRPT did not exceed the estimated value as approved under the previous shareholders' mandate granted to the Company at the last AGM by ten percent (10%) or more.

The actual value transacted from the date of AGM on 15 February 2017 (the date on which the existing mandate was obtained up to LPD, being the latest practicable date prior to the printing of this Circular).

- ^ Column E - Estimated value of RRPT for the period from 15 February 2017 to 13 February 2018 as disclosed in the preceding year's Circular to Shareholders dated 30 December 2016. The values are estimated based on forecast and the actual amount transacted may vary.
- @ Column F – Estimated value of RPPT from 13 February 2018 to the date of next AGM. The values are merely indicative estimates which are based on past transaction values and the actual amount may differ.

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

1. Grateful Blessings Foundation ("Foundation") (who holds the entire issued and paid-up capital of Grateful Blessings Inc) was founded by Tan Sri Dato' Seri Lee Oi Hian who has a deemed interest by virtue of Section 8(4) of the Companies Act 2016. However, he does not have any economic or beneficial interest in the shares of the Company as his deemed interest is held via the interest of his family members who are discretionary beneficiaries of the Foundation and whose interest is held subject to the discretion of the Foundation Council. Grateful Blessings Inc is a substantial shareholder of Di-Yi Sdn Bhd. Cubic Crystal Corporation [whose entire issued and paid-up capital is held by High Quest Anstalt (founded by Dato' Lee Hau Hian)] is a substantial shareholder of High Quest Holdings Sdn Bhd. Di-Yi Sdn Bhd and High Quest Holdings Sdn Bhd are substantial shareholders of Wan Hin Investments Sdn Berhad and Arusha Enterprise Sdn Bhd, Major Shareholders of the Company. Accordingly all these parties are Major Shareholders by virtue of their deemed interests and have interest in the RRPT.
2. Persons Connected as disclosed under Item 6 of Part B of this Circular are deemed interested in the RRPT by virtue of their relationships with the Directors, LOH and LHH.
3. See Sen
 - (a) See Sen is a 61% subsidiary of BKB.
 - (b) Certain BKB Directors, LHH, who is a Major Shareholder of BKB, together with Dato' Yeoh Eng Khoon ("YEK") (with no shareholding in See Sen), are directors of this company.
 - (c) WHI is a substantial shareholder of See Sen.
4. 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 the deemed major shareholder and major shareholder of TCI.
5. TMK(S) / CAC

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

TMK is a company in which LSH is a major shareholder.
7. Malay-Sino Group
 - (a) Malay-Sino is a 98% subsidiary of BKB.
 - (b) A BKB Director, LHH is also a director of Malay-Sino.
8. BASF See Sen Sdn Bhd

BASF See Sen Sdn Bhd is a 30% associate of See Sen.
9. KLK Group
 - (a) KLK is a 47% subsidiary of BKB, following the adoption of FRS 10 Consolidated Financial Statements in financial year 2014.
 - (b) Certain BKB Directors, LOH and LHH are major shareholders and directors of KLK.
 - (c) WHI is a major shareholder of KLK.
 - (d) All BKB Directors are common directors of KLK except Mr Quah Chek Tin and Tan Sri Rastam bin Mohd Isa.

BATU KAWAN BERHAD (6292-U)
(Incorporated in Malaysia)

DIVIDEND REINVESTMENT PLAN STATEMENT

(Abbreviations and definitions, unless where the context requires otherwise, shall be as set out in section 2 of the Terms and Conditions governing this Dividend Reinvestment Plan Statement)

This Dividend Reinvestment Plan Statement contains the terms and conditions of the Dividend Reinvestment Plan of Batu Kawan Berhad (“**BKB**” or “**Company**”) as may be amended from time to time (“**Terms and Conditions**”) under which persons registered in the Record of Depositors of the Company, as Shareholders may, in relation to any Dividend, be given an option to reinvest the whole or part of such Dividend in New Shares (“**Reinvestment Option**”) as the Board of Directors of the Company (“**Board**”) may, at its absolute discretion, apply (“**Dividend Reinvestment Plan**”).

Irrespective of whether an election is made by Shareholders to exercise the Reinvestment Option, a tax voucher will be issued and despatched to all Shareholders. For income tax purposes, Shareholders are regarded as having received a cash distribution equivalent to the amount of the Dividend declared (which or part of which, may be reinvested in New Shares depending on whether they elect to exercise the Reinvestment Option, if applicable). Hence, the election for the Reinvestment Option does not relieve a Shareholder from any income tax obligation (if applicable) and there is no tax advantage to be gained in exercising the Reinvestment Option or otherwise.

SUMMARY OF THE MAIN FEATURES OF THE DIVIDEND REINVESTMENT PLAN

The Dividend Reinvestment Plan will provide Shareholders with an opportunity to reinvest their Dividend in New Shares instead of receiving it in cash.

In relation to any Dividend declared, the Board may, at its absolute discretion, determine whether to offer Shareholders the Reinvestment Option and if the Reinvestment Option is applied, the size of the Electable Portion.

In this respect, the Electable Portion may encompass the whole Dividend declared or only a portion of the Dividend. In the event the Electable Portion is not applicable for the whole Dividend declared, the Non-Electable Portion will be paid in cash.

Shareholders should note that the Company is not obliged to undertake the Dividend Reinvestment Plan for every Dividend declared. Unless the Board has determined that the Reinvestment Option will apply to a particular Dividend declared (whether in whole or in part), all Dividend as may be declared by BKB will be paid wholly in cash to Shareholders in the usual manner.

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

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

Subject to all the relevant approvals for the Dividend Reinvestment Plan being obtained, the Issue Price of the New Shares to be issued under the Electable Portion shall be announced on or before the announcement of the Books Closure Date. Approval for the listing of and quotation for the New Shares on the Main Market of Bursa Securities will be sought from Bursa Securities and the announcement of the Books Closure Date will be made after the receipt of the said approval from Bursa Securities.

Subsequent to the Books Closure Date, a Notice of Election will be despatched to Shareholders. Should Shareholders wish to exercise the Reinvestment Option, there will be instructions provided in the Notice of Election in respect of the action to be taken by Shareholders. The Notice of Election will specify, amongst others, the Expiry Date.

An announcement in respect of the day on which the New Shares will be listed and quoted on the Main Market of Bursa Securities will also be released by the Company accordingly.

ISSUE PRICE

The Issue Price, determined by the Board on a price fixing date after receipt of the necessary approvals, shall be at an issue price of not more than a ten percent (10%) discount to the 5-day VWAMP of the BKB Shares immediately prior to the price fixing date. The VWAMP shall be adjusted ex-dividend before applying the aforementioned discount in fixing the Issue Price.

Any New Shares will be issued free of any brokerage fees and other related transaction costs to Shareholders (unless otherwise provided by any statute, law or regulation).

Fractional New Shares will not be allotted, any amount of the dividend payment that is insufficient for the issuance of one (1) whole New Share will be received in cash by Shareholders in the usual manner.

Any New Shares to be issued pursuant to the Dividend Reinvestment Plan will rank equally in all respects with the existing BKB Shares, save and except that the holders of New Shares shall not be entitled to any dividend, rights, allotments and/or other distributions in respect of which the entitlement date is before the Allotment Date.

All Shareholders are eligible to participate in the Dividend Reinvestment Plan subject to the restrictions described in the Terms and Conditions of the Dividend Reinvestment Plan.

HOW TO PARTICIPATE

Participation in the Dividend Reinvestment Plan is optional and not transferable. A Shareholder wishing to receive Dividend wholly in cash does not have to take any action. A Shareholder wishing to reinvest in New Shares in respect of any Electable Portion to which a Notice of Election received by him/her relates must complete the Notice of Election and return it to the Company's Share Registrar in accordance with the instructions as prescribed therein.

Shareholders who receive more than one (1) Notice of Election and wishing to reinvest in New Shares in respect of all of his/her entitlement to the Electable Portion must complete all Notices of Election received by him/her and return the completed Notices of Election to the Share Registrar. Shareholders should note that they are at liberty to decide which particular Notice of Election they wish to elect for the reinvestment in New Shares. Where any particular Notice of Election is not elected upon or not received by the Share Registrar, the Dividend relating thereto will be received in cash by the Shareholders in the usual manner.

To be effective in respect of any Electable Portion to which a Notice of Election relates, such duly completed and signed Notice of Election must be received by the Share Registrar no later than the date to be specified by the Board and stated in the Notice of Election in respect of that particular Reinvestment Option.

The right to participate in the Dividend Reinvestment Plan will be granted to all Shareholders. Shareholders are eligible to participate in the Dividend Reinvestment Plan provided that such participation will not result in a breach of any restrictions applicable to such Shareholder's holding of BKB Shares which may be imposed by any statute, law or regulation in force in Malaysia or any other relevant jurisdiction, as the case may be.

Notices of Election will not be sent to Shareholders who do not have an address in Malaysia to avoid any violation on the part of BKB of any securities laws applicable outside Malaysia.

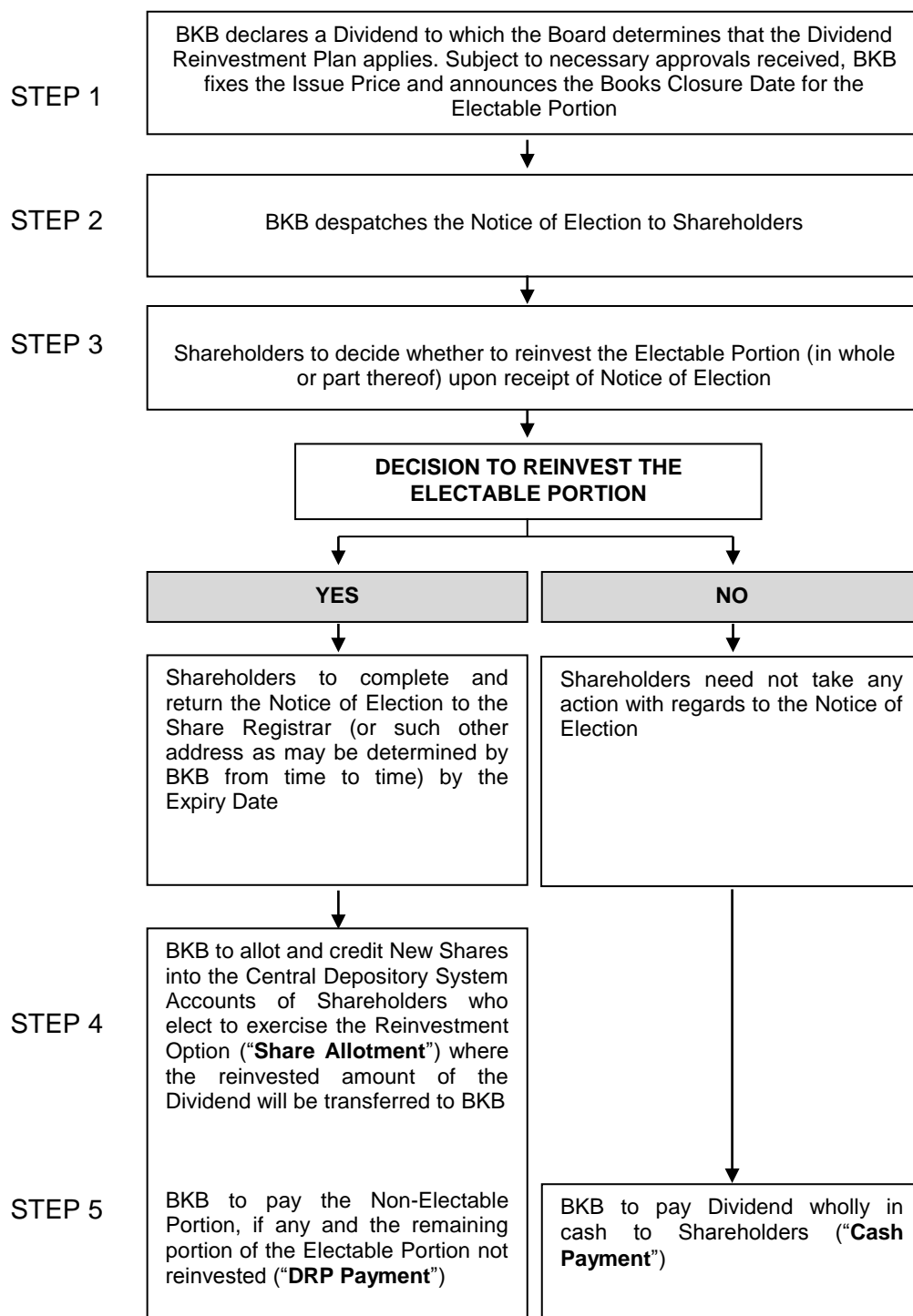
Shareholders who currently do not have an address in Malaysia and who wish to participate in the Dividend Reinvestment Plan are advised to provide our Share Registrar with a registered address or a correspondence address in Malaysia no later than three (3) market days before the relevant Books Closure Date in respect of any particular Dividend to which the Reinvestment Option is applied by our Board.

Alternatively, such Overseas Shareholders may collect the Notice of Election and other documents relating to the Dividend Reinvestment Plan from the 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 or at such address as may be announced by the Company from time to time and the Share Registrar is in such an event entitled to satisfy itself as to the identity and authority of the person collecting the Notice of Election and other documents relating to the Dividend Reinvestment Plan.

As the New Shares to be issued pursuant to the Dividend Reinvestment Plan will be prescribed securities, the New Shares will be credited directly into the respective CDS accounts of the Shareholders who have elected to reinvest the Electable Portion. No physical share certificates will be issued. In this regard, it is important for Shareholders to have a valid and subsisting CDS account in order to receive their entitled New Shares should they wish to participate in the Dividend Reinvestment Plan.

THE PROCESS FLOW CHART

A brief process flow chart in relation to the administration of the Dividend Reinvestment Plan is illustrated below:



Note:

In respect of Step 5, Shareholders should note that the Cash Payment, Share Allotment and the DRP Payment will occur on the same day, which will be on a date falling within one (1) month from the Books Closure Date and in any event, within three (3) months from the date of the declaration of the Dividend or the date on which the approval of the Dividend is obtained in a general meeting of BKB, whichever is applicable.

TERMS AND CONDITIONS OF THE DIVIDEND REINVESTMENT PLAN**1. ESTABLISHMENT**

The Dividend Reinvestment Plan has been established by the Board and the administration of the plan, including the Reinvestment Option and the Electable Portion shall be determined by the Board at its absolute discretion.

2. DEFINITIONS

In these Terms and Conditions, the following definitions shall apply:

Allotment Date	: Date of allotment of the New Shares which falls within eight (8) market days from the Expiry Date or such other period as may be prescribed by Bursa Securities
BKB or Company	: Batu Kawan Berhad
BKB Share(s)	: Ordinary shares of BKB
Board	: Board of Directors of BKB
Books Closure Date	: Books closure date in relation to a Dividend to which the Dividend Reinvestment Plan applies
Bursa Securities	: Bursa Malaysia Securities Berhad
CDS	: Central Depository System
Dividend(s)	: Cash dividend(s) declared by BKB, whether interim, final, special or other cash dividend
Dividend Reinvestment Plan	: The dividend reinvestment plan that provides Shareholders the Reinvestment Option in accordance with the Terms and Conditions
Electable Portion	: The portion of a Dividend that may be declared by the Company to which the Reinvestment Option applies, as determined by the Board
Expiry Date	: The last day (which will be a date to be fixed and announced by the Board) by which an election to be made by a Shareholder in relation to the Electable Portion must be received by the Company
Issue Price	: The issue price for the New Shares as determined by the Board on a price fixing date, and shall be determined based on the 5-day VWAMP of the BKB Shares immediately preceding the price fixing date, with a discount of not more than ten percent (10%). The 5-day VWAMP shall be adjusted ex-dividend before applying the aforementioned discount in fixing the Issue Price
Listing Requirements	: Main Market Listing Requirements of Bursa Securities

New Shares	: New BKB Shares to be issued pursuant to the Dividend Reinvestment Plan. "New Share" shall be construed accordingly
Non-Selectable Portion	: The portion of a Dividend that may be declared by the Company to which the Reinvestment Option does not apply, as determined by the Board
Notice(s) of Election	: Notice(s) of election by which Shareholders confirm their exercise of the Reinvestment Option
Overseas Shareholders	: Shareholders with addresses outside Malaysia
Participating Shareholder	: A Shareholder who elects to exercise the Reinvestment Option pursuant to the Dividend Reinvestment Plan to the extent of the Selectable Portion as determined by the Board at its absolute discretion in respect of his/her holdings of BKB Shares as at each Books Closure Date to which each Notice of Election received by him/her relates
Reinvestment Option	: The option given to Shareholders pursuant to the Dividend Reinvestment Plan, to reinvest the Selectable Portion of a Dividend in New Shares, as the Board may, at its absolute discretion, apply to the Dividend
RM and sen	: Ringgit Malaysia and sen respectively, being the lawful currency of Malaysia
Rules on Take-overs	: Rules on Take-overs, Mergers and Compulsory Acquisitions, as amended from time to time
Shareholders	: Shareholders of BKB, and "Shareholder" shall be construed accordingly
Share Registrar	: Company's share registrar
Terms and Conditions	: The terms and conditions of the Dividend Reinvestment Plan as amended, modified and supplemented from time to time
VWAMP	: Volume weighted average market price

3. ELIGIBILITY

The right to participate in the Dividend Reinvestment Plan will be granted to all Shareholders. Shareholders are eligible to participate in the Dividend Reinvestment Plan provided that such participation will not result in a breach of any restrictions applicable to such Shareholder's holding of BKB Shares which may be imposed by any statute, law or regulation in force in Malaysia or any other relevant jurisdiction, as the case may be.

Shareholders without a valid and subsisting CDS account should take note of the following:

As the New Shares to be issued pursuant to the Dividend Reinvestment Plan will be prescribed securities, the New Shares will be credited directly into the respective CDS accounts of the Shareholders who have elected to reinvest the Electable Portion. No physical share certificates will be issued. In this regard, it is important for Shareholders to have a valid and subsisting CDS account in order to receive their entitled New Shares should they wish to participate in the Dividend Reinvestment Plan.

Shareholders without a valid and subsisting CDS account and would like to participate in the Dividend Reinvestment Plan should put in place a valid CDS account.

Overseas Shareholders should take note of the following:

The Dividend Reinvestment Plan will only be offered for subscription in Malaysia, and will not be offered for subscription in any country other than Malaysia. No action has been or will be taken to ensure that the Dividend Reinvestment Plan complies with the laws of any countries or jurisdictions other than the laws of Malaysia. Accordingly, the documents relating to the Dividend Reinvestment Plan including a Notice of Election will not be sent to Overseas Shareholders. No Overseas Shareholder shall have a claim whatsoever against the Company as a result of the documents relating to the Dividend Reinvestment Plan not being sent to such Overseas Shareholder.

Overseas Shareholders who receive or come to have in their possession a Notice of Election and/or any other documents relating to the Dividend Reinvestment Plan may not treat the same as being applicable to them (except where the documents relating to the Dividend Reinvestment Plan have been collected from the Share Registrar in the manner specified below). In any event, such Shareholders are advised to inform themselves of, and to observe, any prohibitions and restrictions, and to comply with any applicable laws and regulations relating to the Dividend Reinvestment Plan as may be applicable to them.

Overseas Shareholders who wish to participate in the Dividend Reinvestment Plan are advised to update their addresses for service of documents to an address in Malaysia and should inform their respective stockbrokers to effect the change of address. Such notification should be done not later than three (3) market days before the relevant Books Closure Date.

Alternatively, such Overseas Shareholders may collect the Notice of Election and other documents relating to the Dividend Reinvestment Plan from the 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 or at such address as may be announced by the Company from time to time and the Share Registrar is in such an event entitled to satisfy itself as to the identity and authority of the person collecting the Notice of Election and other documents relating to the Dividend Reinvestment Plan; or alternatively, such **Overseas Shareholders may provide the Share Registrar with their respective address in Malaysia not later than three (3) market days before the relevant Books Closure Date in respect of any Dividend to which the Board has determined that the Dividend Reinvestment Plan shall apply.**

Overseas Shareholders will be solely responsible for seeking advice as to the laws of any jurisdiction that they may be subjected to, and participation by Overseas Shareholders in the Dividend Reinvestment Plan will be on the basis that they may lawfully so participate without the Company, its directors and employees and its advisers and the employees of the advisers being in breach of the laws of any jurisdiction.

4. NOTICE OF ELECTION

Subsequent to the Books Closure Date, the Company will, at its discretion, send to each Shareholder one (1) or more Notices of Election in relation to each CDS account held by the Shareholder. The Notice of Election will contain the instructions with respect to the action that is required to be taken by Shareholders to exercise the Reinvestment Option and will also state the Expiry Date.

To effect the exercise of the Reinvestment Option in respect of any Electable Portion, a Notice of Election must be duly completed and executed by the Shareholder as to the confirmation of his/her election to reinvest and must be received by the Share Registrar no later than the Expiry Date. Shareholders who receive more than one (1) Notice of Election may elect to reinvest in New Shares in respect of his/her entitlement to which one (1) Notice of Election relates and decline to reinvest in New Shares in respect of his/her entitlement to which any other Notices of Election relates. Shareholders who receive more than one (1) Notice of Election and wishing to reinvest in New Shares in respect of all of his/her entitlement to the Electable Portion in respect of all his/her entitlement of the Electable Portion must duly complete all the Notices of Election received by him/her and return the completed Notices of Election to the office of the Share Registrar, no later than the Expiry Date specified in the Notice of Election.

Notwithstanding the date of receipt by the Share Registrar of the completed and executed Notices of Election, in accordance with Paragraph 6.09 of the Listing Requirements, the Allotment Date of the New Shares will occur within eight (8) market days from the Expiry Date or such date as may be prescribed by Bursa Securities, provided always that the Notices of Election are completed in accordance with the instructions specified and are received by the Share Registrar no later than the Expiry Date. A Notice of Election to participate in the Dividend Reinvestment Plan in any other form will not be accepted by the Company.

Once received by the Company, a Notice of Election in respect of any Electable Portion shall not be withdrawn or cancelled.

The Company has the discretion and right to accept or reject any Notice of Election that is incomplete, contains errors, is otherwise defective, does not conform to the Terms and Conditions or which is illegible. The Company is under no obligation to correct invalid Notice of Election on behalf of any Shareholder or to provide any reason for rejecting any Notice of Election.

By electing to exercise the Reinvestment Option under the Dividend Reinvestment Plan, the Participating Shareholder unconditionally:

- (a) warrants to the Company that he/she has the legal right and full power and authority to participate in the Dividend Reinvestment Plan and that his/her participation in the Dividend Reinvestment Plan will not result in a breach of any law or regulation which he/she is bound;
- (b) acknowledges that the Company may at any time determine whether the Participating Shareholder's Notice of Election or other form (collectively, "**Form**") is valid, even if the relevant Form is incomplete, contains errors or is otherwise defective;
- (c) acknowledges that the Company may accept or reject any Form and agrees that the Company need not provide any reason therefor;
- (d) acknowledges that the Company has not provided the Participating Shareholder with investment advice or any other advice;

- (e) agrees to these Terms and Conditions and agrees not to do any act or thing which would be contrary to the intention or purpose of the Dividend Reinvestment Plan; and
- (f) submits to the jurisdiction of the courts of Malaysia, in each case, at all times until termination of the Dividend Reinvestment Plan.

Irrespective of whether an election is made by Shareholders to exercise the Reinvestment Option, a tax voucher will be issued and despatched to all Shareholders. For income tax purposes, a Shareholder is regarded as having received a cash distribution equivalent to the amount of the Dividend declared (which or part of which may be reinvested in New Shares depending on whether they elect to exercise the Reinvestment Option, if applicable). Hence, the election for the Reinvestment Option does not relieve a Shareholder from any income tax obligation (if applicable) and there is no tax advantage to be gained in exercising the Reinvestment Option or otherwise.

An announcement will also be made on the listing of and quotation for the New Shares to be issued pursuant to the Dividend Reinvestment Plan on the Official List of Bursa Securities.

Shareholders will receive the Electable Portion in cash if they do not expressly elect in writing to exercise the Reinvestment Option by the Expiry Date. As such, Shareholders who wish to receive their Dividend wholly in cash need not take any action with regards to the Notice of Election.

5. EXTENT OF APPLICATION OF DIVIDEND REINVESTMENT PLAN TO EACH ELECTABLE PORTION

The Board may, at its absolute discretion, determine in respect of any Dividend, whether the Dividend Reinvestment Plan shall apply and if so whether the Electable Portion is for the whole or a portion of the Dividend. If, in its absolute discretion, the Board has not determined that the Dividend Reinvestment Plan is to apply to a particular Dividend, such Dividend shall be paid in cash to the Shareholders in the usual manner.

6. SHARE ENTITLEMENT

By electing to participate in the Dividend Reinvestment Plan in respect of any Notice of Election received by him/her, a Shareholder elects to reinvest whole or part of the Electable Portion to which such Notice of Election relates.

In respect of any Electable Portion, the number of New Shares to be allotted and issued to the Participating Shareholder electing to reinvest the whole or, if applicable, part of the Electable Portion in New Shares in respect of a Notice of Election shall be calculated in accordance with the following formula:

(i) **Maximum Share Entitlement**

$$N = \frac{S \times D}{V}$$

Where:

- N : is the number of New Shares to be allotted and issued as fully paid-up to the Participating Shareholder in respect of such Notice of Election, rounded down to one (1) whole BKB Share.
- S : is the number of participating BKB Shares held by the Participating Shareholder as at the Books Closure Date in respect of which Notice of Election relates.
- D : is the Electable Portion per participating BKB Share or a part thereof (after deduction of applicable income tax).
- V : is the Issue Price, which, for the purpose of the Dividend Reinvestment Plan, shall be an amount in RM as determined by the Board based on the adjusted VWAMP for the 5-market days immediately prior to a price fixing date after applying a discount of not more than ten percent (10%). The VWAMP shall be adjusted ex-dividend before applying the aforementioned discount in fixing the Issue Price.

Any fractional entitlement of New Shares computed in accordance with the above formula will be received in cash by Shareholders in the usual manner.

The percentage shareholding of a Shareholder in the Company will be diluted should he/her not exercise his/her Reinvestment Option. However, the extent of the dilution will depend on the number of New Shares issued by the Company pursuant to the level of exercise of the Reinvestment Option by the other Shareholders.

Example

Assuming that the Proposed Dividend Reinvestment Plan (“**Proposed DRP**”) applies to an illustrative dividend of RM0.45 per BKB Share and assuming 80% Electable Portion or RM0.36 in Electable Portion, the maximum share entitlement of a Shareholder who holds 10,000 BKB Shares at the Expiry Date will be calculated as follows. For the purpose of this illustration the assumed Issue Price is RM17.81:

$$\begin{aligned} N &= \frac{S \times D}{V} \\ &= \frac{10,000 \times \text{RM}0.36}{\text{RM}17.81} \\ &= 202 \text{ New Shares} \end{aligned}$$

The parameters for the above calculation are as follows:

	RM
Illustrative Dividend of RM0.45 per BKB Share held	4,500.00
Calculation= 10,000 shares x RM0.45 per BKB Share	
Less: Electable Portion of RM0.36 per BKB Share held	3,600.00
Calculation= 10,000 shares x RM0.36 per BKB Share	
Non-Electable Portion of RM0.09 per BKB Share held	900.00

(ii) The balance of the Electable Portion

$$B = (S \times D) - (A \times V)$$

Where:

- B : is the balance of the Electable Portion in respect of such Notice of Election relates.
- S : is the number of BKB Shares held by Participating Shareholder as at the Expiry Date to which such Notice of Election applies.
- D : is the Electable Portion per participating BKB Share or a part thereof (after deduction of applicable income tax).
- A : is the number of New Shares that the Participating Shareholder elects to subscribe for in respect of the Electable Portion to which such Notice of Election relates.
- V : is the Issue Price, which, for the purpose of the Dividend Reinvestment Plan, shall be an amount in RM as determined by the Board based on the adjusted VWAMP for the 5-market days immediately prior to a price fixing date after applying a discount of not more than ten percent (10%). The VWAMP shall be adjusted ex-dividend before applying the aforementioned discount in fixing the Issue Price.

The balance of the Electable Portion will be paid to the Participating Shareholders in cash in the usual manner.

Examples

Scenario 1 – If a Participating Shareholder decides to reinvest the whole Electable Portion into new BKB Shares

Assuming a Participating Shareholder holds 10,000 BKB Shares as at the Expiry Date and he wishes to subscribe for his maximum share entitlement of 202 New Shares calculated based on his entitlement for the Electable Portion as at the Expiry Date using the formula as per Section 6(i) above, his balance of the Electable Portion will be calculated as follows:

$$B = (S \times D) - (A \times V)$$

$$B = (10,000 \text{ shares} \times \text{RM}0.36) - (202 \text{ shares} \times \text{RM}17.81)$$

$$B = \text{RM}3,600.00 - \text{RM}3,597.62$$

$$B = \text{RM}2.38$$

Based on the calculation above, the table below shows the total cash amount payable to the Participating Shareholder based on his election:

	RM
Electable Portion of RM0.36 per BKB Share held <i>Calculation= 10,000 shares x RM0.36 per BKB Share</i>	3,600.00
Less: Amount payable for reinvestment at RM17.96 per BKB Share <i>Calculation= 202 shares x RM17.81 per BKB Share</i>	3,597.62
Balance of the Electable Portion	2.38
Add: Non-Electable Portion	900.00
Total cash amount payable (RM)	902.38

Scenario 2 – If a Participating Shareholder decides to reinvest part of the Electable Portion into new BKB Shares

Assuming a Participating Shareholder holds 10,000 BKB Shares as at the Expiry Date and his maximum share entitlement is 202 New Shares calculated based on his entitlement for the Electable Portion as at the Expiry Date using the formula as per Section 6(i) above. However, he wishes to subscribe for only 150 New Shares, hence his balance of the Electable Portion will be calculated as follows:

$$B = (S \times D) - (A \times V)$$

$$B = (10,000 \text{ shares} \times \text{RM}0.36) - (150 \text{ shares} \times \text{RM}17.81)$$

$$B = \text{RM}3,600.00 - \text{RM}2,671.50$$

$$B = \text{RM}928.50$$

Based on the calculation above, the table below shows the total cash amount payable to the Participating Shareholder based on his election:

	RM
Electable Portion of RM0.36 per BKB Share held <i>Calculation= 10,000 shares x RM0.36 per BKB Share</i>	3,600.00
Less: Amount payable for reinvestment at RM0.36 per BKB Share <i>Calculation= 150 shares x RM17.96 per BKB Share</i>	2,671.50
Balance of the Electable Portion	928.50
Add: Non-Electable Portion	900.00
Total cash amount payable (RM)	1,828.50

7. TERMS OF ALLOTMENT

Unless the Board otherwise determines, all New Shares allotted under the Dividend Reinvestment Plan will be allotted as fully paid-up. All such New Shares shall upon allotment and issuance, rank equally in all respects with the existing BKB Shares, save and except that the holders of New Shares shall not be entitled to any dividend, rights, allotments and/or other distributions in respect of which the entitlement date is before the Allotment Date. It should be noted that since fractional New Shares will not be allotted, any amount of the dividend payment that is insufficient for the issuance of one (1) whole New Share will be received in cash by Shareholders in the usual manner.

8. ODD LOTS

Under the Dividend Reinvestment Plan, Shareholders who exercise the Reinvestment Option may be allotted such New Shares in odd lots. Shareholders who receive odd lots of New Shares and who wish to trade such odd lots may do so on the Odd Lots Market of Bursa Securities, which allows the trading of odd lots (with a minimum of one (1) BKB Share).

9. COST TO THE PARTICIPATING SHAREHOLDERS

The New Shares will be issued free of any brokerage fees and other related transaction costs to Shareholders (unless otherwise provided by any statute, law or regulation).

10. MODIFICATION, SUSPENSION AND TERMINATION OF THE DIVIDEND REINVESTMENT PLAN

Subject to any requirement or provision imposed by any statute, law or regulation in force in Malaysia, as the case may be, the Dividend Reinvestment Plan may be modified, suspended (in whole or in part) or terminated at any time by the Board as it deems fit or expedient by giving notice in writing to all Shareholders in such manner as the Board deems fit, notwithstanding any other provisions of the Terms and Conditions stating the contrary and irrespective of whether an election to exercise the Reinvestment Option has been made by a Shareholder.

In the case of a suspension, the Dividend Reinvestment Plan will be suspended (in whole or in part, as the case may be) until such time as the Board resolves to recommence or terminate the Dividend Reinvestment Plan. If the Dividend Reinvestment Plan is recommenced, Participating Shareholders' Notice of Election confirming their participation under the previously suspended Dividend Reinvestment Plan will be valid and have full force and effect in accordance with these Terms and Conditions and any directions, terms and conditions to Shareholders for such recommencement of the Dividend Reinvestment Plan which may be notified to all Shareholders.

11. GENERAL ADMINISTRATION OF THE DIVIDEND REINVESTMENT PLAN

The Board may implement the Dividend Reinvestment Plan in the manner it deems fit. The Board has the power to:

- (a) determine procedures, rules and regulations for administration of the Dividend Reinvestment Plan consistent with these Terms and Conditions, as may be amended or modified from time to time;
- (b) settle in such manner as they think fit, any difficulty, anomaly or dispute (including relating to the interpretation of any provision, regulation or procedure or as to any rights under the Dividend Reinvestment Plan) which may arise in connection with the Dividend Reinvestment Plan, whether generally or in relation to any Participating Shareholder or any BKB Share and the determination of the Board will be conclusive and binding on all Shareholders and other persons to whom the determination relates;
- (c) delegate to any one (1) or more persons, for such period and on such conditions as the Board may determine, the exercise of any of its powers or discretion under or in respect of the Dividend Reinvestment Plan and references to a decision, opinion or determination of the Board include a reference to the decision, opinion or determination of the person or persons to whom the Board has delegated its authority for the purposes of administering the Dividend Reinvestment Plan; and
- (d) waive strict compliance by the Company or any Shareholder with any of these Terms and Conditions.

12. IMPLICATIONS OF THE RULES ON TAKE-OVERS AND OTHER SHAREHOLDING LIMITS

(i) The Rules on Take-overs

Under Paragraph 4.01, Part B of the Rules on Take-overs and Section 217 of the CMSA, a Shareholder may be under an obligation to extend a take-over offer for the remaining BKB Shares in the Company not already owned by him/her and persons acting in concert with him/her (collectively, the “**Affected Party**”), if:

- (a) by participating in the Dividend Reinvestment Plan in relation to the reinvestment of the Electable Portion, the Affected Party has obtained control via the acquisition or holding of, or entitlement to exercise or control the exercise of voting shares or voting rights of 33% or more of the Company or such other amount as may be prescribed in the Rules on Take-overs, howsoever effected; or
- (b) the Affected Party holds more than 33% but not more than 50% of the voting shares or voting rights of the Company and acquires, including by participating in the Dividend Reinvestment Plan in relation to any Electable Portion, more than two percent (2%) of the voting shares or voting rights of the Company in any 6-month period.

Therefore, in the event an obligation to undertake a mandatory offer is expected to arise resulting from a Shareholder's participation in the Dividend Reinvestment Plan, the Affected Party may wish to consult their professional adviser(s) in relation to:

- (a) any obligation to make a take-over offer under the Rules on Take-overs as a result of any subscription of New Shares through his/her participation in the Dividend Reinvestment Plan; and
- (b) whether or not to make an application to the Securities Commission Malaysia to obtain an approval for a waiver from the obligation to undertake a mandatory offer pursuant to the Rules on Take-overs prior to exercising his/her Reinvestment Option.

(ii) Other shareholding limits

Shareholders are responsible for ensuring that their participation will not result in a breach of any restrictions applicable to such Shareholder's holding of BKB Shares which may be imposed by any statute, law or regulation in force in Malaysia or any other relevant jurisdiction, as the case may be.

13. GOVERNING LAW

The Dividend Reinvestment Plan Statement, the Dividend Reinvestment Plan and these Terms and Conditions shall be governed by, and construed in accordance with the laws of Malaysia.

14. NOTICES AND STATEMENTS

Unless otherwise provided in these Terms and Conditions, any notices, documents and statements required to be given by the Company to a Participating Shareholder shall be given in accordance with the provisions of the Company's Memorandum and Articles of Association.

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Directors and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that after making all reasonable enquiries and to the best of their knowledge and belief, there are no facts, the omission of which, will make any statement herein misleading.

2. CONSENT AND CONFLICT OF INTEREST

CIMB, being the Principal Adviser to the Company for the Proposed DRP in Part C of this Circular, is not aware of any circumstances that exist or are likely to give rise to a conflict of interest situation in relation to its capacity as the Principal Adviser to the Company for the Proposed DRP.

CIMB has given and has not withdrawn its written consent to the inclusion in Part C of this Circular of its name and all references thereto in the form and context in which they appear in Part C of this Circular.

3. MATERIAL LITIGATION

BKB Group is not engaged in any material litigation, claims and arbitration either as plaintiff or defendant and as at the date of this Circular, the Directors do not know of any proceedings, pending or threatened against the BKB Group, or of any fact likely to give rise to any proceedings which might materially affect the position or business of the BKB Group.

4. MATERIAL CONTRACT

BKB Group have not entered into any contract which is or may be material other than contracts entered into in the ordinary course of business during the two (2) years preceding the date of this Circular.

5. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

Save as disclosed below, as at 30 September 2017, BKB is not aware of any contingent liabilities incurred or known to be incurred by BKB and/or its subsidiary companies which, upon becoming enforceable, may have a material impact on the financial results/position of BKB Group.

The following table summarises the borrowings of BKB Group as at 30 September 2017:

	As at 30 September 2017 (RM'000)
Non-current liabilities	
Borrowings	3,567,168
Current liabilities	
Borrowings	1,375,595

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of BKB at Wisma Taiko, No. 1, Jalan S.P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan, Malaysia during normal business hours between Monday and Friday (except public holidays) from the date of this Circular up to and including the date of the AGM:

- (i) Memorandum and Articles of Association of BKB;
- (ii) audited consolidated financial statements of BKB for the past two (2) FYE 30 September 2016 and 30 September 2017; and
- (iii) letter of consent referred to in Section 2 of Appendix V.

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