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ATTACHED IS AN ELECTRONIC COPY OF THE INFORMATION MEMORANDUM DATED 16 MAY 2013 ("INFORMATION MEMORANDUM"), IN RELATION TO THE ISLAMIC MEDIUM TERM NOTES (“SUKUK MUSHARAKAH”) PROGRAMME WITH AN AGGREGATE NOMINAL VALUE OF UP TO RM500.0 MILLION BASED ON THE ISLAMIC PRINCIPLE OF MUSHARAKAH, BY BATU KAWAN BERHAD (COMPANY NO. 6292-U) ("ISSUER").

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THIS TRANSMISSION SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THE SUKUK MUSHARAKAH IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL UNDER THE LAWS OF SUCH JURISDICTIONS.

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Serial No.: 001

STRICTLY PRIVATE AND CONFIDENTIAL

BATU KAWAN BERHAD

(Company No. 6292-U)

Information Memorandum

Islamic Medium Term Notes Programme with an Aggregate Nominal Value of up to RM500.0 million based on the Islamic principle of Musharakah

Joint Lead Arrangers and Joint Lead Managers

CIMB Investment Bank Berhad
(Company No. 18417-M)

Maybank Investment Bank Berhad
(Company No. 15938-H)

16 May 2013

IMPORTANT NOTICE

Responsibility Statement

This Information Memorandum has been approved by the directors of Batu Kawan Berhad (Company No: 6292-U) ("**BKB**" or "**Issuer**") and the Issuer accepts full responsibility for the accuracy of the information contained in this Information Memorandum. The Issuer, after having made all reasonable enquiries, confirms that this Information Memorandum contains all information with respect to the BKB Group (as defined herein) which is material in the context of the issuance of the Islamic medium term notes ("**Sukuk Musharakah**") pursuant to an Islamic medium term notes programme with an aggregate nominal value of up to RM500.0 million, to be established under the Islamic principle of Musharakah (the "**Sukuk Programme**"). The Issuer confirms that the opinions and intentions expressed in this Information Memorandum with regards to the BKB Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions and there are no other facts in relation to the BKB Group and the Sukuk Musharakah pursuant to the Sukuk Programme any omission of which would, in the context of the Sukuk Musharakah issue, make any statement in this Information Memorandum misleading in any material respect and all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements. No representation or warranty, expressed or implied, is made such that the information remains unchanged in any respect as of any date or dates after those stated herein, with respect to any matter concerning the BKB Group or any statement made in this Information Memorandum. Any opinion of intention expressed in this Information Memorandum is honestly held as at the date hereof, and has been reached after considering all relevant circumstances and is based on reasonable assumptions. The Issuer and its board of directors accept full responsibility for the information contained in this Information Memorandum.

Important Notice and General Statement of Disclaimer

This Information Memorandum is being furnished on a private and confidential basis solely for the purpose of enabling prospective investors to consider the purchase of the Sukuk Musharakah to be issued pursuant to the Sukuk Programme. This Information Memorandum is not and is not intended to be a prospectus.

It is a condition precedent to the first issuance of the Sukuk Musharakah that the Sukuk Programme is assigned, on issue, a minimum long term rating of AA_1 from RAM Rating Services Berhad. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the rating agency.

None of the information or data contained in this Information Memorandum has been independently verified by CIMB Investment Bank Berhad and Maybank Investment Bank Berhad as the joint principal advisers, the joint lead arrangers and the joint lead managers of the Sukuk Programme ("**Joint Lead Arrangers/Joint Lead Managers**"). Accordingly, no representation, warranty or undertaking, express or implied, is given or assumed by the Joint Lead Arrangers/Joint Lead Managers as to the authenticity, origin, validity, accuracy or completeness of such information and data or that the information or data remains unchanged in any respect after the relevant date shown in this Information Memorandum. The Joint Lead Arrangers/Joint Lead Managers have not accepted and will not accept any responsibility for the information and data contained in this Information Memorandum or otherwise in relation to the Sukuk Musharakah and shall not be liable for any consequences of reliance on any of the information or data in this Information Memorandum.

It is to be noted that although the Issuer has sought the advice of CIMB Islamic Bank Berhad and Maybank Islamic Berhad (the "**Joint Shariah Advisers**") with regards to the conformity of the Sukuk Musharakah and the structure and mechanism as described in the Principal Terms and Conditions of the Sukuk Programme with Shariah principles, no representation, warranty or undertaking, express or implied, is given by the Issuer as to the Shariah permissibility of the structure or the issue and trading of the Sukuk Musharakah and the Issuer, the Joint Principal Advisers/Joint Lead Arrangers and/or the Joint Shariah Advisers shall not be liable for any consequences of such reliance and/or assumption of any such conformity. Each recipient should perform and is deemed to have consulted its own professional advisers and obtained independent Shariah advice on the Shariah permissibility of the structure or the issue and trading of the Sukuk Musharakah. Any non-compliance with Shariah principles may have legal consequences.

The information in this Information Memorandum supersedes all other information and material previously supplied (if any) to the recipients. By taking possession of this Information Memorandum, the recipients are acknowledging and agreeing and are deemed to have acknowledged and agreed that they will not rely on any previous information supplied. No person is authorised to give any information or data or to make any representation or warranty other than as contained in this Information Memorandum and, if given or made, any such information, data, representation or warranty must not be relied upon as having been authorised by the Issuer, the Joint Lead Arrangers/Joint Lead Managers or any other person.

This Information Memorandum has not been and will not be made to comply with the laws of any jurisdiction other than Malaysia ("**Foreign Jurisdiction**"), and has not been and will not be lodged, registered or approved pursuant to or under any legislation of (or with or by any regulatory authorities or other relevant bodies of) any Foreign Jurisdiction and it does not constitute an issue, offer or sale of, or an invitation to subscribe or purchase the Sukuk Musharakah or any other securities of any kind by any party in any Foreign Jurisdiction.

No Sukuk Musharakah may be offered or sold, directly or indirectly, and neither this Information Memorandum nor other offering material may be distributed or published in any Foreign Jurisdiction. Accordingly, the distribution or possession of this Information Memorandum in or from any Foreign Jurisdiction is prohibited. Each recipient is required to seek appropriate professional advice regarding, and to observe, such prohibition. Neither the Issuer nor the Joint Lead Arrangers/Joint Lead Managers accepts any responsibility or liability to any person in relation to the distribution or possession of this Information Memorandum in or from any such Foreign Jurisdiction.

By accepting delivery of this Information Memorandum, each recipient agrees to the terms upon which this Information Memorandum is provided to such recipient as set out in this Information Memorandum, and further agrees and confirms that (a) it will keep confidential all of such information and data, (b) it is lawful for the recipient to subscribe for or purchase the Sukuk Musharakah under all jurisdictions to which the recipient is subject, (c) the recipient has complied with all applicable Malaysian laws in connection with such subscription or purchase of the Sukuk Musharakah, (d) the Issuer, the Joint Lead Arrangers/Joint Lead Managers and their respective directors, officers, employees and professional advisers are not and will not be in breach of the laws of Malaysia and of any other jurisdiction to which the recipient is subject as a result of such subscription or purchase of the Sukuk Musharakah, and they shall not have any responsibility or liability in the event that such subscription or purchase of the Sukuk Musharakah is or shall become unlawful, unenforceable, voidable or void, (e) it is aware that the Sukuk Musharakah can only be offered, sold, transferred or otherwise disposed of directly or indirectly in accordance with the relevant selling restrictions and all applicable Malaysian laws and laws of other jurisdictions to which the recipient is subject, (f) it has sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Sukuk Musharakah, and is able and is prepared to bear the economic and financial risks of investing in or holding the Sukuk Musharakah, (g) it is subscribing or accepting the Sukuk Musharakah for its own account, and (h) it is a person to whom an issue, offer or invitation to subscribe or purchase the Sukuk Musharakah would constitute an excluded offer or excluded issue as specified in Schedule 6 or Section 229(1)(b) and Schedule 7 or Section 230(1)(b), read together with Schedule 9 or Section 257(3) of the Capital Markets and Services Act 2007, as amended from time to time ("**CMSA**"), at issuance and Schedule 6 or Section 229(1)(b) read together with Schedule 9 or Section 257(3) of the CMSA thereafter. Each recipient is solely responsible for seeking all appropriate expert advice as to the laws of Malaysia and the laws of other jurisdictions to which the recipient is subject. For the avoidance of doubt, this Information Memorandum shall not constitute an offer or invitation to subscribe or purchase the Sukuk Musharakah in relation to any recipient who does not fall within item (h) above.

Neither this Information Memorandum nor any information or document delivered under or in relation to the Sukuk Musharakah is intended to provide the basis of any credit or other evaluation or should be considered as a recommendation by the Issuer and/or the Joint Lead Arrangers/Joint Lead Managers to subscribe or purchase the Sukuk Musharakah. This Information Memorandum is not a substitute for, and should not be regarded as, an independent evaluation and analysis and does not purport to be all-inclusive. Each recipient contemplating purchasing the Sukuk Musharakah should perform and is deemed to have made its own independent investigation, appraisal and analysis of the financial condition, status and affairs, the creditworthiness and nature of the business, of the BKB Group, the terms of the offering of the Sukuk Musharakah, including the merits and risks involved, and all other relevant matters, and each recipient should consult its own professional advisers. All information and statements herein are subject to the detailed provisions of the respective agreements referred to herein and are qualified in their entirety by reference to such documents.

Unless otherwise specified in this Information Memorandum, the information contained in this Information Memorandum is current as at the date hereof. Neither the delivery of this Information Memorandum nor the offering, sale or delivery of any Sukuk Musharakah shall in any circumstance imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Sukuk Musharakah is correct as of any time subsequent to the date indicated in the document containing the same. Neither the Joint Lead Arrangers/Joint Lead Managers nor any other advisers for the Sukuk Programme undertake to review the financial condition or affairs of the BKB Group or to advise any investor of the Sukuk Musharakah of any information coming to their respective attention.

This Information Memorandum includes certain historical information, estimates, or reports thereon derived from sources mentioned in this Information Memorandum and other parties with respect to the Malaysian economy, the material businesses which the BKB Group operates and certain other matters. Such information, estimates, or reports have been included solely for illustrative purposes. No representation or warranty is made as to the accuracy or completeness of any information, estimates and/or reports thereon derived from such sources or from other third party sources.

All discrepancies (if any) in the tables included in this Information Memorandum between the listed amounts and totals thereof are due to, and certain numbers appearing in this Information Memorandum are shown after rounding.

Acknowledgement

The Issuer hereby acknowledges that it has authorised the Joint Lead Arrangers/Joint Lead Managers to circulate or distribute this Information Memorandum on its behalf in respect of or in connection with the proposed offer or invitation to subscribe for and issue of the Sukuk Musharakah to prospective investors and that no further evidence of authorisation is required.

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Statement of Disclaimer by the Securities Commission Malaysia

A copy of this Information Memorandum will be deposited with the Securities Commission Malaysia ("**SC**"), which takes no responsibility for its contents.

The issue, offer or invitation to subscribe or purchase the Sukuk Musharakah in this Information Memorandum or otherwise are subject to the fulfilment of various conditions precedent including without limitation the approval of the SC.

The SC has approved the Sukuk Programme on 3 May 2013 pursuant to the CMSA. Please note that the approval of the SC shall not be taken to indicate that the SC recommends the subscription or purchase of the Sukuk Musharakah. Further, the SC takes no responsibility for the contents of this Information Memorandum. The SC shall not be liable for any non-disclosure on the part of the Issuer and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Information Memorandum.

EACH ISSUANCE OF THE SUKUK MUSHARAKAH WILL CARRY DIFFERENT RISKS AND ALL PROSPECTIVE INVESTORS ARE STRONGLY ENCOURAGED TO EVALUATE EACH ISSUANCE OF THE SUKUK MUSHARAKAH ON ITS OWN MERIT. IT IS RECOMMENDED THAT PROSPECTIVE INVESTORS CONSULT THEIR FINANCIAL, LEGAL AND OTHER ADVISERS BEFORE PURCHASING OR ACQUIRING OR SUBSCRIBING THE SUKUK MUSHARAKAH. EACH PROSPECTIVE INVESTOR SHOULD DETERMINE FOR ITSELF THE RELEVANCE OF THE INFORMATION IN THIS INFORMATION MEMORANDUM AND ITS INVESTMENT SHOULD BE AND SHALL BE DEEMED TO BE BASED UPON SUCH INVESTIGATION AS IT DEEMS NECESSARY.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, this Information Memorandum:

(i) the most recently published audited consolidated and non-consolidated annual financial statements and, if published later, the most recently published interim consolidated and non-consolidated financial statements (if any) of the Issuer;

(ii) the pricing supplement of each issuance of the Sukuk Musharakah; and

(iii) all supplements or amendments to this Information Memorandum circulated by the Issuer, if any, save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Information Memorandum.

CONFIDENTIALITY

This Information Memorandum and its contents are strictly confidential and are made strictly on the basis that the recipient shall ensure that they will remain confidential. Accordingly, this Information Memorandum and its contents, or any information, which is made available in connection with any further enquiries, must be held in complete confidence.

This Information Memorandum is submitted to prospective investors specifically in reference to the Sukuk Musharakah and may not be reproduced or used, in whole or in part, for any purpose, nor furnished to any person other than those to whom copies have been sent by the Joint Lead Arrangers/Joint Lead Managers.

In the event that there is any contravention of this confidentiality undertaking or there is reasonable likelihood that this confidentiality undertaking may be contravened, the Issuer may, at its discretion, apply for any remedy available to the Issuer whether at law or equity, including without limitation, injunctions. The Issuer is entitled to fully recover from the contravening party all costs, expenses and losses incurred and/or suffered in this regard. For the avoidance of doubt, it is hereby deemed that this confidentiality undertaking shall be imposed upon the recipient, the recipient's professional advisors, directors, employees and any other persons who may receive this Information Memorandum (or any part of it) from the recipient.

The recipient must return this Information Memorandum and all reproductions whether in whole or in part and any other information in connection therewith to the Joint Lead Arrangers/Joint Lead Managers promptly upon the Joint Lead Arrangers'/Joint Lead Managers' request.

Forward-Looking Statements

The Issuer has included statements in this Information Memorandum which contain words or phrases such as "will", "would", "aimed", "is likely", "are likely", "believe", "expect", "expected to", "will continue", "will achieve", "anticipate", "estimate", "intend", "plan", "contemplate", "seek to", "seeking to", "target", "propose to", "future", "objective", "goal", "project", "should", "can", "could", "may" and similar expressions or variations of such expressions, that are "forward-looking statements". Actual results may differ materially from those suggested by the forward-looking statements due to certain risks or uncertainties associated with the expectations of the Issuer with respect to, but not limited to, its ability to successfully implement its strategy, its ability to integrate future mergers or acquisitions into its operations, its growth and expansion, the adequacy of its allowance for credit and investment losses, technological changes, investment income, its ability to market new products, cash flow projections, the outcome of any legal or regulatory proceedings it is or becomes a party to, the future impact of new accounting standards, its ability to implement its dividend policy, its ability to roll over its short-term funding sources, and its exposure to market risks. For a further discussion on the factors that could cause actual results to differ, see the discussion under "*Investment Considerations*" contained in this Information Memorandum. As such, no assurances can be given that any of such statements or estimates will be realised. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Information Memorandum should not be regarded as a representation or warranty by the Issuer or any other person that the plans and objectives of the Issuer will be achieved.

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DEFINITIONS

Unless the context otherwise requires, the following definitions shall apply for the purpose of this Information Memorandum:

"**Annual Report**"	means the annual report of BKB for the FYE as attached in Appendix 1 of this Information Memorandum.
"**BKB Group**"	means the Issuer, its subsidiaries and its associated companies, save for Section 2.0, where it shall mean BKB, its subsidiaries and KLK.
"**Board**"	means the board of directors of BKB.
"**Bursa Malaysia**"	means Bursa Malaysia Securities Berhad (Company No. 635998-W).
"**Companies Act**"	means Companies Act 1965 (as amended from time to time).
"**CMSA**"	means Capital Markets and Services Act 2007 (as amended from time to time).
"**Dissolution Events**"	means the events as identified in paragraph 2(v) of the Principal Terms and Conditions of the Sukuk Programme as set out in Section 2.0 of this Information Memorandum.
"**Facility Agent**"	means CIMB Investment Bank Berhad (Company No. 18417-M), in its capacity as the facility agent of the Sukuk Programme.
"**FYE**"	means the relevant financial year ended every 30th September.
"**GDP**"	means gross domestic product.
"**Government**"	means the Federal Government of Malaysia.
"**Issuer**" or "**BKB**"	means Batu Kawan Berhad (Company No. 6292-U), a company incorporated in Malaysia and having its registered address at Wisma Taiko, No. 1 Jalan S.P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan.
"**Joint Lead Arrangers/Joint Lead Managers**"	means CIMB Investment Bank Berhad (Company No. 18417-M) and Maybank Investment Bank Berhad (Company No. 15938-H) in their capacity as Joint Lead Arrangers and Joint Lead Managers of the Sukuk Programme.
"**Joint Shariah Advisers**"	means CIMB Islamic Bank Berhad and Maybank Islamic Berhad in their capacity as Joint Shariah Advisers of the Sukuk Programme.
"**KLK**"	means Kuala Lumpur Kepong Berhad (Company No. 15043-V).
"**KLK Group**"	means Kuala Lumpur Kepong Berhad, its subsidiaries and associated companies.
"**Rating Agency**" or "**RAM**"	means RAM Rating Services Berhad (Company No. 763588-T).
"**RBD**"	means refined, bleached and deodorised.
"**RM**" and "**sen**"	means Ringgit Malaysia and sen respectively.

"**SC**"	means the Securities Commission Malaysia.
"**Sukukholders**"	means the persons who are for the time being holders of the Sukuk Musharakah.
"**Sukuk Programme**"	Islamic medium term notes programme with an aggregate nominal value of up to RM500.0 million to be established under the Islamic principle of Musharakah.
"**Sukuk Musharakah**"	means the sukuk to be issued from time to time pursuant to the Sukuk Programme.
"**Sukuk Trustee**"	means Maybank Trustees Berhad (Company No. 5004-P), in its capacity as the trustee for the Sukuk Programme.

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SECTION 1.0 INTRODUCTION

1.1 The Issuer

The Issuer is a public company limited by shares incorporated in Malaysia under the Companies Act, 1965 as Batu Kawan Berhad on 9 December 1965. The registered office of the Issuer is located at Wisma Taiko, No. 1 Jalan S.P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan. On 12 October 1971, the Issuer was listed on the then Stock Exchange of Malaysia and Singapore (now on the Main Market of Bursa Malaysia).

The Issuer is an investment holding company. Its subsidiaries and associated companies are involved in the business of plantations, chemicals manufacturing, investment holding, general transportation services and property investment.

1.2 Brief Description of the Sukuk Programme

In respect of each issuance of Sukuk Musharakah under the Sukuk Programme, BKB will identify Shariah-compliant shares owned by BKB or other Shariah-compliant assets ("**Assets**") to be the underlying asset for the Musharakah transaction. The Assets shall be approved by the Joint Shariah Advisers. If Shariah-compliant shares ("**Shares**") are used as the Assets for the Musharakah transaction, these Shares shall be reviewed by the Joint Shariah Advisers annually based on the SC's Shariah Advisory Council's screening methodology.

The holders of the Sukuk Musharakah ("**Sukukholders**") shall, from time to time, form a Musharakah venture amongst themselves, which is a partnership amongst the Sukukholders, to invest in the Assets ("**Musharakah Venture**") via the subscription of the Sukuk Musharakah to be issued by BKB. There will be at least two (2) investors for each Sukuk Musharakah issuance. For the avoidance of doubt, a new Musharakah Venture will be formed for each issuance of Sukuk Musharakah under the IMTN Programme.

BKB will issue Sukuk Musharakah to the Sukukholders and the proceeds received from the Sukukholders arising from the subscription of the Sukuk Musharakah shall be invested in the Musharakah Venture.

BKB shall make a declaration that it holds the Assets on trust for the benefit of the Sukukholders. The Sukuk Musharakah shall represent the Sukukholders' undivided proportionate interest in the Musharakah Venture.

The expected return to the Sukukholders under the Musharakah Venture shall be the yield of the respective Sukuk Musharakah up to the relevant Maturity Date (as defined hereunder) or the date of a declaration of a Dissolution Event ("**Expected Return**"). Any income derived from the Musharakah Venture will be distributed proportionately to the Sukukholders' respective holding of the Sukuk Musharakah. Any losses from the Musharakah Venture shall be borne by each Sukukholder in proportion to its respective capital contribution in the Musharakah Venture.

The Sukuk Trustee, acting on behalf of the Sukukholders shall appoint BKB as the manager ("**Manager**") for the Musharakah Venture via a management agreement ("**Management Agreement**"). The Sukukholders shall agree that any excess income above the Expected Return shall be retained by the Manager as an incentive fee.

In respect of Sukuk Musharakah with Periodic Distributions, income derived from the Musharakah Venture of up to an amount equivalent to a certain percentage of the face value of the Sukuk Musharakah per annum, calculated on the basis of the actual number of days in the relevant period ("**Expected Periodic Distribution**") shall be distributed periodically in the form of periodic distribution ("**Periodic Distribution**") to the Sukukholders. In the event of any shortfall between the Expected Periodic Distribution and the actual income derived from the Musharakah Venture for such relevant period, BKB shall make top-up payments ("**Top-up Payments**") to make good the shortfall. The Top-up Payments will be set-off against the

Exercise Price (as defined hereunder) pursuant to the exercise of the Purchase Undertaking (as defined hereunder).

In respect of Sukuk Musharakah without Periodic Distributions, income derived from the Musharakah Venture of up to the Expected Return shall be distributed on a one-off basis upon the Maturity Date or date of declaration of a Dissolution Event ("**One-off Distribution**"), whichever is the earlier. In the event of any shortfall between the One-off Distribution and the actual income derived from the Musharakah Venture for such relevant period, BKB shall make Top-up Payments to make good the shortfall. The Top-up Payments will be set-off against the Exercise Price pursuant to the exercise of the Purchase Undertaking.

Pursuant to a purchase undertaking ("**Purchase Undertaking**"), BKB, as obligor ("**Obligor**") will undertake to the Sukuk Trustee (acting on behalf of Sukukholders) to purchase the Sukukholders' undivided proportionate interest in the Musharakah Venture at a predetermined price ("**Exercise Price**") upon the maturity date of the Sukuk Musharakah ("**Maturity Date**") or the date of declaration of a Dissolution Event, whichever is the earlier.

Pursuant to a substitution agreement ("**Substitution Agreement**") entered into between BKB and the Sukukholders for the substitution of the Assets with other qualified assets approved by the Joint Shariah Advisers ("**Replacement Assets**"), BKB shall enter into an exchange agreement ("**Exchange Agreement**") with the Sukuk Trustee under the following events:

i) pursuant to the substitution undertaking ("**Substitution Undertaking**") by BKB (as Obligor) in favour of the Sukuk Trustee (on behalf of the Sukukholders) and if Shares are used as the Assets for the Musharakah transaction, BKB as Obligor will undertake to the Sukuk Trustee (acting on behalf of the Sukukholders) to substitute the Shares which are no longer Shariah-compliant ("**Affected Shares**") with Replacement Assets; or

ii) pursuant to the exchange undertaking ("**Exchange Undertaking**") by the Sukuk Trustee (on behalf of the Sukukholders) in favour of BKB (as Manager), at anytime during the tenure of the Sukuk Musharakah, BKB shall have the right to require the Sukuk Trustee to transfer the Assets ("**Exchanged Assets**") to BKB in consideration for the transfer by BKB of Replacement Assets to the Sukuk Trustee.

The Replacement Assets shall be subject to the prior approval of the Joint Shariah Advisers and the value must be at least equivalent to the value of the Exchanged Assets or the Affected Shares, whichever is applicable.

The Principal Terms and Conditions of the Sukuk Programme are set out in Section 2.0 of this Information Memorandum.

1.3 Utilisation of Proceeds

The proceeds raised from the Sukuk Programme shall be utilised to finance BKB's and BKB Group's Shariah-compliant investments, general corporate purposes (including operational and capital expenditure requirements) and working capital requirements. Capital expenditures may include but are not limited to the acquisition of new plant, machinery and equipment, and improvements to real properties which are Shariah-compliant.

For the avoidance of doubt, the proceeds from the Sukuk Programme shall only be utilised for Shariah-compliant purposes.

1.4 Rating

The Sukuk Programme has been accorded a long term rating of AA_1 by RAM pursuant to RAM's rating rationale published on 7 May 2013.

1.5 Summary of Audited Financial Information of the BKB Group

FYE:	2008 RM '000	2009 RM '000	2010 RM '000	2011 RM '000	2012 RM '000
Revenue	284,087	238,148	224,426	283,140	336,541
Profit Before Tax	522,780	350,716	572,504	785,356	625,644
Income Tax Expense	(8,749)	(9,029)	(3,309)	1,967	(13,701)
Profit After Taxation	514,031	341,687	569,195	787,323	611,943
Growth in Profit After Taxation	*44.61%*	*(33.53%)*	*66.58%*	*38.32%*	*(22.28%)*
Total Assets*	2,902,467	3,036,080	3,261,310	3,816,722	3,889,634
Growth in Total Assets	*11.03%*	*4.60%*	*7.42%*	*17.03%*	*1.91%*
Shareholders Funds*	2,792,220	2,902,219	3,130,574	3,669,714	3,727,409
Growth in Shareholders' Funds	*11.33%*	*3.94%*	*7.87%*	*17.22%*	*1.57%*

* *Restated for FYE2008 to FYE2010 due to reclassification of comparatives due to amendments to FRS 117 Leases and prior to FYE2010, part of the total investment cost in KLK was carried at revaluation and in FYE2010, the carrying value of this investment was restated retrospectively to cost.*

1.6 Conflict of Interest Situations and Appropriate Mitigating Measures

Maybank Trustees Berhad, the appointed trustee of the Sukuk Programme, is a related corporation of Malayan Banking Berhad ("**Maybank**"). Maybank has, within its ordinary course of business, extended to BKB, credit facilities which would make Maybank Trustees Berhad not eligible to act as a trustee under Section 260(2) of the CMSA, without the approval of the SC.

In order to address the above, Maybank Trustees Berhad has submitted to the SC, a declaration dated 4 April 2013 confirming that the requirements of the Guidelines on Allowing a Person to Be Appointed or to Act as a Trustee under Subsection 69(2) of the Securities Commission Act 1993 (now Subsection 260(2) of the CMSA) are met.

Other than the above, there are no other conflict of interest situations.

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SECTION 2.0 PRINCIPAL TERMS AND CONDITIONS

Words and expression used and defined in this Section 2.0 shall, in the event of inconsistency with the definitions section of this Information Memorandum, only be applicable for this Section 2.0.

1. BACKGROUND INFORMATION

(a) Issuer

(i)	Name	:	Batu Kawan Berhad ("**BKB**" or the "**Issuer**").
(ii)	Address	:	Wisma Taiko 1 Jalan S.P. Seenivasagam 30000 Ipoh Perak Darul Ridzuan.
(iii)	Business registration no.	:	6292-U.
(iv)	Date and place of incorporation	:	9 December 1965/Malaysia.
(v)	Date of listing	:	12 October 1971 on the Stock Exchange of Malaysia and Singapore (now known as the Main Market of Bursa Malaysia Securities Berhad).
(vi)	Status on residence	:	Resident-controlled Company.
(vii)	Principal activities	:	The principal activity of the Issuer is investment holding.
(viii)	Board of Directors as at 29 March 2013	:	Tan Sri Dato' Seri Lee Oi Hian (Chairman) Dato' Lee Hau Hian (Managing Director) YM Raja Muhammad Alias bin Raja Muhammad Ali Tan Sri Datuk Seri Utama Thong Yaw Hong Dato' Mustafa bin Mohd Ali Dato' Yeoh Eng Khoon Quah Chek Tin

(ix) Structure of shareholdings and names of shareholders or, in the case of public company, names of all substantial shareholders as at 29 March 2013 :

	←Direct→		←Indirect→	
Substantial shareholder**	**No. of Ordinary Shares**	**%***	**No. of Ordinary Shares**	**%***
Arusha Enterprise Sdn Bhd^	191,554,667	**46.2**	5,875,700	**1.4**
Lembaga Kemajuan Tanah Persekutuan ("**FELDA**")	27,369,750	**6.6**	-	**-**
Di-Yi Sdn Bhd	8,780,180	**2.1**	197,438,754	**47.6**
High Quest Holdings Sdn Bhd	8,262,955	**2.0**	197,438,754	**47.6**
Tan Sri Dato' Seri Lee Oi Hian	854,355	**0.2**	207,038,934#	**49.9**
Dato' Lee Hau Hian	625,230	**0.2**	205,842,209#	**49.6**
Wan Hin Investments Sdn Berhad	8,387	**0.00**	197,430,367$	**47.6**

** Calculated based on 414,900,000 shares, which do not include the 21,051,000 treasury shares retained as at 29 March 2013.*

^ By virtue of Section 6A of the Companies Act, 1965, all the related companies of Arusha Enterprise Sdn Bhd are also deemed substantial shareholders of the company.

Tan Sri Dato' Seri Lee Oi Hian and Dato' Lee Hau Hian are substantial shareholders of Di-Yi Sdn Bhd and High Quest Holdings Sdn Bhd, respectively, which in turn are substantial shareholders of Wan Hin Investments Sdn Berhad. Accordingly, these parties are also deemed substantial shareholders of BKB by virtue of their deemed interest.

 # Includes indirect interest held through spouse and/or children pursuant to Section 134(12)(c) of the Companies Act, 1965.

$ Includes the 46.2% held directly by Arusha Enterprise Sdn Bhd and 1.4% by its other subsidiaries.

*** Based on the Register of Depositors as at 29 March 2013.*

(x)	Authorised, issued and paid-up capital as at 29 March 2013	:	Authorised capital RM1,000,000,000.00 comprising 1,000,000,000 shares of Ringgit Malaysia One (RM1.00) each. Issued and paid-up capital RM435,951,000.00 divided into 435,951,000 shares of RM1.00 each.
(xi)	Disclosure of the following	:	
	• If the Issuer or its board members have been convicted or charged with any offence under the securities laws, corporation laws or other laws involving fraud or dishonesty in a court of law, for the past five years prior to the date of the application; and		No.
	• If the Issuer has been subjected to any action by the stock exchange for any breach of the listing requirements or rules issued by the stock exchange, for the past five years prior to the date of application.		No.

2. PRINCIPAL TERMS AND CONDITIONS

(a) Name of parties involved in the proposal, where applicable

(i)	**Principal adviser**	CIMB Investment Bank Berhad (18417-M) ("**CIMB**") and Maybank Investment Bank Berhad (15938-H) ("**Maybank IB**") as the Joint Principal Advisers and Joint Lead Arrangers ("**JLAs**").
(ii)	**Lead arranger**	CIMB and Maybank IB.
(iii)	**Co-arranger**	Not applicable.
(iv)	**Solicitor**	Messrs. Zaid Ibrahim & Co. ("**Legal Counsel**").
(v)	**Financial adviser**	Not applicable.
(vi)	**Technical adviser**	Not applicable.

	(vii) Sukuk trustee	Maybank Trustees Berhad ("**Sukuk Trustee**").
	(viii) Shariah adviser	CIMB Islamic Bank Berhad and Maybank Islamic Berhad as the Joint Shariah Advisers ("**Joint Shariah Advisers**").
	(ix) Guarantor	Not applicable.
	(x) Valuer	Not applicable.
	(xi) Facility agent	CIMB.
	(xii) Primary subscriber (under a bought-deal arrangement) and amount subscribed	The primary subscribers (applicable under a bought deal arrangement) for any issuance will be determined prior to each issuance.
	(xiii) Underwriter and amount underwritten	The Sukuk Musharakah (as defined below) will not be underwritten.
	(xiv) Central depository	Bank Negara Malaysia ("**BNM**").
	(xv) Paying agent	BNM.
	(xvi) Reporting accountant	Ernst & Young.
	(xvii) Calculation agent	Not applicable.
	(xviii) Others (please specify)	<u>Joint Lead Managers ("**JLMs**") and Joint Bookrunners ("**JBRs**")</u> CIMB and Maybank IB.
(b)	**Islamic principles used**	The IMTN (as defined below) issued under the IMTN Programme (as defined below) shall be issued under the Islamic principle of Musharakah ("**Sukuk Musharakah**"), being a Shariah principle approved by the Securities Commission Malaysia ("**SC**")'s Shariah Advisory Council ("**SAC**").
(c)	**Facility description**	An Islamic medium term notes ("**IMTN**") programme of up to RM500.0 million in nominal value ("**IMTN Programme**"). **<u>Underlying Transaction</u>** In respect of each issuance of Sukuk Musharakah under the IMTN Programme, BKB will identify Shariah-compliant shares owned by BKB or other Shariah-compliant assets ("**Assets**") to be the underlying asset for the Musharakah transaction. The Assets shall be approved by the Joint Shariah Advisers. If Shariah-compliant shares ("**Shares**") are used as the Assets for the Musharakah transaction, these Shares shall be reviewed by the Joint Shariah Advisers annually based on the SC's SAC's screening methodology.

The holders of the Sukuk Musharakah ("**Sukukholders**") shall, from time to time, form a Musharakah venture amongst themselves, which is a partnership amongst the Sukukholders, to invest in the Assets ("**Musharakah Venture**") via the subscription of the Sukuk Musharakah to be issued by BKB. There will be at least two (2) investors for each Sukuk Musharakah issuance. For the avoidance of doubt, a new Musharakah Venture will be formed for each issuance of Sukuk Musharakah under the IMTN Programme.

BKB will issue Sukuk Musharakah to the Sukukholders and the proceeds received from the Sukukholders arising from the subscription of the Sukuk Musharakah ("**Musharakah Capital**") shall be invested in the Musharakah Venture.

BKB shall make a declaration that it holds the Assets on trust for the benefit of the Sukukholders. The Sukuk Musharakah shall represent the Sukukholders' undivided proportionate interest in the Musharakah Venture.

The expected return to the Sukukholders under the Musharakah Venture shall be the yield of the respective Sukuk Musharakah up to the relevant Maturity Date (as defined below) or the date of a declaration of a Dissolution Event (as defined herein) ("**Expected Return**"). Any income derived from the Musharakah Venture will be distributed proportionately to the Sukukholders' respective holding of the Sukuk Musharakah. Any losses from the Musharakah Venture shall be borne by each Sukukholder in proportion to its respective capital contribution in the Musharakah Venture.

The Sukuk Trustee, acting on behalf of the Sukukholders shall appoint BKB as the manager ("**Manager**") for the Musharakah Venture via a management agreement ("**Management Agreement**"). The Sukukholders shall agree that any excess income above the Expected Return shall be retained by the Manager as an incentive fee.

In respect of Sukuk Musharakah with Periodic Distributions (as defined hereunder), income derived from the Musharakah Venture of up to an amount equivalent to a certain percentage of the face value of the Sukuk Musharakah per annum, calculated on the basis of the actual number of days in the relevant period ("**Expected Periodic Distribution**") shall be distributed periodically in the form of periodic distribution ("**Periodic Distribution**") to the Sukukholders. In the event of any shortfall between the Expected Periodic Distribution and the actual income derived from the Musharakah Venture for such relevant period, BKB shall make top-up payments ("**Top-up Payments**") to make good the shortfall. The Top-up Payments will be set-off against the Exercise Price (as defined below) pursuant to the exercise of the Purchase Undertaking (as defined hereunder).

In respect of Sukuk Musharakah without Periodic Distributions, income derived from the Musharakah Venture of up to the Expected Return shall be distributed on a one-off basis upon the Maturity Date or date of declaration of a Dissolution Event ("**One-off Distribution**"), whichever is the earlier. In the event of any shortfall between the One-off Distribution and the actual income derived from the Musharakah Venture for such relevant period, BKB shall make Top-up Payments to make good the shortfall. The Top-up Payments will be set-off against the Exercise Price pursuant to the exercise of the Purchase Undertaking.

Pursuant to a purchase undertaking *("***Purchase Undertaking***")*, BKB, as obligor ("**Obligor**") will undertake to the Sukuk Trustee (acting on behalf of Sukukholders) to purchase the Sukukholders' undivided proportionate interest in the Musharakah Venture at a predetermined price ("**Exercise Price**") upon the maturity date of the Sukuk Musharakah *("***Maturity Date***")* or date of declaration of a Dissolution Event, whichever is the earlier.

Pursuant to a substitution agreement ("**Substitution Agreement**") entered into between BKB and the Sukukholders for the substitution of the Assets with other qualified assets approved by the Joint Shariah Advisers ("**Replacement Assets**"), BKB shall enter into an exchange agreement ("**Exchange Agreement**") with the Sukuk Trustee under the following events:

(i) pursuant to the substitution undertaking ("**Substitution Undertaking**") by BKB (as Obligor) in favour of the Sukuk Trustee (on behalf of the Sukukholders) and if Shares are used as the Assets for the Musharakah transaction, BKB as Obligor will undertake to the Sukuk Trustee (acting on behalf of the Sukukholders) to substitute the Shares which are no longer Shariah-compliant ("**Affected Shares**") with Replacement Assets; or

(ii) pursuant to the exchange undertaking ("**Exchange Undertaking**") by the Sukuk Trustee (on behalf of the Sukukholders) in favour of BKB (as Manager), at anytime during the tenure of the Sukuk Musharakah, BKB shall have the right to require the Sukuk Trustee to transfer the Assets ("**Exchanged Assets**") to BKB in consideration for the transfer by BKB of Replacement Assets to the Sukuk Trustee.

The Replacement Assets shall be subject to the prior approval of the Joint Shariah Advisers and the value must be at least equivalent to the value of the Exchanged Assets or the Affected Shares, whichever is applicable.

Please refer to Appendix A for the diagrammatic illustration of the Musharakah structure.

(d)	**Identified assets**	Shariah-compliant shares owned by BKB or other Shariah-compliant assets to be identified by BKB and approved by the Joint Shariah Advisers.
(e)	**Purchase and selling price/rental (where applicable)**	Not applicable.

(f)	**Issue/sukuk programme size**	The aggregate outstanding nominal value of the Sukuk Musharakah issued under the IMTN Programme at any point in time shall not exceed RM500.0 million.
(g)	**Tenure of issue/sukuk programme**	**<u>Programme Tenure</u>** The IMTN Programme shall have a tenure of ten (10) years from the date of first issuance of the Sukuk Musharakah. The first issue of the Sukuk Musharakah shall be made within two (2) years from the date of approval by the SC. **<u>Issue Tenure</u>** The tenure of the Sukuk Musharakah shall be more than one (1) year and up to ten (10) years as may be determined by the Issuer and the JLMs, provided always that the maturity of the Sukuk Musharakah shall not exceed the tenure of the IMTN Programme.
(h)	**Availability period of sukuk programme**	The period commencing from the date of completion of documentation and, unless waived by the JLMs, compliance of all conditions precedent and other applicable conditions to the satisfaction of the JLMs provided always that the Sukuk Musharakah shall mature prior to the expiry of the IMTN Programme.
(i)	**Profit/coupon/rental rate**	The Sukuk Musharakah may be issued with or without Periodic Distributions. For Sukuk Musharakah with Periodic Distributions, such Periodic Distributions shall be at a rate as may be agreed between the Issuer and the JLMs ("**Periodic Distribution Rate**"). The Periodic Distribution Rate (if any) shall be determined at the point of each issuance. For Sukuk Musharakah without Periodic Distributions, this item is not applicable.
(j)	**Profit/coupon/rental payment frequency**	For Sukuk Musharakah with Periodic Distributions, payable semi-annually or such other period to be agreed between the Issuer and the JLMs in arrears from the date of issue of the Sukuk Musharakah with the last periodic distribution to be made on the relevant Maturity Dates ("**Periodic Distribution Dates**"). For Sukuk Musharakah without Periodic Distributions, this item is not applicable.
(k)	**Profit/coupon/rental payment basis**	For Sukuk Musharakah with Periodic Distributions, actual/365 days. For Sukuk Musharakah without Periodic Distributions, this item is not applicable.
(l)	**Security/collateral, where applicable**	Unsecured.
(m)	**Details on utilisation of proceeds by issuer/obligor**	To finance BKB's and its group of companies' ("**BKB Group**") Shariah-compliant investments, general corporate purposes and working capital requirements. Capital

		expenditures may include but are not limited to the acquisition of new plant, machinery and equipment, and improvements to real properties which are Shariah compliant. For the avoidance of doubt, the proceeds from the IMTN Programme shall only be utilised for Shariah-compliant purposes.
(n)	**Sinking fund and designated accounts, where applicable**	Not applicable.
(o)	**Rating**	
	Credit ratings assigned and whether the rating is final or indicative	The IMTN Programme has been assigned an indicative long term rating of AA_1.
	Name of credit rating agencies	RAM Rating Services Berhad ("**RAM**").
(p)	**Mode of issue**	Via direct placement on a best effort basis or via bought deal basis or book running on a best effort basis, each as elaborated below. The Sukuk Musharakah could be placed directly via the JLMs on a best effort basis or via bought deal basis to selected investors at a yield to be agreed between the Issuer and the investors. The Sukuk Musharakah can also be placed out on a book running basis by the JLMs on a best effort basis. Such direct placement and/or book running shall be subject to terms and conditions to be agreed between the Issuer and the JLMs. Issuance of the Sukuk Musharakah under the IMTN Programme shall be in accordance with the (1) the Participation and Operation Rules for Payment Securities Services ("**MyClear Rules**") issued by Malaysian Electronic Clearing Corporation Sdn Bhd ("**MyClear**") and (2) the Operational Procedures for Securities Services issued by MyClear ("**MyClear Procedures**"), as amended or substituted from time to time (collectively, "**MyClear Rules and Procedures**"), subject to such variation, amendments or exemptions (if any) from time to time.
(q)	**Selling restriction including tradability, i.e. whether tradable or non-tradable**	<u>Selling Restrictions at issuance</u> The Sukuk Musharakah shall not be offered, sold, transferred or otherwise disposed, directly or indirectly other than to persons falling within any of the categories of persons or in the circumstances specified under: (i) Schedule 6 (or Section 229(1)(b)); and (ii) Schedule 7 (or Section 230(1)(b)); read together with (iii) Schedule 9 (or Section 257(3)), of the Capital Markets and Services Act, 2007, as

amended from time to time ("**CMSA**").

Selling Restrictions after issuance

The Sukuk Musharakah shall not be offered, sold, transferred or otherwise disposed of, directly or indirectly, other than to persons falling within any of the categories of persons or in the circumstances specified under:

(i) Schedule 6 (or Section 229(1)(b)); read together with
(ii) Schedule 9 (or Section 257(3)),

of the CMSA.

Tradability

Tradable, subject to the selling restrictions above.

(r)	**Listing status and types of listing, where applicable**	The Sukuk Musharakah will not be listed on Bursa Malaysia Securities Berhad or any other stock exchange.
(s)	**Other regulatory approvals required in relation to the issue, offer or invitation to subscribe or purchase sukuk, and whether or not obtained**	None.
(t)	**Conditions precedent**	Usual and customary conditions precedent for a facility of such nature, which shall include but not limited to the following:

A. Main Documentation

Satisfactory completion and execution of the Transaction Documents (as defined in paragraph (y)(i)) and, where applicable, duly endorsed as exempted under the Stamp Duty (Exemption) (No. 23) Order 2000 and presented for registration (where applicable).

B. The Issuer

Receipt from the Issuer of:

(i) Certified true copies and satisfactory review by the Legal Counsel of the Issuer's Certificate of Incorporation and the Memorandum and Articles of Association of the Issuer;

(ii) Certified true copies of the Forms 24, 44 and 49 of the Issuer;

(iii) Certified true copies of the board resolution of the Issuer authorising, among others, the issuance of the Sukuk Musharakah and the execution of the Transaction Documents (as herein defined);

(iv) A list of the Issuer's authorised signatories and their respective specimen signatures who will sign all Transaction Documents and will thereafter be giving notices in relation to the Sukuk Musharakah;

(v) A report on the relevant company search of the Issuer; and

(vi) A report on the relevant winding up search conducted on the Issuer with confirmation from the Department of Insolvency Malaysia that the Issuer has not been wound up.

C. General

(i) Evidence that the approval from the SC in respect of the IMTN Programme has been obtained;

(ii) Evidence that the IMTN Programme has received a minimum long term rating of AA_1 from RAM;

(iii) Receipt of satisfactory legal opinion from the Legal Counsel advising with respect to, among others, the legality, validity and enforceability of the Transaction Documents and that all the conditions precedents in relation to the Transaction Documents have been duly fulfilled;

(iv) Evidence of confirmation from the Joint Shariah Advisers that the structure and mechanism together with the Transaction Documents of the IMTN Programme are in compliance with Shariah;

(v) Evidence that all fees, costs and expenses in relation to the IMTN Programme have been paid in full to the extent that the same are due and payable before the issuance; and

(vi) Any other conditions precedent as set out in the relevant Transaction Documents and as may be stipulated by the JLMs and/or the Legal Counsel of the JLMs.

Conditions precedent for subsequent issuance(s) of the Sukuk Musharakah:

(i) Evidence that the rating of the IMTN Programme has been maintained at AA_1, based on the latest prevailing rating available from RAM;

(ii) Issuer's certification that it is in compliance with all Representations and Warranties and Covenants under the Transaction Documents;

(iii) No Dissolution Event has occurred or shall occur if the relevant issuance is made;

(iv) Evidence of confirmation from the Joint Shariah Advisers that the issuance of the Sukuk Musharakah and the Assets are Shariah-compliant; and

(v) Any other conditions as advised by the Legal Counsel of the JLMs.

(u)	**Representations and warranties**	Including but not limited to the following: (i) The Issuer is a company duly incorporated and existing under Malaysian law and has the power and authority to enter into the business in which it is engaged and to own its property and assets, and has full beneficial ownership of all its property and assets; (ii) The Memorandum and Articles of Association of the Issuer incorporate provisions which authorise, and all necessary corporate and other relevant actions have been taken to authorise, and all relevant consents and approvals of any administrative, governmental or other authority or body in Malaysia have been duly obtained and are in full force and effect which are required to authorise the Issuer to execute and deliver and perform the transactions contemplated in the Transaction Documents in accordance with their terms; (iii) All necessary actions, authorisations and consents required under the Transaction Documents by the Issuer have been taken, fulfilled and obtained and remain in full force and effect; (iv) Neither the execution and delivery of any of the Transaction Documents nor the performance of any of the transactions contemplated by the Transaction Documents did or does as at the date of this representation and warranty is made or repeated (a) contravene or constitute a default under any provision contained in any agreement, instrument, law, ordinance, decree, judgment, order, rule, regulation, licence, permit or consent by which the Issuer or any of its assets is bound or which is applicable to the Issuer or any of its assets, (b) cause any limitation on the Issuer or the powers of its directors, whether imposed by or contained in its Memorandum and Articles of Association or in any agreement, instrument, law, ordinance, decree, order, rule, regulation, judgment or otherwise, to be exceeded, or (c) cause the creation or imposition of any security interest or restriction of any nature on any of the Issuer's assets; (v) The Transaction Documents are or will when executed be in full force and effect and constitute valid, binding and enforceable obligations of the Issuer in accordance with its terms; (vi) The Issuer's audited financial statements will be and are prepared in accordance with approved accounting principles and standards in Malaysia and fairly represent its financial position as at the date of the financial statements; (vii) No Dissolution Event has occurred and there is no encumbrance on the assets of the Issuer except as permitted under the Transaction Documents; (viii) There is no litigation or arbitration that will materially and adversely affect the ability of the Issuer to perform its obligations under the Transaction

Documents to which it is a party save as disclosed;

(ix) Neither the Issuer nor any of its assets are entitled to immunity from process, execution, attachment or legal process;

(x) The Issuer is in compliance and will comply with any applicable laws and regulations; and

(xi) Any other representations and warranties as advised by the Legal Counsel of the JLMs and to be mutually agreed between the JLMs and the Issuer.

(v)	**Events of default, dissolution events and enforcement event, where applicable**	The dissolution events ("**Dissolution Events**") shall include but not limited to the following:

(i) Non-Payment: the Issuer fails to pay any amount due from it under the Sukuk Musharakah or any of the Transaction Documents on the due date or, if so payable, on demand;

(ii) Misrepresentation: any representation, warranty or statement which is made or given by the Issuer under the Information Memorandum and Transaction Documents or which is contained in any specific certificate, document or statement furnished at any time pursuant to the terms of the Transaction Documents proves to be incorrect or misleading in any material respect on or as of the date made or given or deemed made or given, and in the case of representations which are repeated, or deemed repeated, such representation is similarly incorrect or misleading in any material respect when repeated or deemed repeated;

(iii) Breach of Obligations: the Issuer fails to observe or perform its obligations under any of the Transaction Documents or under any undertaking or arrangement entered into in connection therewith other than the obligation of the type referred to in paragraph (i) above, and in the case of a failure which in the opinion of the Sukuk Trustee is capable of being remedied, the Issuer does not remedy the failure within a period of thirty (30) days after the Issuer becomes aware or having been notified by the Sukuk Trustee of the failure;

(iv) Breach of Existing Contractual Obligations: there has been a breach by the Issuer of any obligation under any of the Issuer's existing contractual obligations which may materially and adversely affect the Issuer's ability to perform its obligations under the Transaction Documents and, if in the opinion of the Sukuk Trustee is capable of being remedied, the Issuer does not remedy the breach within a period of thirty (30) days after the Issuer becomes aware or having been notified by the Sukuk Trustee of the breach;

(v) Cross-Default: any indebtedness for borrowed moneys (including arising under Islamic financing) of the Issuer becomes due or payable or capable of being declared due or payable prior to its stated maturity or where the security created for any indebtedness becomes enforceable or any guarantee or similar obligations of the Issuer is not discharged at maturity or when called and such declaration of indebtedness being due or payable or such call on the guarantee or similar obligations is not discharged or disputed in good faith by the Issuer in a court of competent jurisdiction within thirty (30) days from the date of such declaration or call, or the Issuer goes into default under, or commits a breach of, any agreement or instrument relating to any such indebtedness, guarantee or other obligations, or any security created to secure such indebtedness becomes enforceable;

(vi) Invalidity: any provision of the Transaction Documents becomes, for any reason, invalid, illegal, void, voidable or unenforceable;

(vii) Appointment of Receiver, Legal Process: an encumbrancer takes possession of, or a trustee, receiver, receiver and manager or similar officer is appointed in respect of the whole or substantial part of the business or assets of the Issuer, or distress, legal process, sequestration or any form of execution is levied or enforced or sued out against the Issuer which may have a Material Adverse Effect on the Issuer or any security interest which may for the time being affect any of its assets becomes enforceable;

For the purposes of these principal terms and conditions:

(1) "**substantial**" shall mean such value equivalent to or more than 5% of the BKB Group's net tangible assets as reflected in its latest consolidated annual audited financial statements; and

(2) "**Material Adverse Effect**" shall mean any material adverse effect on the business or condition (financial or otherwise) or results of the operations of the Issuer and/or the BKB Group or the occurrence of an event which may materially and adversely affect the ability of the Issuer to perform any of its obligations under any of the Transaction Documents.

(viii) Judgment Passed: the Issuer fails to satisfy any judgment passed against it by any court of competent jurisdiction and no action has been taken in good faith to set aside or to appeal against such judgment or no application for stay of execution has been made to any appropriate appellate court within the time prescribed by law or such appeal or application for stay of execution by the Issuer has been dismissed by a final court of competent jurisdiction;

(ix) Composition: the Issuer convenes a meeting of its creditors or proposes or makes any arrangement including any scheme of arrangement or composition or begins negotiations with its creditors, or takes any proceedings or other steps, with a view to a rescheduling or deferral of all or any part of its indebtedness or a moratorium is agreed or declared by a court of competent jurisdiction in respect of or affecting all or any part of its indebtedness or any assignment for the benefit of its creditors (other than for the purposes of and followed by a reconstruction previously approved in writing by the Sukuk Trustee, unless during or following such reconstruction the Issuer becomes or is declared to be insolvent) or where a scheme of arrangement under section 176 of the Companies Act 1965 has been instituted against the Issuer;

(x) Winding up: any step is taken for the winding up, dissolution or liquidation of the Issuer or a resolution is passed for the winding up of the Issuer or a petition for winding up is presented against the Issuer and the Issuer has not taken any action in good faith to set aside such petition within thirty (30) days from the date of service of such winding up petition or a winding up order has been made against the Issuer ;

(xi) Assets: any of the assets, undertakings, rights or revenue of the Issuer are seized, nationalised, expropriated or compulsorily acquired by or under the authority of any governmental body which in the opinion of the Sukuk Trustee may have a Material Adverse Effect;

(xii) Cessation/Change of Business: the Issuer changes or threatens to change the nature or scope of a substantial part of its business, or suspends or threatens to suspend, or cease or threatens to cease the operation of a substantial part of its business which it now conducts directly or indirectly and such change or suspension or cessation in the opinion of the Sukuk Trustee will have a Material Adverse Effect;

(xiii) Revocation of Licenses and Approvals: where there is a revocation, withholding or modification of any license, authorisation, approval or consent which in the opinion of the Sukuk Trustee may materially and adversely impair or prejudice the ability of the Issuer to comply with the terms and conditions of the Sukuk Musharakah or the Transaction Documents;

(xiv) Inability to Pay Debts: the Issuer is deemed unable to pay any of its debts or becomes unable to pay any of its debts as they fall due or suspend or threaten to suspend making payments with respect to all or any class of its debts;

(xv) Exercise of Contractual Right over Financial Management: any creditor of the Issuer exercises a contractual right to take over the financial management of the Issuer and such event in the opinion of the Sukuk Trustee may have a Material Adverse Effect;

(xvi) Repudiation: the Issuer repudiates any of the Transaction Documents or the Issuer does or causes to be done any act or thing evidencing an intention to repudiate any of the Transaction Documents;

(xvii) Shareholding in Kuala Lumpur Kepong Berhad ("**KLK**") and Board Representation in KLK: BKB ceases to be the single largest shareholder of KLK or BKB ceases to maintain more than half of the board representation in KLK;

(xviii) Material Adverse Events: any event or events has or have occurred or a situation exists which in the opinion of the Sukuk Trustee may have a Material Adverse Effect and in the case of the occurrence of such event or situation which in the opinion of the Sukuk Trustee is capable of being remedied, the Issuer does not remedy it within a period of thirty (30) days after the Issuer became aware or having been notified by the Sukuk Trustee of the event or situation; or

(xix) any other events as advised by the Legal Counsel of the JLMs and to be mutually agreed between the JLMs and the Issuer.

If any of the above occurs, the Sukuk Trustee may, or if instructed in writing by the Sukukholders, shall, declare (by giving notice to the Issuer) that a Dissolution Event has occurred and the Sukuk Trustee is entitled to enforce its rights under the Transaction Documents, including requiring the Obligor as stipulated under the Purchase Undertaking to purchase the relevant Sukukholders' undivided proportionate interest in the Musharakah Venture by entering into a Sale Agreement and pay the Exercise Price.

(w) Covenants

(i) Financial Covenant

The Issuer shall maintain the following financial covenant throughout the tenure of the IMTN Programme:

(a) Debt to Equity Ratio of not more than one (1) time; and

(b) such other financial covenants as may be determined by the Rating Agency and mutually agreed with the Issuer.

Debt to Equity Ratio ("**D:E Ratio**")

The D:E Ratio is the ratio of indebtedness of the BKB Group represented by:

(1) all principal amounts outstanding under the IMTN Programme; and

(2) all other indebtedness for borrowed moneys (be it actual or contingent), hire purchase obligations, finance lease obligations, net exposure determined on a marked to market basis under any derivative

instrument (but excluding forward contracts entered into in the ordinary course of business which are trade in nature) and obligations/contingent liabilities under guarantees/call or put options of the BKB Group. For the avoidance of doubt, indebtedness shall also include Shariah-compliant financing;

to the consolidated shareholders' funds of the BKB Group including, if any, preference equity, subordinated shareholders' advances/loans, minority interests of the BKB Group (if any), irredeemable convertible unsecured loan stocks of the BKB Group (if any) and retained earnings/losses.

The D:E Ratio shall be calculated for each financial year during the tenure of the IMTN Programme based on the latest annual audited consolidated financial statements of the BKB Group. On an annual basis and as and when required under Item (vi) of the Negative Covenants clause, the Issuer's external auditor shall compare the amounts of the components used in the calculation of the D:E Ratio to the audited consolidated financial statements and/or other supporting documents, check the arithmetic accuracy of the calculation and report the factual findings resulting from the aforementioned procedures to the Board of Directors of the Issuer solely for the purpose stated in this clause. The external auditor shall perform the procedures in accordance with Approved Standards on Related Services in Malaysia, ISRS 4400 *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information.* The Issuer shall arrange for the external auditor's report to be forwarded to the Sukuk Trustee and the Rating Agency. For the avoidance of doubt, any double counting shall be disregarded.

(ii) Information Covenants

To include but not limited to the following:

(i) the Issuer shall provide to the Sukuk Trustee at least on an annual basis, a certificate confirming that it has complied with all its obligations under the Transaction Documents and the terms and conditions of the IMTN Programme and that there does not exist or had not existed, from the date the Sukuk Musharakah was issued, any Dissolution Event, and if such is not the case, to specify the same;

(ii) the Issuer shall deliver to the Sukuk Trustee the following:

(a) as soon as they become available (and in any event within one hundred and eighty (180) days after the end of each of its financial year), copies of its consolidated financial statements for that year which shall contain the income statements and balance sheets of the Issuer and which are audited and certified without qualification by a firm of independent certified public accountants acceptable to the Sukuk Trustee;

(b) within ninety (90) days after the end of the first half of its financial year, copies of its unaudited half yearly financial statements for that period which are duly certified by any one of its directors;

(c) promptly, such additional financial or other information relating to the Issuer's business and its operations as the Sukuk Trustee may from time to time reasonably request; and

(d) promptly, all notices or other documents received by the Issuer from any of its shareholders or its creditors which contents would materially and adversely affect the interests of the Sukukholders, and a copy of all documents dispatched by the Issuer to its shareholders (or any class of them) in their capacity as shareholders or its creditors generally at the same time as these documents are dispatched to these shareholders or creditors.

(iii) the Issuer shall promptly notify the Sukuk Trustee of any change in its condition (financial or otherwise) and of any litigation or other proceedings of any nature whatsoever being threatened or initiated against the Issuer before any court or tribunal or administrative agency which may materially and adversely affect the ability of the Issuer to perform any of its obligations under any of the Transaction Documents;

(iv) the Issuer shall promptly give notice to the Sukuk Trustee of the occurrence of any Dissolution Event or potential Dissolution Event, and it shall take all reasonable steps and/or such other steps as may reasonably be requested by the Sukuk Trustee to remedy and/or mitigate the effect of the Dissolution Event or the potential Dissolution Event;

(v) the Issuer shall promptly give notice to the Sukuk Trustee of any amendments, variations, terminations, replacements or supplements of any of the Transaction Documents; and

(vi) any other covenants as advised by the Legal Counsel of the JLMs and to be mutually agreed between the JLMs and the Issuer.

(iii) Positive Covenants

To include but not limited to the following:

(i) the Issuer shall maintain in full force and effect all relevant authorisations, consents, rights, licences, approvals and permits (governmental and otherwise) and will promptly obtain any further authorisations, consents, rights, licences, approvals and permits (governmental and otherwise) which is or may become necessary to enable the Issuer to own its assets, to carry on its business or for the Issuer to enter into or perform its obligations under the Transaction Documents or to ensure the validity, enforceability, admissibility in evidence of the obligations of the Issuer or the priority or rights of the Sukukholders and the Issuer shall comply with the same;

(ii) the Issuer shall at all times on demand execute all such further documents and do all such further acts reasonably necessary at any time or times to give further effect to the terms and conditions of the Transaction Documents;

(iii) the Issuer shall exercise reasonable diligence in carrying out its business and affairs in a proper and efficient manner and in accordance with sound financial and commercial standards and practices of the industry;

(iv) the Issuer shall promptly perform and carry out all its obligations under the Transaction Documents (including but not limited to redeeming the Sukuk Musharakah on the relevant Maturity Date(s) or any other date on which the Sukuk Musharakah are due and payable) and ensure that it shall immediately notify the Sukuk Trustee in the event that the Issuer is unable to fulfil or comply with any of the provisions of the Transaction Documents;

(v) the Issuer shall prepare its financial statements on a basis consistently applied in accordance with approved accounting standards in Malaysia and those financial statements shall give a true and fair view of the results of the operations of the Issuer for the period to which the financial statements are made up and shall disclose or provide against all liabilities (actual or contingent) of the Issuer;

(vi) the Issuer shall promptly comply with all applicable laws including provisions of the CMSA and/or the notes, circulars, conditions or guidelines issued by SC, BNM and any other relevant regulatory authorities from time to time;

(vii) the Issuer will maintain adequate Takaful/insurance necessary for the business of its nature with reputable Takaful provider/insurance companies and shall notify the Sukuk Trustee of any claim or right of action under any Takaful/insurances in excess of RM10,000,000.00;

(viii) the Issuer shall provide the Sukuk Trustee, Facility Agent and their representatives reasonable access to and inspection of all relevant Transaction Documents and books; and

(ix) any other covenants as advised by the Legal Counsel of the JLMs and to be mutually agreed between the JLMs and the Issuer.

(iv) Negative Covenants

To include but not limited to the following:

(i) Assets: the Issuer shall not dispose of assets (i) in excess of 10% of its net tangible assets (as reflected in the BKB Group's latest annual audited consolidated financial statement) in any financial year; or (ii) where such disposal would materially and adversely affect its business operations, save and except for disposals which occur in the ordinary course of business of the Issuer and/or due to obsolescence;

(ii) Negative Pledge: the Issuer shall not create or permit to exist any encumbrance, mortgage, charge (whether fixed or floating), pledge, lien, hypothecation, assignment by way of security, trust arrangement for the purposes of providing security or other security interest of any kind including, without limitation, title transfer and/or retention arrangements having a similar effect or any agreement to create any of the foregoing, but excluding liens arising in the ordinary course of business by operation of law and not by way of contract;

(iii) Loans and Advances: the Issuer shall not obtain or permit to exist any loans or advances from its shareholders or associated companies unless these loans and advances are subordinated to the Sukuk Musharakah;

(iv) Memorandum and Articles of Association: the Issuer shall not add to, delete, vary or amend its Memorandum and/or Articles of Association in a manner inconsistent with the provisions of the Transaction Documents or which may be materially prejudicial to the interests of the Sukukholders;

(v) Share Capital: the Issuer shall not reduce its authorised and issued paid-up capital;

(vi) Dividends: the Issuer shall not declare or pay any dividend or make any distributions whether income or capital in nature to its shareholders, unless the following conditions are met:

(a) the financial covenant and all obligations in relation to the IMTN Programme are complied with before and after such dividend payments; and

(b) no Dissolution Event has occurred and is occurring.

(vii) Dissolution: the Issuer shall not dissolve its business or operations or consolidate with or merge with any other person, or transfer all or substantially all its assets to another entity which would have a Material Adverse Effect;

(viii) Surrender Rights: the Issuer shall not surrender, transfer, assign, relinquish or otherwise dispose of any of its rights and interest under the Transaction Documents;

(ix) Takaful/Insurance: the Issuer shall not do or suffer to be done any act, matter or thing whereby any Takaful/insurance may be rendered void, voidable or incapable of being effected, maintained or renewed;

(x) Financing/Loans: the Issuer shall not provide financing/lend any money to any party other than (i) to the Issuer's directors, officers or employees as part of their terms of employment; or (ii) to the Issuer's subsidiaries provided that all the conditions under item (xi) of the Negative Covenants clause are met;

(xi) Related Party Transactions: the Issuer shall not enter into any agreement with its shareholders, directors, subsidiaries or associated companies unless such agreement is entered into:

(a) in the ordinary course of its business;

(b) on an arm's length basis or on terms which are no less favourable to the Issuer than in a comparable transaction with persons who are not its shareholders, directors, subsidiaries or associated companies; and

(c) will not have a Material Adverse Effect;

(xii) Other businesses: the Issuer shall not carry on any business other than its authorised businesses in accordance with its Memorandum and Articles of Association;

(xiii) Utilisation: the Issuer shall not use the proceeds of the IMTN Programme except for the purposes set out in these principal terms and conditions; and

(xiv) any other covenants as advised by the Legal Counsel of the JLMs and to be mutually agreed between the JLMs and the Issuer.

(x) Provisions on buy-back and early redemption of sukuk

Buybank
The Issuer or any of its subsidiaries may at any time purchase the Sukuk Musharakah at any price in the open market or by private treaty, but these purchased Sukuk Musharakah shall be cancelled and cannot be reissued.

Early redemption
Not applicable.

(y) Other principal terms and conditions for the proposal

(i) Transaction Documents

Include but not limited to the following :

(i) Trust Deed;

(ii) Programme Agreement;

(iii) Musharakah Agreement;

(iv) Purchase Undertaking;

(v) Management Agreement;

(vi) Substitution Agreement;

(vii) Exchange Agreement; and

(viii) all other documents of whatsoever nature executed or to be executed in connection with or pursuant to any of the above documents or otherwise in connection with the IMTN Programme.

(ii)	**Status**	The Sukuk Musharakah issued under the IMTN Programme shall constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuer and shall at all times rank pari passu, without discrimination, preference, priority amongst themselves and at least paripassu with all other present and future unsecured and unsubordinated obligations of the Issuer, subject to those preferred by law.
(iii)	**Redemption**	Unless previously purchased and cancelled, the Sukuk Musharakah shall be redeemed in full at their respective nominal value on the Maturity Date.
(iv)	**Taxation**	All payments by the Issuer shall be made without withholding or deductions for or on account of any present or future taxes, duties or charges of whatsoever nature imposed or levied by or on behalf of Malaysia or any authority thereof or therein having power to tax, and no additional amounts shall be required to be paid by the Issuer in respect of such deduction or withholding.
(v)	**Purchase Undertaking**	BKB (as "**Obligor**") shall enter into a Purchase Undertaking pursuant to which the Obligor shall undertake to the Sukuk Trustee (for the benefit of the Sukukholders) to purchase the relevant Sukukholders' undivided proportionate interest in the Musharakah Venture by entering into a Sale Agreement for such purchase, on the earlier of: (a) the Maturity Date; or (b) declaration of a Dissolution Event, of the relevant Sukuk Musharakah at the relevant Exercise Price and such Sukuk Musharakah held by the Sukukholders shall be cancelled.
(vi)	**Exercise Price**	In relation to the Purchase Undertaking, the Exercise Price shall be calculated as follows: i. <u>On Maturity Date</u> (i) For Sukuk Musharakah with Periodic Distributions: Exercise Price = Musharakah Capital plus the Expected Return less aggregate Periodic Distributions paid. (ii) For Sukuk Musharakah without Periodic Distributions: Exercise Price = Musharakah Capital plus the Expected Return less One-Off Distribution paid. ii. <u>On declaration of a Dissolution Event</u> (i) For Sukuk Musharakah with Periodic Distributions: Exercise Price = Musharakah Capital plus the

Expected Return less aggregate Periodic Distributions paid. For the avoidance of doubt, the Exercise Price shall be adjusted to be equivalent to the nominal value plus accrued but unpaid Periodic Distributions (if any) up to the date of declaration of a Dissolution Event and shall be in accordance with the MyClear Rules and Procedures.

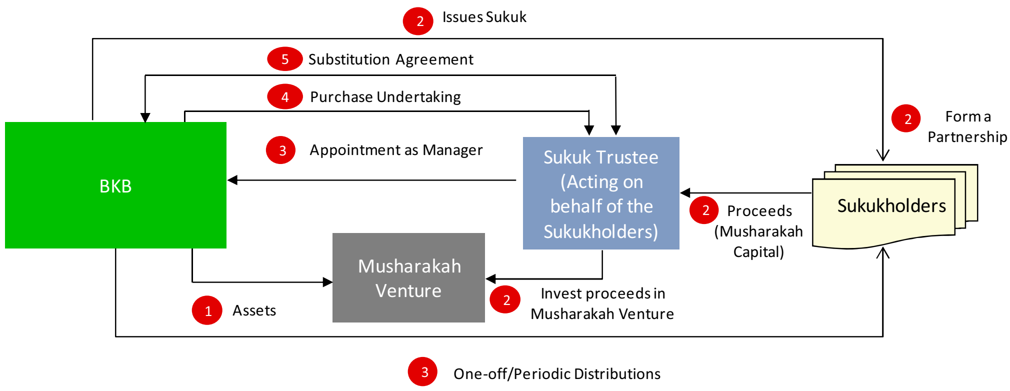
(ii) For Sukuk Musharakah without Periodic Distributions:

Exercise Price = Musharakah Capital plus the Expected Return less One-Off Distribution paid. For the avoidance of doubt, the Exercise Price shall be adjusted to be equivalent to the accreted value up to the date of declaration of a Dissolution Event and shall be in accordance with the MyClear Rules and Procedures.

Any Top-up Payments made will be set-off against the Exercise Price.

(vii)	**Compensation for Late Payment ("Ta'widh")**	In the event of overdue payments of the Exercise Price, the Issuer shall pay to the Sukukholders compensation (Ta'widh) on such overdue amounts at the rate and manner prescribed by SC's SAC from time to time in accordance with Shariah.
(viii)	**Trustees' Reimbursement Account for Sukukholders' Actions**	The Issuer shall set up a "Trustees' Reimbursement Account for Sukukholders' Actions" ("**Account**") with a sum of RM30,000.00 and which shall be maintained at all times throughout the tenure of the IMTN Programme. The Account shall be operated by the Sukuk Trustee and the monies shall only be used strictly by the Sukuk Trustee in carrying out its duties upon the occurrence of a Dissolution Event or enforcement events as provided in the relevant Transaction Documents.
(ix)	**Other Conditions**	The Sukuk Musharakah issued under the IMTN Programme shall at all times be governed by the guidelines issued and to be issued from time to time by the SC and/or BNM having jurisdiction over matters pertaining to the Sukuk Musharakah and the MyClear Rules and Procedures.
(x)	**No Payment of Interest**	For the avoidance of doubt and notwithstanding any other provision to the contrary herein, it is hereby agreed and declared that nothing in this principal terms and conditions and the Transaction Documents shall oblige or entitle any party nor shall any party pay or receive or recover interest on any amount due or payable to another party pursuant to the principal terms and conditions or the Transaction Documents and the parties hereby expressly waive and reject any entitlement to recover such interest.
(xi)	**Governing Laws**	Laws of Malaysia.

Appendix A



Step 1	In respect of each issuance of Sukuk Musharakah under the IMTN Programme, BKB will identify Shariah-compliant shares owned by BKB or other Shariah-compliant assets ("**Assets**") to be the underlying asset for the Musharakah transaction. The Assets shall be approved by the Joint Shariah Advisers. If Shariah-compliant shares ("**Shares**") are used as the Assets for the Musharakah transaction, these Shares shall be reviewed by the Joint Shariah Advisers annually based on the SC's SAC's screening methodology.
Step 2	The holders of the Sukuk Musharakah ("**Sukukholders**") shall, from time to time, form a Musharakah venture amongst themselves, which is a partnership amongst the Sukukholders, to invest in the Assets ("**Musharakah Venture**") via the subscription of the Sukuk Musharakah to be issued by BKB. There will be at least two (2) investors for each Sukuk Musharakah issuance. BKB will issue Sukuk Musharakah to the Sukukholders and the proceeds received from the Sukukholders arising from the subscription of the Sukuk Musharakah ("**Musharakah Capital**") shall be invested in the Musharakah Venture. BKB shall make a declaration that it holds the Assets on trust for the benefit of the Sukukholders. The Sukuk Musharakah shall represent the Sukukholders' undivided proportionate interest in the Musharakah Venture.

Step 3	The expected return to the Sukukholders under the Musharakah Venture shall be the yield of the respective Sukuk Musharakah up to the relevant Maturity Date (as defined below) or the date of declaration of a Dissolution Event (as defined herein) ("**Expected Return**"). Any income derived from the Musharakah Venture will be distributed proportionately to the Sukukholders' respective holding of the Sukuk Musharakah. Any losses from the Musharakah Venture shall be borne by each Sukukholder in proportion to its respective capital contribution in the Musharakah Venture. The Sukuk Trustee, acting on behalf of the Sukukholders shall appoint BKB as the manager ("**Manager**") for the Musharakah Venture via a management agreement ("**Management Agreement**"). The Sukukholders shall agree that any excess income above the Expected Return shall be retained by the Manager as an incentive fee. In respect of Sukuk Musharakah with Periodic Distributions (as defined hereunder), income derived from the Musharakah Venture of up to an amount equivalent to a certain percentage of the face value of the Sukuk Musharakah per annum, calculated on the basis of the actual number of days in the relevant period ("**Expected Periodic Distribution**") shall be distributed periodically in the form of periodic distribution ("**Periodic Distribution**") to the Sukukholders. In the event of any shortfall between the Expected Periodic Distribution and the actual income derived from the Musharakah Venture for such relevant period, BKB shall make top-up payments ("**Top-up Payments**") to make good the shortfall. The Top-up Payments will be set-off against the Exercise Price (as defined below) pursuant to the exercise of the Purchase Undertaking (as defined hereunder). In respect of Sukuk Musharakah without Periodic Distributions, income derived from the Musharakah Venture of up to the Expected Return shall be distributed on a one-off basis upon the Maturity Date or date of declaration of a Dissolution Event ("**One-off Distribution**"), whichever is the earlier. In the event of any shortfall between the One-off Distribution and the actual income derived from the Musharakah Venture for such relevant period, BKB shall make Top-up Payments to make good the shortfall. The Top-up Payments will be set-off against the Exercise Price pursuant to the exercise of the Purchase Undertaking.
Step 4	Pursuant to a purchase undertaking *("***Purchase Undertaking***")*, BKB, as obligor ("**Obligor**") will undertake to the Sukuk Trustee (acting on behalf of Sukukholders) to purchase the Sukukholders' undivided proportionate interest in the Musharakah Venture at a predetermined price ("**Exercise Price**") upon the maturity date of the Sukuk Musharakah ("**Maturity Date**") or date of declaration of a Dissolution Event, whichever is the earlier.
Step 5	Pursuant to a substitution agreement ("**Substitution Agreement**") entered into between BKB and the Sukukholders for the substitution of the Assets with other qualified assets approved by the Joint Shariah Advisers ("**Replacement Assets**"), BKB shall enter into an exchange agreement ("**Exchange Agreement**") with the Sukuk Trustee under the following events: (i) pursuant to the substitution undertaking ("**Substitution Undertaking**") by BKB (as Obligor) in favour of the Sukuk Trustee (on behalf of the Sukukholders) and if Shares are used as the Assets for the Musharakah transaction, BKB as Obligor will undertake to the Sukuk Trustee (acting on behalf of the Sukukholders) to substitute the Shares which are no longer Shariah-compliant ("**Affected Shares**") with Replacement Assets; or (ii) pursuant to the exchange undertaking ("**Exchange Undertaking**") by the Sukuk Trustee (on behalf of the Sukukholders) in favour of BKB (as

Manager), at anytime during the tenure of the Sukuk Musharakah, BKB shall have the right to require the Sukuk Trustee to transfer the Assets ("**Exchanged Assets**") to BKB in consideration for the transfer by BKB of Replacement Assets to the Sukuk Trustee.

The Replacement Assets shall be subject to the prior approval of the Joint Shariah Advisers and the value must be at least equivalent to the value of the Exchanged Assets or the Affected Shares, whichever is applicable.

SECTION 3.0 BACKGROUND INFORMATION ON BATU KAWAN BERHAD

3.1 Corporate History

The Issuer is a public company limited by shares incorporated in Malaysia under the Companies Act, 1965 as Batu Kawan Berhad on 9 December 1965. The registered office of the Issuer is located at Wisma Taiko, No.1 Jalan S.P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan. On 12 October 1971, the Issuer was listed on the then Stock Exchange of Malaysia and Singapore (now on the Main Market of Bursa Malaysia).

The Issuer is an investment holding company. Its subsidiaries and associated companies are involved in the business of plantations, chemicals manufacturing, investment holding, general transportation services and property investment.

3.2 Issuer's Operations

The Issuer commenced operations as a plantation company when it took over the assets and liabilities of its predecessor company, Batu Kawan Rubber and Coconuts Plantations Ltd in 1971 under a scheme of reconstruction.

From its core plantations business, the Company has over the years diversified into subsidiaries and investments in companies that manufacture basic chemicals, bleaching earth, latex examination gloves and rubber wood parquet and into stockbroking. Except for its basic chemicals and plantation businesses, the Company has since disposed and exited all these subsidiaries and investments.

In 1992, the Company sold all its plantations assets to KLK, a major associate, in exchange for shares. KLK is the Company's largest investment in which it currently owns approximately 46.57% equity stake as at 30 April 2013.

At present, Batu Kawan Berhad is involved in plantations mainly through KLK, in the manufacture of chlor-alkali and sulphuric acid products and general transportation services through its subsidiaries, Malay-Sino Chemical Industries Sdn Bhd's group and See Sen Chemical Berhad, and in investment holding. Through its wholly-owned subsidiary, Batu Kawan Holdings Sdn Bhd, the Company is also involved in letting out office space of its commercial building, Menara KLK (previously known as Menara Batu Kawan), located in Mutiara Damansara, Petaling Jaya.

3.2.1 Main Associate – KLK

The KLK Group is a global plantations and resource based manufacturing group with a market capitalisation of approximately RM23.0 billion[1] as at 30 April 2013. Although plantations remain as the KLK Group's core business, over the years KLK has integrated a sizeable downstream oleochemicals business to add value to its upstream operations. The KLK Group has also ventured into property development to further enhance the value of its land bank where its plantations are strategically located along potential population and commercial growth areas in Malaysia.

The principal activities of the KLK Group comprise the following:

- cultivation of oil palm and rubber for the production and processing of palm products and natural rubber products;
- resource based manufacturing, which includes manufacturing of oleochemicals; and
- property development of mixed residential and commercial developments in Sungai Buloh.

[1] Based on the closing share price of RM21.56 per share.

For FYE2012, the KLK Group posted a pre-tax profit of RM1.56 billion which is 24.5% lower than the previous year. This was due to the KLK Group having to operate in an uninspiring global economic setting, with softer commodity prices and heavy discounts arising from the export duty structure in Indonesia which eroded CPO margins.

a) Plantations

Started as a plantations company more than 100 years ago, plantations (oil palm and rubber) remain the core business activity of the KLK Group. Through various strategic acquisitions and sound management, the KLK Group's plantation land bank now stands at more than 250,000 hectares spread across Malaysia (Peninsular and Sabah) and Indonesia (Belitung Island, Sumatra, central and east Kalimantan). With replantings in Sabah and new plantings in Indonesia progressively brought into harvesting, the annual oil palm crop production is expected to increase rapidly in the years ahead. Processing of the crop into crude palm oil, RBD palm olein and stearin, and palm kernel oil and cake is carried out in mostly KLK owned mills and refineries.

The KLK Group's rubber plantations yield a steady annual production of premium Standardised Malaysian Rubber ("**SMR**") grades and latex concentrate, meeting with the MS ISO 9002 standards (Malaysian Standards, International Organisation for Standardisation.

For the FYE2012, the plantations division of KLK recorded a pre-tax profit of RM1.19 billion or 76.0% of the KLK Group's total profits. Its performance was affected by the weather-induced deterioration in yields and lower average prices achieved for crude palm oil ("**CPO**") and palm kernels.

The average selling price for CPO was RM2,829 per metric tonne ex-mill and RM1,580 per metric tonne ex-mill for palm kernels, which were 4.4% and 26.2% respectively lower compared with 2011 as the effects of price distortions from the export duty structure in Indonesia and weaker fundamentals took their toll. Rubber prices were also depressed due to lower demand and production. The average selling price of rubber was RM12.20 per kilogramme during this period. The KLK Group's fresh fruit bunches ("**FFB**") production fell marginally compared with 2011 as new fields in Indonesia which are coming into maturity compensated for the sharp decline in its Malaysian plantations.

Notwithstanding this, the KLK Group expects its future FFB production to register a healthy growth as its trees are expected to recover from stress. This is further supported by an improved age profile, higher yield from enhanced planting materials and implementation of the KLK Group's yield improvement programmes through best agricultural practices.

On a more positive note, KLK was able to improve its oil extraction rate ("**OER**") to 21.7% from 21.4%. For the new financial year, the KLK Group expects to start operations of 3 new palm oil mills and 3 new refineries in Indonesia. In addition to this, the KLK Group will further commence work on 2 new mills, one each in east and central Kalimantan respectively.

Implementation of favourable value-added projects such as methane capture for energy and enhancing oil recovery using hexane and other solvents will also be continued.

On the sustainability front, KLK Group has completed the Roundtable of Sustainable Palm Oil sustainability certification in Malaysia since 1 April 2013 and is progressing well in meeting its target to achieve the Indonesian Sustainable Palm Oil certifications for all of its operating centres by 2015. Due to market demand, all the Certified Units (Operating Centers) have also carried out parallel certification under the International Sustainability and Carbon Certification i.e. a Sustainability Certification Standard initiated in Germany.

b) Manufacturing

Since the 1990's, the KLK Group had diversified into resource-based manufacturing (predominantly oleochemicals) and vertically integrated both its upstream and downstream oil palm businesses. Its operations have expanded through joint-ventures and acquisitions in Malaysia, the People's Republic of China and Europe, allowing the oleochemical division (i.e. KLK oleochemical division ("**KLK Oleo**")) to venture further downstream into products like methyl ester sulfonate, amines, biodiesel, fine chemicals and surfactants. Nevertheless, KLK Oleo's primary focus remains the strengthening of its competitive advantage in basic oleochemicals such as fatty acids, glycerine, fatty alcohols and esthers. KLK Oleo's global presence also facilitates world class standards in support and servicing of its clientele – which includes many of the world's largest fast-moving consumer goods conglomerates.

Similarly, KLK OLEO recorded a pre-tax profit of RM181.07 million for FYE2012, a 24.5% decrease from FYE2011. This was a reasonably good performance as KLK Oleo was able to extract benefit from additional capacities coming on-stream and improved sales in the fatty acids, fatty alcohol and esters businesses given that buying sentiments continued to be weighed down by lingering concerns over the weak global macroeconomic environment and Indonesian oleochemical products enjoying significant competitive advantages.

KLK Oleo will remain focused on consolidating and improving its existing business segments by working on a number of expansion projects, both in Malaysia and abroad, which will eventually increase KLK Group's oleochemical capacities. KLK Oleo will also continue its strategy of optimising the integrated value chain and driving both operational and cost efficiency.

As for the other manufacturing operations, the KLK Group was able to lower losses due to efforts made during the financial year. These included the completion of re-locating its tocotrienol plant from Singapore to Malaysia and improved management of its parquet flooring business.

c) Property development

The 1990's also saw the KLK Group capitalising on the strategic location of its land bank in the Klang Valley by branching into property development. Its latest project, the 1,000 acre Bandar Seri Coalfields township is located in the vicinity of Sungai Buloh, Selangor and will be developed over the next 10 years with a gross development value of RM4.2 billion. This is in addition to the nearby Desa Coalfields and Sierramas projects.

3.2.2 Industrial Operations

The BKB Group's chemical and related logistics operations achieved an increased pre-tax profit of RM48.2 million for FYE2012 compared to RM41.2 million for FYE2011, on the back of increased sales revenues.

The Malay-Sino group benefited from higher product prices and increased sales volume, thus making an improved profit. It continued its program of refurbishing selected parts of its older plant located in Lahat to enhance future operating efficiency.

The Kemaman plant increased sales due to phase 1 of its capacity expansion project coming on-stream. The construction of phase 2 of the expansion is on-going and is targeted to be completed by end of 2013.

3.2.3 Plantations Activities

Further areas have been planted at PT Satu Sembilan Delapan though the rate of planting was slower in FYE2012 – new planting only started in October 2012, due to delays encountered in obtaining approval of local permits. With increased maturing hectarage, pre-tax profit increased RM5.7 million in FYE2012. The recruitment of sufficient harvesters and other workers remains a challenge but the situation is expected to improve given the new labour quarters and other facilities being provided for the workers.

Work has now started on the construction of a palm oil mill on the property, targeted for commissioning by December 2013, in order to process, internally, the future crop production.

The nearby 1,712 hectares of plasma area that is being co-developed for the benefit of the local community is progressing well and is almost fully planted.

BKB Group has acquired 18.41% stake in Collingwood Plantations Pte Ltd along with KLK which acquired another 50.59%, with the intention to develop oil palm plantations on some 44,000 hectares of leased land in Papua New Guinea. This is a long term development which will leverage on the overseas plantation and development expertise as well as resources of KLK.

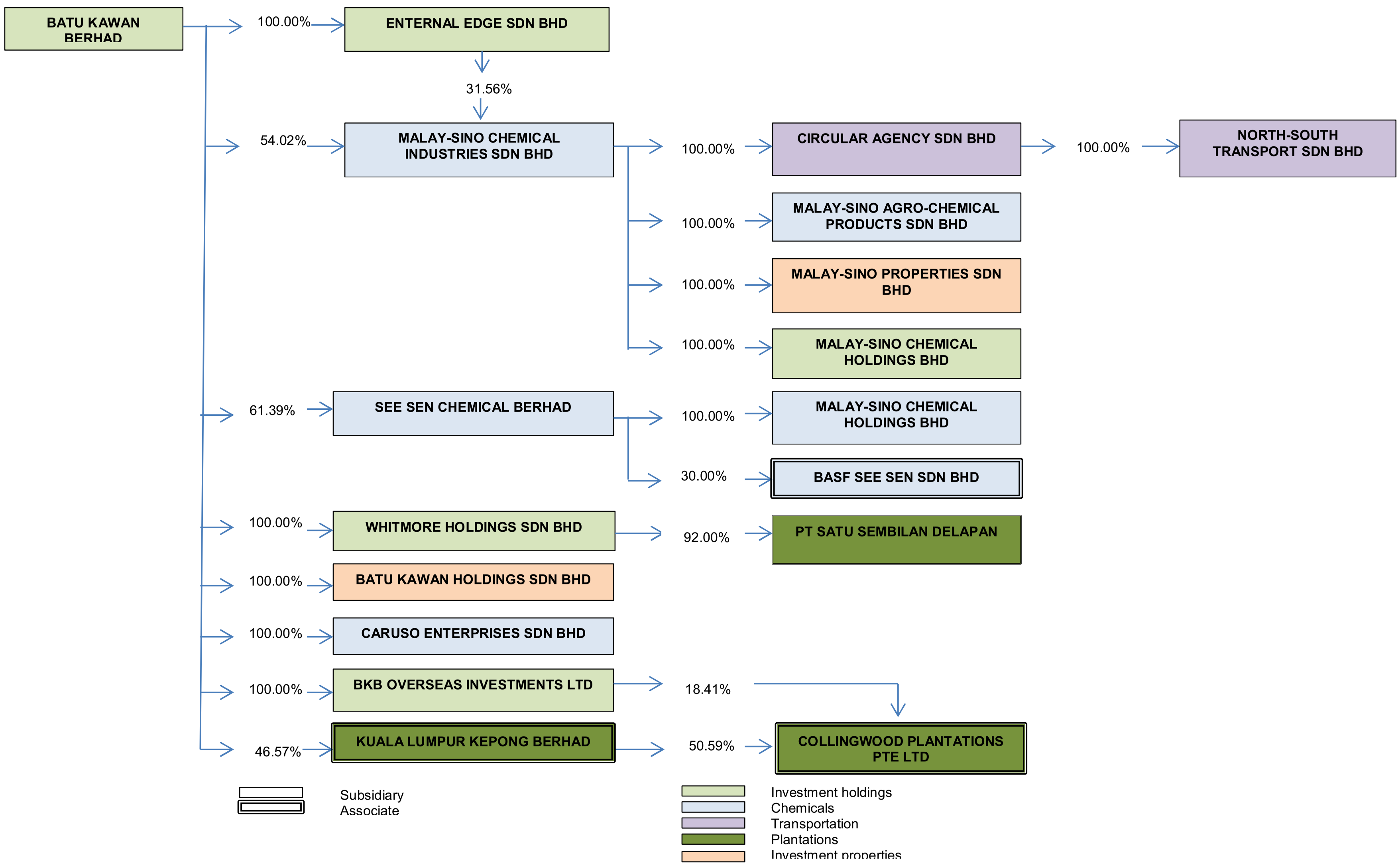
3.2.4 Commercial Office Buildings

The BKB Group owns a 11-storey commercial office building with a 4-storey podium and a 2-level basement car park in Mutiara Damansara.

This building, with approximately 136,000 square feet of lettable area,is now fully occupied and most of the tenants are large reputable companies with requirements for long term tenancies - most lease tenures are for 3 years.

3.3 Corporate Structure

The corporate structure of the BKB Group as at 30 April 2013 is set out below:



3.4 Subsidiaries

BKB's subsidiaries as at 30 September 2012 are as set out in page 80 of BKB's Annual Report for FYE2012. Subsequent to the financial year end until 30 April 2013, BKB has incorporated a wholly-owned subsidiary in British Virgin Islands, BKB Overseas Investments Ltd with the intended principal activity of investment holding.

3.5 Associated Companies

BKB's associates as at 30 September 2012 are as set out in page 81 of BKB's Annual Report for FYE2012. Subsequent to the financial year end until 30 April 2013, BKB Group has acquired an associate company – Collingwood Plantations Pte Ltd, an investment holding company incorporated in Singapore.

3.6 Profiles of Directors

The profiles of the Directors of the Issuer as at 30 April 2013 are set out below:

Name	***Biodata***
Tan Sri Dato' Seri Lee Oi Hian	Tan Sri Dato' Seri Lee Oi Hian, Malaysian, aged 62, joined the Board on 1 June 1979 and is the Non-Independent Non-Executive Chairman of BKB. He is the Chief Executive Officer of Kuala Lumpur Kepong Berhad. He also serves as a trustee member of several social organizations. He graduated from the University of Malaya with a Bachelor of Agricultural Science (Honours) degree and obtained his Masters in Business Administration from Harvard Business School, U.S.A.
Dato' Lee Hau Hian	Dato' Lee Hau Hian, Malaysian, aged 59, Managing Director of BKB, joined the Board on 20 December 1993. He is a director of Kuala Lumpur Kepong Berhad, See Sen Chemical Berhad and Synthomer plc (previously known as Yule Catto & Co. plc), a company listed on the London Stock Exchange. He is the President of the Perak Chinese Maternity Association. He also serves as a director of Yayasan De La Salle, and is a trustee of Yayasan KLK and the Tan Sri Lee Loy Seng Foundation. He graduated with a Bachelor of Science (Economics) degree from the London School of Economics and has an MBA degree from Stanford University, U.S.A.
YM Raja Muhammad Alias bin Raja Muhammad Ali	YM Raja Muhammad Alias bin Raja Muhammad Ali, Malaysian, aged 80, Independent Non-Executive Director, joined the Board on 1 December 1979. He is the Chairman of the Remuneration Committee of the Board. He holds a Bachelor of Arts (Honours) degree from the University of Malaya, Singapore, a Certificate in Public Administration from the Royal Institute of Public Administration, London and has attended the Advanced Management Program at Harvard Business School, U.S.A. He is currently the Chairman of Kuala Lumpur Kepong Berhad. He is also a trustee of Yayasan KLK and the Tan Sri Lee Loy Seng Foundation.

Name	***Biodata***
Tan Sri Datuk Seri Utama Thong Yaw Hong	Tan Sri Datuk Seri Utama Thong Yaw Hong, Malaysian, aged 82, Independent Non-Executive Director, joined the Board on 23 January 1987. He is the Chairman of the Nomination Committee of the Board and a member of the Audit Committee and Remuneration Committee of the Board. He is the Co-Chairman of Public Bank Berhad, Public Mutual Berhad and the Chairman of Malaysia Property Incorporated. He is also a director of Kuala Lumpur Kepong Berhad, Glenealy Plantations (Malaya) Bhd, HHB Holding Bhd, Malaysian South-South Corporation Bhd, Public Islamic Bank Berhad, Public Investment Bank Bhd and LPI Capital Bhd. He had served in the Economic Planning Unit in the Prime Minister's Department since 1957 and became its Director-General from 1971 to 1978 and served as Secretary-General, Ministry of Finance from 1979 until his retirement in 1986. He was formerly the Chairman of the Employees Provident Fund Board. He currently serves as a member on the Board of Trustees of Program Pertukaran Fellowship Perdana Menteri Malaysia, the Tun Razak Foundation and Yayasan Wah Seong. He is a member of the Working Group of the Executive Committee for the National Implementation Task Force and also a member of the Investment Committee for the Unit Trust Funds managed by Public Mutual Berhad. He graduated with a Bachelor of Arts (Honours) degree in Economics from University of Malaya and a Masters degree in Public Administration from Harvard University, and has attended the Advanced Management Program from Harvard Business School. Tan Sri was the Pro-Chancellor of Universiti Putra Malaysia until June 2006. He was conferred an Honorary Doctorate of Economics by Universiti Putra Malaysia in 2006.
Dato' Mustafa bin Mohd. Ali	Dato' Mustafa bin Mohd. Ali, Malaysian, aged 76, Independent Non-Executive Director, joined the Board on 31 October 1994. He is a member of the Remuneration Committee and Nomination Committee of the Board. He is an Honours Economics graduate with Master of Arts from Cambridge University, awarded the CAM Diploma in Advertising by the Advertising Association, United Kingdom and has attended the Harvard Business School's Advanced Management Program. He served 26 years with the Malaysian Tobacco Company including a 2 1/2 years' assignment as Corporate Planning Officer at British-American Tobacco Co. London, and was its Managing Director prior to joining Sime Darby Berhad on 1 July 1988. He worked for some six years with Sime Darby in various senior management positions before his retirement in February 1994. He was a Business Adviser to Kumpulan Guthrie Berhad from April 1994 to June 2002. He is also a director of another listed company, Affin Holdings Berhad. He is a trustee of the British Graduate Association and Harvard Business School Alumni Association of Malaysia.
Dato' Yeoh Eng Khoon	Dato' Yeoh Eng Khoon, Malaysian, aged 65, Independent Non-Executive Director, joined the Board on 24 February 2005. He is the Chairman of the Audit Committee and a member of the Nomination Committee of the Board. He is also a director of Kuala Lumpur Kepong Berhad and See Sen Chemical Berhad and a trustee of Yayasan KLK. He has

Name	Biodata
	previous work experience in banking, manufacturing and the retail business. He obtained a degree of Bachelor of Arts (Honours) in Economics (Business Administration) from the University of Malaya in 1968 and was called to the Bar of England and Wales at Lincoln's Inn in 1979.
Quah Chek Tin	Quah Chek Tin, Malaysian, aged 61, Independent Non-Executive Director, was appointed to the Board on 4 March 2010. He is a member of the Audit Committee of the Board. He began his career with Coopers & Lybrand London before returning to Malaysia. He joined the Genting Group in 1979 and has served in various positions within the Genting Group. He was the Executive Director of Genting Berhad as well as the Executive Director and Chief Operating Officer of Genting Malaysia Berhad prior to his retirement on 8 October 2006. He holds a Bachelor of Science (Honours) Degree in Economics from the London School of Economics and Political Science and is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Malaysian Institute of Accountants. In addition, he sits on the boards of Genting Malaysia Berhad, Genting Plantations Berhad, Paramount Corporation Berhad and ECS ICT Berhad.

3.7 Key Management

The profiles of the key management team of the BKB Group as at 30 April 2013 are set out below:

Name	Biodata (age, qualification, experience)
Dato' Lee Hau Hian	Please refer to Section 3.6 above for Dato' Lee Hau Hian's profile.
Chong See Teck	Chong See Teck, Malaysian, aged 47, is BKB's Group Financial Controller and Joint Company Secretary. He has been with BKB Group since September 2007. Prior to joining BKB, he was with Transocean Holdings Berhad for 8 years where he last held the position of Executive Director (Finance). He holds a MBA (Finance) degree from University of Hull, UK and a Diploma in Commerce (Business Management) from TAR College. He is a fellow member of the Association of Chartered Certified Accountants UK, an associate member of the Institute of Chartered Secretaries and Administrators UK and a member of the Malaysian Institute of Accountants.
Tan Chee Heng	Tan Chee Heng, Malaysian, aged 42, is the Managing Director of Malay-Sino Chemical Industries Sdn Bhd and See Sen Chemical Berhad was appointed since 3 July 2012. He has worked in the chemical, gloves and food industries for over 17 years in various areas including supply chain, production, and operation management, both locally and regionally. Prior to joining the BKB Group, he was the Associate Director - Global Sourcing of Ansell Services (Asia)

	Sendirian Berhad. He holds a Chemical Engineering degree from University of Sheffield, United Kingdom on government sponsorship under the Jabatan Perkhidmatan Awam (JPA) scholarship.
Tan Boon Chye	Tan Boon Chye, Malaysian, aged 51, is an Executive Director of Malay-Sino Chemical Industries Sdn Bhd and a Director of See Sen Chemical Berhad, was appointed to his current position on 15 September 2011. He joined Malay-Sino Chemical Industries Sdn Bhd in July 2007 as General Manager. He has been in the chemical and manufacturing industry for over 25 years in various areas – Research and Development, production, and business management, at various levels, both locally and abroad. Prior to this, he was with Elektrisola Malaysia Sdn Bhd as a Senior Manager. He graduated with a Bachelor of Science (Chemistry) from the University of Malaya in July 1987.
Sathish K. Sukumaran	Sathish K. Sukumaran, Malaysian, aged 35, is See Sen Chemical Kemaman's Plant Manager. He was appointed to the Board of BASF See Sen Sdn Bhd, an associate of See Sen Chemical Berhad, since 2 October 2011. He joined the BKB Group in April 2000 and is currently in charge of See Sen Chemical Berhad's Kemaman plant. He is a chemical engineer by training and has been involved in the chemical business for over 13 years. He is experienced in areas pertaining to operations, safety, health and environment, management, commercial, projects, procurement and logistics. He graduated with a Chemical Engineering degree from University Technology Malaysia, Johor Bahru.
Subramaniam Nallansamy	Subramaniam Nallansamy, Malaysian, aged 38, See Sen Chemical Pasir Gudang Plant Manager. He joined the Group in November 2000 and is currently in charge of See Sen Chemical Berhad. He is a chemical engineer by training and has been involved in the chemical business for over 12 years. He is experienced in areas pertaining to operations, safety, health and environment, management, commercial, projects, procurement and logistics. He graduated with a Chemical Engineering degree from University Putra Malaysia, Serdang, Selangor.

SECTION 4.0 FINANCIAL INFORMATION

4.1 BKB Group's Five-Year Financial Statements

Statements of Financial Position for FYE 30 September 2008 to 2012

FYE	**2008**	**2009**	**2010**	**2011**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	284,087	238,148	224,426	283,140	336,541
Cost of sales	(219,663)	(185,710)	(180,130)	(209,705)	(255,414)
Gross profit	64,424	52,438	44,296	73,435	81,127
Other income	4,536	51,099	89,173	11,201	19,102
Selling and distribution costs	(12,962)	(12,680)	(11,263)	(11,728)	(15,641)
Administration and general expenses	(17,629)	(24,585)	(19,260)	(17,767)	(21,303)
Other expenses	(112)	(64)	(304)	(69)	(97)
Operating profit	38,257	66,208	102,642	55,072	63,188
Finance costs	-	(836)	(1,568)	(1,307)	(1,481)
Share of results of associates	484,523	285,344	471,430	731,591	563,937
Profit before tax	522,780	350,716	572,504	785,356	625,644
Income tax expense	(8,749)	(9,029)	(3,309)	1,967	(13,701)
Profit for the year	514,031	341,687	569,195	787,323	611,943
Attributable to:					
Equity holders of the Company	505,539	337,348	567,452	779,468	605,687
Non-controlling interests	8,492	4,339	1,743	7,855	6,256
	514,031	341,687	569,195	787,323	611,943
	Sen	**Sen**	**Sen**	**Sen**	**Sen**
Earnings per share	117.3	79.2	134.2	186.5	145.3

FYE	2008 RM'000 (Restated)*	2009 RM'000 (Restated)*	2010 RM'000 (Restated)*	2011 RM'000	2012 RM'000
Statements of Financial Position for FYE 30 September 2008 to 2012					
Assets					
Non-Current Assets					
Property, plant and equipment[1]	145,695	114,751	148,870	216,923	254,460
Investment properties	756	55,356	56,378	55,410	53,906
Land use rights[1]	15,008	4,610	2,964	4,381	3,853
Biological assets	37,598	50,995	53,502	61,512	58,083
Intangible assets	18,788	12,954	12,194	12,356	12,005
Investment in associates[2]	2,438,172	2,483,434	2,656,315	3,153,699	3,172,104
Other investments	22,761	20,562	19,362	18,668	20,648
Deferred tax assets	944	907	2,359	1,535	982
Other receivables	-	14,158	18,012	27,753	30,577
Total non-current assets	2,679,722	2,757,727	2,969,956	3,552,237	3,606,618

FYE	2008	2009	2010	2011	2012
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
	(Restated)*	**(Restated)***	**(Restated)***		
Statements of Financial Position for FYE 30 September 2008 to 2012					
Current Assets					
Inventories	42,837	32,693	25,313	34,882	34,244
Trade and other receivables	88,480	55,373	53,123	66,176	88,529
Other current assets	3,736	2,914	5,444	9,635	6,126
Tax recoverable	2,298	1,809	1,706	3,021	461
Derivatives	-	-	-	31	6
Short term trust funds	44,082	149,488	169,919	53,295	4,239
Term deposits	35,409	29,388	11,740	29,250	44,527
Cash and bank balances	2,048	6,688	24,109	68,195	104,884
Total current assets	218,890	278,353	291,354	264,485	283,016
Non-current assets held for sale	3,855	-	-	-	-
Total Assets	2,902,467	3,036,080	3,261,310	3,816,722	3,889,634

FYE	2008 RM'000 (Restated)*	2009 RM'000 (Restated)*	2010 RM'000 (Restated)*	2011 RM'000	2012 RM'000
Statements of Financial Position for FYE 30 September 2008 to 2012					
Equity And Liabilities					
Share capital	435,951	435,951	435,951	435,951	435,951
Treasury shares	(64,957)	(79,206)	(146,619)	(182,218)	(196,442)
Reserves	2,421,226	2,545,474	2,841,242	3,415,981	3,487,900
Total equity attributable to equity holders of the Company	2,792,220	2,902,219	3,130,574	3,669,714	3,727,409
Non-controlling interests	58,459	59,394	58,407	64,151	66,836
Total Equity	2,850,679	2,961,613	3,188,981	3,733,865	3,794,245

FYE	2008 RM'000 (Restated)*	2009 RM'000 (Restated)*	2010 RM'000 (Restated)*	2011 RM'000	2012 RM'000

Statements of Financial Position for FYE 30 September 2008 to 2012

	2008	2009	2010	2011	2012
Non-Current Liabilities					
Provision for retirement benefits	3,077	3,334	2,669	3,355	3,574
Deferred tax liabilities	11,408	10,216	9,843	3,525	11,085
Loans and borrowings	-	31,583	23,568	27,651	29,130
Total non-current liabilities	14,485	45,133	36,080	34,531	43,789
Current Liabilities					
Trade and other payables	35,145	24,696	27,927	40,143	36,699
Provision for retirement benefits	125	343	224	182	165
Taxation	2,033	295	98	1	3,934
Loans and borrowings	-	4,000	8,000	8,000	10,800
Derivative liabilities	-	-	-	-	2
Total current liabilities	37,303	29,334	36,249	48,326	51,600
Total liabilities	51,788	74,467	72,329	82,857	95,389
Total equity and liabilities	2,902,467	3,036,080	3,261,310	3,816,722	3,889,634

*Note **
1. *Reclassification of comparatives due to amendments to FRS 117 Leases*
2. *Prior to FYE2010, part of the total investment cost in KLK was carried at revaluation and in FYE2010, the carrying value of this investment was restated retrospectively to cost.*

SECTION 5.0 STATUTORY AND GENERAL INFORMATION OF BATU KAWAN BERHAD

5.1 Share Capital

The authorised share capital of the Issuer as at 30 April 2013 is RM1,000,000,000.00 comprising 1,000,000,000 shares of RM1.00 each, while its issued and paid-up share capital as at 30 April 2013 is RM435,951,000.00 comprising 435,951,000 shares of RM1.00 each.

5.2 Shareholding Structure

The substantial shareholders of the Issuer as at 30 April 2013 are as follows:

Name**	***No. of shares held directly***	***Percentage Owned* (%)***	***No. of shares held indirectly***	***Percentage Owned* (%)***
Arusha Enterprise Sdn Bhd^	191,554,667	46.2	5,875,700	1.4
Di-Yi Sdn Bhd	8,780,180	2.1	197,438,754	47.6
Lembaga Kemajuan Tanah Persekutuan (FELDA)	27,369,750	6.6	-	-
High Quest Holdings Sdn Bhd	8,262,955	2.0	197,438,754	47.6
Tan Seri Dato' Seri Lee Oi Hian	854,355	0.2	207,038,934#	49.9
Dato' Lee Hau Hian	625,230	0.2	205,842,209#	49.6
Wan Hin Investments Sdn Berhad	8,387	0.0	197,430,367$	47.6

Note:

**Calculated based on 414,744,700 shares, which do not include the 21,206,300 treasury shares retained as at 30 April 2013.*

^ By virtue of Section 6A of the Companies Act, 1965, all the related companies of Arusha Enterprise Sdn Bhd are also deemed substantial shareholders of the company.

Tan Sri Dato' Seri Lee Oi Hian and Dato' Lee Hau Hian are substantial shareholders of Di-Yi Sdn Bhd and High Quest Holdings Sdn Bhd, respectively, which in turn are substantial shareholders of Wan Hin Investments Sdn Berhad. Accordingly, these parties are also deemed substantial shareholders of BKB by virtue of their deemed interests.

 # Includes indirect interest held through spouse and/or children pursuant to Section 134(12)(c) of the Companies Act, 1965.

$ Includes the 46.2% held directly by Arusha Enterprise Sdn Bhd and 1.4% by its other subsidiaries.

*** Based on the Register of Depositors as at 30 April 2013.*

5.3 Contingent Liabilities

As of 30 April 2013, the Board is not aware of any material contingent liability involving BKB, which may materially or adversely affect the financial position or the business of the Issuer.

5.4 Capital Commitments

The Issuer's and the BKB Group's capital commitments as at 30 April 2013 are as follows:

	The BKB Group RM'000	Issuer RM'000
Capital Expenditure		
Authorised and contracted for	14,389	0
Authorised but not contracted for	80,578	0
	94,967	**0**

Capital commitments of the BKB Group all arise from its subsidiaries.

5.5 Material Litigation

The Issuer is not involved in any litigation whether as plaintiff or defendant or as third party which has a material effect on the position or business of the Issuer, or any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect the position or business of the Issuer.

5.6 Material Contracts

The Issuer has not entered into any contract which is or may be material (not being contracts entered into in the ordinary course of business) during the two (2) years preceding 30 April 2013.

5.7 Related Party Transactions

Save as disclosed in the Annual Report, the audited financial statements of BKB and its subsidiaries for the FYE 30 September 2012 and in the announcements made by BKB to Bursa Malaysia, as at 30 April 2013, the BKB Group has not entered into any related party transactions outside its ordinary course of business within the past two (2) years.

The Issuer has made and will from time to time make announcements in respect of the relevant related party transactions which it had entered into, details of which can be found at the website of Bursa Malaysia at *www.bursamalaysia.com*.

SECTION 6.0 INVESTMENT CONSIDERATIONS

Prospective investors of the Sukuk Musharakah should consider carefully all information set out in this Information Memorandum and, in particular, the following risks involved. The Sukuk Musharakah are subject to certain risks that could adversely affect the business of the Issuer. In addition, each Sukuk Musharakah issue will carry different risks and all prospective investors are strongly encouraged to evaluate each Sukuk Musharakah issue on its own merit. The following section does not purport to be complete or exhaustive. Prospective investors should undertake their own investigations and analysis on the Issuer, its business and risks associated with the Sukuk Musharakah.

6.1 Considerations in relation to the Sukuk Musharakah

6.1.1 Rating of the Sukuk Musharakah is no guarantee of the Issuer's ability to pay

The Sukuk Musharakah issued pursuant to the Sukuk Programme has been accorded a long term rating of AA_1 by the Rating Agency. The rating addresses the likelihood of full and timely payment of profit and principal to Sukukholders. A rating is not a recommendation to purchase, hold or sell the Sukuk Musharakah or the suitability of the Sukuk Musharakah for a particular investor. There is no assurance that a rating will remain in effect for any given period of time or that a rating will not be lowered, suspended or withdrawn entirely by an assigning rating organisation in the future, if, in its judgment, circumstances in the future so warrant. Further, a rating is not a guarantee of repayment or that there will be no default by the Issuer under the Sukuk Programme. In the event that the rating initially assigned to the Sukuk Programme is subsequently placed on rating watch, lowered, downgraded or withdrawn for any reason, no person or entity will be obligated to provide any additional credit enhancement with respect to the Sukuk Musharakah. Any placement of the Sukuk Programme on rating watch, downgrade or withdrawal of a rating may have an effect on the liquidity and the market price of the Sukuk Musharakah although it will not constitute an event of default or an event obliging the Issuer to repay the Sukuk Musharakah under the terms of Sukuk Programme.

6.1.2 No prior market for the Sukuk Musharakah

The Sukuk Musharakah comprise a new issue of securities for which no secondary market for the Sukuk Musharakah currently exists and, in the event that a secondary market for the Sukuk Musharakah does develop, there can be no assurance that it will continue. Furthermore, there can be no assurance as to the liquidity of any market that may develop for the Sukuk Musharakah, the ability of holders of the Sukuk Musharakah to sell their Sukuk Musharakah, or the prices at which the holders of the Sukuk Musharakah would be able to sell their Sukuk Musharakah.

6.1.3 The Issuer's ability to meet its obligations under the Sukuk Musharakah

The ability of the Issuer to meet its obligations to the Sukukholders in terms of payment of amounts due under the Sukuk Musharakah will depend on the strength of the Issuer's net cashflow. Repayment of the Sukuk Musharakah will be the Issuer's obligation alone. In particular, the Sukuk Musharakah will not be obligations or responsibilities of, or guaranteed by any of the Issuer's subsidiaries or associated companies, the Joint Lead Arrangers/Joint Lead Managers, the Facility Agent, the Sukuk Trustee or any of their subsidiary or affiliate thereof, or any other person involved or interested in the transactions envisaged under the issuance of the Sukuk Musharakah. None of such persons will accept any liability whatsoever to the Sukukholders in respect of any failure by the Issuer to pay any amount due under the Sukuk Musharakah.

6.1.4 The market value of the Sukuk Musharakah may be subject to fluctuation

Trading prices of the Sukuk Musharakah may be influenced by numerous factors, including the operating results and/or financial condition of the Issuer, political, economic, financial and any other factors that can affect the capital markets or the industries which the BKB Group operates in. Adverse economic developments could have a material adverse effect on the market value of the Sukuk Musharakah.

6.1.5 An investment in the Sukuk Musharakah is subject to interest rate risk

Sukukholders may suffer unforeseen losses due to fluctuations in interest rates. Although the Sukuk Musharakah are Islamic securities which do not pay interest, they are similar to fixed income securities and may therefore see their price fluctuate due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in bond prices. The Sukuk Musharakah may be similarly affected resulting in a capital loss for the Sukukholders. Conversely, when interest rates fall, bond prices and the prices at which the Sukuk Musharakah trade may rise. Sukukholders may enjoy a capital gain the profit received may be reinvested for lower returns.

6.1.6 An investment in the Sukuk Musharakah is subject to inflation risk

Sukukholders may suffer erosion on the return of their investments due to inflation. Sukukholders would have an anticipated rate of return based on expected inflation rates on the purchase of the Sukuk Musharakah. An unexpected increase in inflation rates could reduce the actual rate of return.

6.1.7 Suitability of investments

The Sukuk Musharakah issued under the Sukuk Programme may not be a suitable investment for all investors. Each potential investor in the Sukuk Musharakah must determine the suitability of this investment in light of its own circumstances. In particular, each potential investor should:

(1) have sufficient knowledge and experience to make a meaningful evaluation of the Sukuk Musharakah, the merits and risks of investing in the Sukuk Musharakah and the information contained in this Information Memorandum;

(2) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Sukuk Musharakah and the impact the Sukuk Musharakah will have on its overall investment portfolio;

(3) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Sukuk Musharakah;

(4) understand thoroughly the terms of the Sukuk Musharakah and be familiar with the behaviour of any relevant indices and financial markets; and

(5) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.

6.1.8 Risk specific to the Musharakah structure

The Musharakah structure is based on the concept of partnership. Therefore, the partners in a Musharakah structure (i.e. Sukukholders) will be exposed to both the risk of loss as well as the gain of profit. Any profit or loss derived from the partnership will be distributed or borne by each Sukukholder in proportion to each Sukukholder’s contribution of capital in the partnership. The risk of loss is mitigated through an undertaking by the Issuer, in its capacity as the obligor to purchase the Sukukholders’ undivided proportionate interest in the Musharakah Venture on either the Maturity Date (as defined in Section 2.0 of this Information Memorandum) of the Sukuk Musharakah or upon declaration of a Dissolution Event (as defined in Section 2.0 of this Information Memorandum), whichever is the earliest. The Issuer also has an obligation to make Top-up Payments (as defined in Section 2.0 of this Information Memorandum) in the event of any shortfall between the actual income derived from the Musharakah Venture for such relevant period and the Expected Periodic Distribution (as defined in Section 2.0 of this Information Memorandum) or the One-off Distribution (as defined in Section 2.0 of this Information Memorandum), whichever is applicable.

Further, on the Maturity Date of the Sukuk Musharakah or upon declaration of a Dissolution Event, the Issuer, as the obligor, is required to execute a Sale Agreement (as defined in Section 2.0 of this Information Memorandum) to purchase the Sukukholders' undivided proportionate interest in the Musharakah Venture. The Exercise Price (as defined in Section 2.0 of this Information Memorandum) is payable upon the execution of the Sale Agreement – this means that the Exercise Price is not due and payable until the Sale Agreement is executed. There is no assurance that the Issuer, as the obligor will execute the Sale Agreement, especially on occurrence of Dissolution Events. Nevertheless, this risk is mitigated by the power of attorney given by the Issuer to the Sukuk Trustee, as the Sukuk Trustee can act on behalf of the Sukukholders' interest in the Musharakah Venture.

6.1.9 No assurance that the Sukuk Musharakah will be Shariah-compliant

The Joint Shariah Advisers have respectively issued Shariah pronouncements which state, amongst others that in its opinion, the structure and mechanism of the Sukuk Programme are in compliance with Shariah principles. Neither the Issuer nor the Joint Lead Arrangers/Joint Lead Managers makes any representation as to the Shariah permissibility of the structure or the issue and trading of the Sukuk Musharakah issued under the Sukuk Programme. Investors are reminded that as with any Shariah views, differences in opinion are possible and opinions may change from time to time. Investors should obtain their own independent Shariah advice as to the Shariah permissibility of the structure, the issue and the trading of the Sukuk Musharakah.

If the Sukuk Musharakah are deemed not to be Shariah-compliant by an investor's own standard of Shariah compliance, such investor may be required to sell or otherwise dispose of its Sukuk Musharakah by virtue of its own constitutional restraints or otherwise. Similarly, if the Sukuk Musharakah are deemed not to be Shariah-compliant by potential investors' standard of Shariah compliance, they may be prohibited from buying the Sukuk Musharakah by virtue of its own constitutional restraints or otherwise. Accordingly, the liquidity and price of the Sukuk Musharakah in the market may be adversely affected by particular Shariah standards, and interpretation thereof, of existing or potential investors.

6.2 Business Investment Considerations

The BKB Group is subject to risks inherent in the chemical industry, plantation, manufacturing and logistics sectors. In view of its cross border operations for its plantation and manufacturing sectors, the BKB Group is not only exposed to the risks in Malaysia, but also in other countries where the BKB Group operates.

Developments in Malaysia's political and economic conditions could affect the prospects of the BKB Group. Such political and economic uncertainties include but are not limited to risks of global economic downturn and unfavourable changes in the Government's policy which could include changes in interest rates, inflation, taxation and changes in regulations.

The BKB Group's international operations expose it to additional risks including foreign exchange rate fluctuations, political and regulatory risk in those countries which the BKB Group operates.

Although the BKB Group seeks to limit these risks through, inter-alia, careful negotiations of contractual terms with third parties, close project supervision and planning, prudent financial policies and effective human resource management, no assurance can be given that any change to these factors will not have a material adverse effect on the BKB Group's business.

The risks that the BKB Group may be exposed to include but are not limited to:

(a) Price fluctuations

The prices of the BKB Group's key products are based upon or affected by international prices, which tend to be cyclical and subject to significant fluctuations. The factors that may affect the prices of the BKB Group's key products include changes in global demand and supply for these products, the state of the world's economy, population growth, environmental and trading (import/export) regulations, tariffs, natural disasters, forest fires and weather conditions.

(b) Derivative instruments

To manage the price fluctuations of the BKB Group's key products, the BKB Group enters into commodities forward contracts in the ordinary course of business. However, due to volatility in the commodities markets, the BKB Group may not be able to fully hedge the future marked-to-market gains or losses with these instruments against the corresponding change in the prices of the underlying commodities. In such event, the results of the BKB Group's operations and financial condition may be adversely affected.

(c) Environmental regulations

The BKB Group is subject to a variety of laws and regulations that promote environmentally and socially sound operating practices. The BKB Group's operations are currently in compliance with all respects with applicable environmental regulations and standards. However, it is possible that these regulations could become more stringent in the future, which would require the BKB Group to incur additional expenses on environmental matters. In such event, the BKB Group's operational results and financial condition may be adversely affected.

Such laws may impose compliance obligations on BKB Group with respect to the management of hazardous substances and other regulated materials. Failure to comply with these laws can result in penalties or other sanctions.

Further, existing environmental reports with respect to any of the BKB Group's properties may not reveal (i) all environmental liabilities, (ii) that prior owners or operators of the properties did not create any material environmental condition not known to the BKB Group or (iii) that a material environmental condition does not otherwise exist in any one or more of the properties. There also exists the risk that material environmental conditions, liabilities or compliance concerns may have arisen after the review was completed or may arise in the future. Finally, future laws, ordinances or regulations and future interpretations of existing laws, ordinances or regulations may impose additional material environmental liability.

(d) Insurance

The BKB Group maintains insurance coverage for its plants, equipment, machineries and other infrastructures. However, the BKB Group does not have insurance coverage for its planted crops and business losses arising from natural disasters including flood, forest fires, poor weather and crop diseases. Hence, any significant losses to the BKB Group's planted crops not otherwise covered by insurances may adversely affect the BKB Group's business, financial condition, operational results and prospects.

(e) Foreign exchange fluctuation

The BKB Group is exposed to movements in foreign exchange rates due to its operations in several countries. The BKB Group records its financial results in Ringgit Malaysia, thus any fluctuations in currency exchange rates will result in exchange gains or losses arising from transactions carried out in foreign currencies. Similarly, the BKB Group will also experience exchange gains or losses as a result of transactions of foreign currency denominated assets and liabilities as at the balance sheet dates.

The BKB Group's sales are principally denominated in US Dollars. While the BKB Group usually enters into foreign currency forward contracts to hedge its foreign currency exposure, it may be insufficient in the event of any sudden and significant movement in the exchange rates between the Ringgit Malaysia and other currencies. In such event, the results of the BKB Group's operations and financial condition may be adversely affected.

(f) Competition

In manufacturing, all businesses are involved in a highly competitive environment with some competitors having significantly greater size and global reach which could put pressure on margin generation at any time.

(g) Labour intensive industry

The BKB Group's plantation operations are labour intensive and to ensure that the BKB Group has sufficient workers, particularly for its Malaysian plantations, BKB Group has employed foreign workers. In the event the BKB Group is unable to obtain sufficient manpower for its plantation operations, the business, financial condition, operational results and prospects of the BKB Group could be adversely affected. The BKB Group also faces wage inflation issues due to the introduction of the minimum wage level by the Government.

Additionally, labour activism and unrest could cause disruption to the BKB Group's operations. Although the BKB Group's operations have not been affected by any significant labour dispute in the past, there is no assurance that the BKB Group will not experience labour unrest, activism or disputes which could adversely affect the BKB Group's business, financial condition, operational results and prospects.

(h) Freight costs and transportation

The BKB Group depends on ships and other modes of transportation to deliver its products to its customers. Disruptions of these transportation services due to adverse weather conditions, labour related issues or other events could significantly impair the BKB Group's ability to supply its products to its customers or could result in incurring demurrage claims by ship owners for loading and unloading delays, and hence, could adversely affect the BKB Group's business, financial condition, operational results and prospects.

Furthermore, freight and other transportation costs accounted for a significant portion of the total selling and distribution costs and as a result, freight and transportation costs are critical factors in the BKB Group's customers' purchasing decisions. Any significant increase in freight and transportation costs could make the BKB Group's products less competitive, which may in turn have an adverse impact on the BKB Group's business, financial condition, operational results and prospects.

(i) Weather conditions

The production of fresh fruit bunches and rubber are highly dependent on weather conditions and the occurrence of unfavourable weather conditions, droughts, floods, forest fires, earthquakes or other natural disasters will lead to a decrease in the overall yield of fresh fruit bunches and rubber from the BKB Group's estates. These adverse weather conditions if continued for an extended period may adversely affect the BKB Group's business, financial condition, operational results and prospects.

(j) Transportation risk for chemical products

Due to the hazardous nature of the chemical products of the BKB Group, there is a risk that accidents may occur during the transportation of the chemical products that would affect the public and environment. This can be in the form of chemical spillages or leakages during the process of delivering the products to customers. The BKB Group has put in place, to mitigate this risk, Emergency Response Teams based at 3 locations within Peninsular Malaysia to contain and clean-up any spillages, minimizing any adverse impact to the public and the environment. Logistics and transport personnel are trained to handle the chemicals in accordance to high safety standards and are provided with proper protective equipment and related safety gear. In addition, the BKB Group has public liability insurance to cover such risks.

(k) Customer concentration risk

The Chemicals segment of the BKB Group has single customer risks in which certain plants are hugely dependent on a single largest customer for some of the plant's products. Any disruption or stoppage of purchase volumes from these customers would have a significant impact on the smooth running and profitability of the plants. However, mitigating factors, including negotiating long term contracts with fixed volumes and formula linked prices and developing other markets and customers for the products.

(l) Machineries breakdown

The chemical and industrial operations are subject to the operation of the machineries of the relevant businesses, where there may be instances where there may be breakdown in machineries. However, the BKB Group carries out proper maintenance of the relevant machineries to ensure the smooth flowing of the relevant operations. Scheduled plant shutdowns are performed with adequate preventive maintenance programs in place for all critical equipment.

(m) Consumer preference

The edible oil industry is also characterised by frequent changes in consumer preferences. Consumers are increasingly becoming more health conscious and select cooking oils based on considerations other than price and taste. The BKB Group's profitability will depend on the BKB Group's ability to anticipate and respond to the market dynamics affecting the edible oil industry, including the introduction of new products, changing consumer preferences, pricing policies of competitors, the prices of alternative edible oils and economic conditions. There is no assurance that the BKB Group will be able to compete effectively or that the level of existing and future competition would not adversely affect the BKB Group's business, financial condition, operational results and prospects.

6.3 Dependence on Directors and Senior Management

The Issuer's success is largely attributable to the contribution and experience of the senior management and operational personnel of the Issuer who are familiar with the Issuer's culture and business. The continued success of the Issuer's business and the ability to execute business strategies in the future will therefore be dependent, to a large extent, on the Issuer's ability to retain and motivate the services of the key management and operational personnel. The loss of any of the Issuer's key personnel without suitable and timely replacement may be detrimental and would have an adverse effect on the Issuer's business, financial condition, operational and prospects.

6.4 Holding Company Structure of the Issuer

The Issuer relies partly on dividends from its subsidiaries and associated companies, particularly KLK as its main contributor to its earnings and income, to meet its obligations, including its obligations under the Sukuk Musharakah. The ability of its subsidiaries and associated companies to pay dividends is dependent on their ability to maintain profitable operations and is subject to applicable laws or regulatory guidelines or by restrictions contained in relevant financial or other agreements.

6.5 In General

6.5.1 Interest Rate Fluctuation Risks

The Issuer may incur credit facilities on a floating rate basis. The interest rate of such floating rate credit facilities may be pegged to the respective financiers' base lending rates or cost of funds. There can be no assurance that the base lending rates or costs of funds of such financiers would maintain at a certain level at all times. If there is any adverse change in the interest rate regime, the financial performance of the Issuer may be consequently affected.

6.5.2 Change of Law

The issue of the Sukuk Musharakah is based on Malaysian law, tax and administrative practices in effect at the date hereof and having due regard to the expected tax treatment of all relevant statutes under such law and practice. No assurance can be given that Malaysian law, tax or administrative practice will not change after the closing or that such changes will not adversely impact the structure of the transaction and the treatment of the Sukuk Musharakah.

6.5.3 Political, Economic and Regulatory Considerations

Adverse developments in the political and economic conditions in Malaysia and overseas where the Issuer has its operations could materially affect the financial prospects of the Issuer. Political and economic uncertainties include risks of war, expropriation, nationalisation, re-negotiation or nullification of existing contracts, changes in interest rates and methods of taxation and currency exchange controls.

Investors should note that whilst the Issuer strives to continue to take effective measures such as prudent financial management and efficient operating procedures, there can be no assurance that adverse political and economic factors will not materially affect the Issuer.

The Issuer's operations are subject to the jurisdiction of numerous governmental agencies with respect to regulatory matters. These regulations and requirements may limit the Issuer's activities or result in high compliance costs. Any failure by the Issuer to comply with such regulations could result in material penalties being imposed on the Issuer. No assurance can be given that any future changes to present regulation or any introduction of new regulation, or laws, by relevant authorities will not have a material adverse impact on the Issuer's business.

6.5.4 Forward-Looking Statements

Certain statements, information, estimates and reports in this Information Memorandum are based on historical data, which may not be reflective of future results, and others are forward-looking in nature, which are subject to uncertainties and contingencies. All forward-looking statements are based on estimates and assumptions made by the Issuer, and although the Board believes that these forward-looking statements are reasonable, the statements are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of forward-looking statements in this Information Memorandum should not be regarded as a representation or warranty by the Issuer or its advisers, and there can be no assurance that the plans and objectives of the Issuer will be achieved.

SECTION 7.0 INDUSTRY OVERVIEW

The Issuer is an investment holding company. The Issuer's subsidiaries and associated companies are involved in the business of plantations, chemicals manufacturing, money lending, investment holding, manufacture and sale of methyl chloride, general transportation services, letting of storage warehouse facilities and manufacture of sulphuric acid products.

The information below is included for information purposes only and has not been independently verified by the Joint Lead Arrangers/Joint Lead Managers. All data and information below have been obtained from publicly available official sources of Malaysia.

7.1 The Malaysian Economy

Overview

Malaysian economy registered higher growth in the fourth quarter

Despite the challenging global economic environment, the Malaysian economy recorded a higher growth of 6.4% (3Q 12: 5.3%), supported by the continued strength in domestic demand. Total investment remained robust and was the main driver of growth during the quarter. The growth of private consumption continued to remain strong although the pace of increase moderated. The growth during the quarter also benefited from a significantly lower negative contribution from net exports. On the supply side, most economic sectors recorded improvements in growth during the quarter. For the year as a whole, the Malaysian economy expanded by 5.6%.

Domestic demand continued to expand at the pace of 7.5% (3Q 12: 11.4%) with gross fixed capital formation remaining strong, registering double-digit growth of 15% in the fourth quarter (3Q 12: 22.7%). Private sector investment advanced by 20.2% (3Q 12: 22.9%), supported by capital spending in the domestic-oriented manufacturing and consumer-related services sub-sectors, namely, telecommunications, real estate and aviation and the on-going implementation of projects in the oil and gas sector. Investment was also supported by capacity expansion in the primary-related manufacturing cluster and capital spending in new growth areas such as medical and communications equipment. Public investment expanded by 11.1% (3Q 12: 22.4%), driven by capital spending by public enterprises in the transportation, utilities, oil and gas and communications sectors.

Private consumption registered a growth of 6.1% in the fourth quarter (3Q 12: 8.5%), supported by stable labour market conditions and improved consumer sentiments. The stronger growth in the first half of the year reflected the affects of the various government transfers to households disbursed during the period. Public consumption grew by 1.1% (3Q 12: 2.3%), attributable to continued spending on emoluments amidst lower spending on supplies and services.

On the supply side, growth in most economic sectors improved in the fourth quarter. Growth was led by the manufacturing and services sectors, supported by domestic demand and a gradual improvement in the external environment. The agriculture sector expanded at a faster pace amidst higher crude palm oil output and production of poultry, while growth in the mining sector rebounded following a recovery in the production of natural gas. Meanwhile, growth in the construction sector continued to be robust, driven by the civil engineering and residential sub-sectors.

The headline inflation rate, as measured by the annual change in the Consumer Price Index (CPI) continued to moderate to 1.3% in the fourth quarter (3Q 12: 1.4%), reflecting lower inflation in the food and non-alcoholic beverages category.

In the external sector, the current account surplus increased in the fourth quarter to RM22.8 billion, equivalent to 6.6% of Gross National Income (GNI), due to a larger goods surplus, a lower services deficit and net income payments. Meanwhile, the financial account sustained an outflow of RM9.0 billion, as net inflows of foreign direct investment and portfolio investments were offset by an increase in direct investment abroad. Consequently, the overall balance of payments turned around to record a surplus of RM5.9 billion (3Q 12: -RM7.5 billion).

The international reserves of Bank Negara Malaysia amounted to RM427.1 billion (equivalent to USD139.7 billion) as at 31 December 2012. This reserve level has taken into account the quarterly adjustment for foreign exchange revaluation changes. As at 31 January 2013, the reserves position amounted to RM428.6 billion (equivalent to USD140.2 billion), sufficient to finance 9.5 months of retained imports and is 4.6 times the short-term external debt.

Interest rates remained stable

The Overnight Policy Rate (OPR) was maintained at 3.00% during the fourth quarter of 2012. At this level of the OPR, monetary conditions remain supportive of economic activity.

Reflecting the unchanged OPR, the average interbank rate of all maturities was relatively stable. In terms of retail interest rates, the average quoted fixed deposit (FD) rates of commercial banks were relatively unchanged. The average base lending rate (BLR) of commercial banks remained unadjusted at 6.53%, while the weighted average lending rate (ALR) on loans outstanding moderated slightly to 5.52% as at end-December (end-September: 5.55%).

Total gross financing raised by the private sector through the banking system and the capital market was sustained at RM262.5 billion (3Q 12: RM272.9 billion). On a net basis, banking system loans and PDS outstanding expanded at an annual growth rate of 12.4% as at end-December (end-September: 12.8%).

Net funds raised in the capital market were higher at RM37.7 billion during the quarter (3Q 12: RM28.7 billion). The bulk of funds were raised by the private sector through new issuance of private debt securities. After adjusting for redemptions, net funds raised by the private sector amounted to RM20.1 billion (3Q 12: RM18.3 billion). Net funds raised by the public sector were RM17.6 billion in the fourth quarter (3Q 12: RM10.4 billion).

The monetary aggregates grew at a more moderate pace during the fourth quarter. M1, or narrow money, increased by RM15.4 billion during the period. On an annual basis, M1 expanded by 11.2% as at end-December (end-September 12: 12.3%). M3, or broad money, increased by RM15.2 billion on a quarterly basis to record an annual growth rate of 8.8% as at end-December (end-September 12: 12.5%). M3 continued to expand on account of the sustained credit extended to the private sector by the banking system. The placement of proceeds from the Government's fundraising activities and outflows of funds during the period, however, exerted a contractionary impact on broad money.

The ringgit appreciated against the US dollar supported by investor optimism over growth prospects for the region, including Malaysia. The uncertainty surrounding developments in the US economy, however, prompted some investors to unwind their holdings of emerging market assets, thus partially offsetting the ringgit appreciation during the quarter. Overall, the ringgit appreciated by 0.3% against the US dollar in the fourth quarter. The ringgit also appreciated against the Japanese yen (11.1%) and pound sterling (0.8%), but depreciated against the euro (-1.9%). The ringgit's performance against regional currencies was mixed.

Between 1 January and 18 February 2013, the ringgit appreciated against the Japanese yen (8.0%) and pound sterling (3.0%) but depreciated against the US dollar (-1.3%) and the euro (-2.2%). Against regional currencies, the ringgit strengthened against the Korean won and Singapore dollar by 0.2% and 0.1% respectively but depreciated against the Indonesian rupiah, Chinese renminbi, Philippine peso and Thai baht by between -0.9% and -3.6%.

Financial stability continued to be preserved

Financial stability was sustained throughout the quarter amidst continued challenges in the global environment. Stable financial conditions were underpinned by sound and well-capitalised financial institutions, orderly financial market conditions and sustained confidence in the financial system, which provided continued support for effective financial intermediation.

With strong level of capitalization as core capital ratio and risk-weighted capital ratio improved to 13.4% (3Q 12: 13.2%) and 15.2% (3Q 12: 14.9%) respectively, the banking sector is well poised to withstand economic and financial shocks. The insurance sector also maintained a sound capital adequacy ratio of 222.3% (3Q 12: 218.6%) with excess capital buffer of RM22.5 billion.

Domestic economy to register growth, supported by firm domestic demand amidst gradual improvement in external environment

Going forward, there are emerging signs of improvements in the global economy. Latest economic indicators also suggest further stabilization in the growth performance in Asia. Notwithstanding these improvements, considerable structural challenges remain in the advanced economies, which would constrain the prospect for a stronger economic recovery. In particular, several advanced economies will continue to address the issues relating to fiscal sustainability and persistently weak labour market conditions. In the emerging markets, the highly accommodative monetary policy sustained in the major advanced economies requires close surveillance given the potential impact of excessive global liquidity on asset price inflation.

For the Malaysian economy, the sustained expansion in domestic activity is expected to continue to drive growth, supported by the sustained private sector expansion. The stabilization of external conditions is also expected to lend support to our economic growth prospects.

(Source: BNM's Quarterly Bulletin, Fourth Quarter 2012)

<u>Outlook</u>

The 2013 Budget details measures and allocations to further enhance the nation's economic growth towards achieving its strategic goal of a high-income and developed economy by 2020. With prospects for global growth remaining modest at 3.9%, domestic demand will continue to drive the Malaysian economy boosted by the measures in the 2013 Budget. Against this backdrop, the GDP forecast for the Malaysian economy is between 4.5% and 5.5% in 2013. This will translate into nominal GNI per capita growth of 6.4% from RM30,956 to RM32,947. In purchasing power parity terms, per capita income will grow from US dollars 15,676 to US dollars 16,368.

In tandem with higher investment activities, the proportion of savings-investment gap to GNI is projected to decrease to 7.3% (2012 : 7.5%). Private and public consumption, the largest component of real GDP, is anticipated to expand further by 4.2% in 2013 and remain the main driver of domestic demand. Private gross fixed capital formation is expected to expand 13.3% following the implementation of several new projects under the Niagara Tunnel Project.

In tandem with the challenging external environment, exports of goods and services are projected to grow 2.8%, while imports will increase 3.6% supported by higher domestic demand.

Despite an increase in aggregate demand, inflation is expected to remain manageable following the expansion from the supply side. All sectors of the economy are expected to contribute to growth, with the services, manufacturing and construction sectors spearheading the expansion. The economy will continue to operate under conditions of full employment with the unemployment rate remaining below 4%. On the fiscal side, with revenue collection outpacing growth in operating expenditure, the Federal Government deficit is expected to narrow to 4% of GDP in 2013. The Government is committed to reducing further the deficit to 3% by 2015.

(Source: Economic Report 2012/2013, Ministry of Finance Malaysia)

7.2 Industry Outlook and Overview on the Core Businesses of the BKB Group

7.2.1 Industrial Operations – Chemical Industry

Overview

Value-added of the manufacturing sector expanded 5% during the first half of 2012 (January – June 2011:4.1%). Output of the sector rose 5.2% during the first seven months of 2012 (January – July 2011: 3.6%) in line with the increase in sales value of manufactured products by 6.5% to RM363.1 billion (January – July 2011: 10.6%; RM341 billion. Output from domestic-oriented industries continued to expand 8.6% (January – July 2011: 6.5%) while export-oriented industries grew 4.1% (January – July 2011: 2.8%). The sector continued to attract domestic and foreign investments, with approved investments totaling RM56.1 billion in 2011. Average wage per employee was higher at RM2,455 while productivity increased 4.6% during the first seven months of 2012 (January – July 2011: RM2,299; -2%). Meanwhile, the capacity utilization rate remained strong during the second quarter of 2012 at 82.8% (Q1 2012: 82.3%) despite continued expansion in capacity on account of new investments. In line with the overall economic outlook, value-added of the manufacturing sector is expected to grow 4.2% in 2012 (2011: 4.7%).

Output of chemicals and chemical products rose 9.9% (January – July 2011: 5.5%) on account of increasing demand for plastic products (11.8%) and basic chemicals (11.1%). External demand for plastic packaging materials surged during the early part of the year, particularly from Japan and Thailand, as manufacturers resumed operations, which were interrupted by natural calamities and power outages. The subsector is also expected to make significant gains from the oil and gas sector and the transformation of South Johor into an international oil and gas hub.

Export Performance

Slower exports growth

In 2012, given the uncertainties in the external environment, gross exports are expected to expand at a moderate pace of 2.7% (2011: 8.7%). This is on account of the continued slowdown in global demand for manufactured products, particularly electrical and electronic ("**E&E**") products and expected softening of commodity prices during the second half of 2012. Export earnings from manufactured goods are expected to grow moderately by 4% to RM524.2 billion (2011: 3.3%; RM504.2 billion) and remain a significant contributor to export earnings. The growth is supported by the non-E&E products, particularly resource-based products such as chemicals and chemical products, rubber and petroleum. Meanwhile, exports of E&E products are expected to moderate as shipments of semiconductors and electronic equipment to the advanced and regional economies are slowing down.

Exports of chemicals, chemical and plastic products increased 3.5% (January – July 2011: 10.1%) mainly supported by organic chemicals (2.1%). Exports of dyeing, tanning and colouring materials (21.9%) and inorganic chemicals (11.9%) also supported growth of the segment.

Despite the slowdown in China's economic growth, it remains Malaysia's largest trading partner with trade rising 12.5% to RM103.9 billion during the first seven months of 2012 (January – July 2011: 8.2%; RM92.3 billion). Exports increased 0.9% on account of higher receipts of chemicals and chemical products, compounded rubber and E&E products, particularly hybrid integrated circuits and data storage units (January – July 2011: 8.8%). Meanwhile, imports grew significantly by 26.7%, contributed by E&E products, parts and accessories for machines, data processing machines and television broadcast receivers (January – July 2011: 7.4%). Consequently, the trade balance with China registered a deficit of RM1.3 billion (January – July 2011: RM9.3 billion).

Exports to Indonesia grew significantly by 35.1% mainly due to higher shipments of refined petroleum products as well as chemicals and chemical products. However, imports from

Indonesia declined 9.1% on account of lower imports of palm oil. Nevertheless, trade with Indonesia increased 6.8% to RM35.4 billion during the period.

However, imports from the European Union (EU) increased 12.4% driven by higher imports of transport equipment, machinery, appliances and parts as well as chemicals and chemical products (January – July 2011: 7.6%).

(Source: Economic Report 2012/2013, Ministry of Finance Malaysia)

7.2.2 Plantations Activities

7.2.2.1 Agriculture Sector

Growth led by food commodity subsector

Value-added of the agriculture sector contracted marginally by 1.5% during the first half of 2012 (January – June 2011: 3.8%) largely affected by lower output in the plantation subsector, particularly oil palm and rubber. However, the contraction in the plantation subsector output was cushioned by growth in the food commodity subsector. Growth of the sector during the second half of 2012 is expected to be supported by a marginal recovery in the output of oil palm on account of improved fresh fruit bunches (FFB) yields. Implementation of strategies under the National Agro-Food Policy (2011 – 2020) to transform and modernize the agro-food commodity sector by raising productivity will contribute positively to the overall output of the agriculture sector. Taking into account the improving yield and the output of the plantation sector during the second half of the year, the agriculture sector is expected to grow 0.6% in 2012 (2011: 5.9%).

Value-added of the oil palm subsector contracted 8.6% during the first half of the year (January – June 2011: 6.5%) due to the less favourable weather conditions and natural production down cycle that constrained the output of FFB. Despite higher oil extraction rate, the lower average FFB yield at 11.19 tonnes per hectare (January – August 2011: 12.52 tonnes per hectare) led to lower output of CPO by 7% to 11.2 million tonnes (January – August 2011: 8.2%; 12 million tonnes). However, the yield is expected to improve in the later part of the year, with the subsector registering a smaller contraction of 2.8% in 2012 (2011: 10.8%).

Total planted areas of oil palm increased substantially by 77,106 hectares to five million hectares as at end-June 2012. Of the total planted areas, 28.4% or 1.5 million hectares are located in Sabah. With the acceleration of planting activity, total planted areas are expected to increase to 5.1 million hectares in 2012. This is in line with the Government's efforts to increase FFB yields to 26.2 tonnes per hectare by 2020. As at end-June 2012, 26% or 117,806 hectares of low-yielding oil palm areas have been replanted. In addition, matured oil palm acreage is estimated to increase to 4.4 million hectares in 2012 (2011: 4.3 million hectares) accounting for 85.7% of total planted areas.

Following slower demand amid global uncertainties, the average CPO price moderated to RM3,110 per tonne during the first eight months of 2012 (January – August 2011: RM3,355 per tonne). However, the widening price premium of soybean due to the drought in the US is expected to support CPO prices. Hence, despite concerns of a weakening global economy, the CPO price is expected to be sustained at RM3,100 per tonne in 2012 (2011: RM3,219 per tonne).

Export Performance

The overall export performance will also be affected by lower agriculture exports, which are projected to contract 9.7% to RM82.5 billion (2011: 32.9%; RM91.4 billion) due to lower prices and reduced shipments of palm oil and crude rubber. Meanwhile, mining exports are estimated to moderate 3.4% to RM91 billion (2011: 20.3%; RM88 billion) on account of slowing demand and easing crude oil prices. During the first seven months of 2012, gross exports expanded at a slower pace of 3.3% to RM409.3 billion (January – July 2011: 6.9%; RM396.3 billion) supported by regional demand for resource-based manufacturing exports and higher prices as well as strong demand for liquefied natural gas, particularly from Japan and the Republic of Korea.

Export volume of palm oil contracted 1.7% to 9.7 million tonnes (January – July 2011: -0.4%; 9.9 million tonnes) due to lower demand, particularly from China. In addition, export receipts declined 8.6% to RM31.5 billion (January – July 2011: 35%; RM34.4 billion) due to lower export prices which averaged RM3,233 per tonne (January – July 2011: RM3,475 per tonne). For 2012, exports of palm oil are expected to decline 9.7% to RM55.2 billion (2011: 34.9%; RM61.1 billion) on account of the weakening global economic outlook.

(Source: Economic Report 2012/2013, Ministry of Finance Malaysia)

7.2.2.2 Oil Palm Industry

The year 2012 has been a challenging year for the Malaysian oil palm industry. During the first half of the year, the industry was faced with lower Crude Palm Oil (CPO) production compared to corresponding period of 2011 as Fresh Fruit Bunch (FFB) yielded low due to stress on the trees after experiencing high FFB production in 2011, as well as high imports of palm oil. In the second half of the year, palm oil prices declined as palm oil stocks build-up arising from high carry-over stocks in the beginning of the year, increase CPO production as well as weaker export demand. Palm oil stocks reached 2.63 million tonnes at the end of December 2012, CPO production declined marginally to 18.79 million tonnes and imports increased to 1.39 million tonnes. Total exports of palm products was 24.56 million tonnes, an increase of 1.2% with palm kernel cake and oleochemical products registered increase in exports, while palm oil recorded a decline of 2.4% to 17.56 million tonnes. Average price of CPO for the year was RM2,764 per tonne, lower by 14.1% compared to RM3,219 in 2011, while export revenue of palm products declined by 11.2% to RM71.40 billion against RM80.41 billion recorded in 2011 due to lower export prices.

The oil palm planted area in 2012 reached 5.08 million hectares, an increase of 1.5% against 5.00 million hectares recorded in 2011. This was mainly due to the increase in planted area in Sarawak, which recorded an increase of 5.3% or 54,651 hectares. Sabah is still the largest oil palm planted state, with 1.44 million hectares or 28.4% of total oil palm planted area, followed by Sarawak with 1.08 million hectares with 21.2%.

Production of CPO in 2012 declined marginally by 0.7% to 18.79 million tonnes, with Peninsular Malaysia was down marginally by 0.5% to 10.32 million tonnes, while Sabah declined by 5.1% to 5.54 million tonnes. Sarawak, on the other hand registered an increase of 8.4% to 2.92 million tonnes due to new areas coming into production.

Palm oil stocks in 2012 was higher by 27.7% to close at 2.63 million tonnes as compared to 2.06 million tonnes recorded in 2011. The high closing stock was attributed to the high palm oil opening stocks, increased in palm oil imports by 6.5% and decline in palm oil exports by 2.4%. Palm oil imports rose due to the need to supplement the decline in palm oil production (0.7%) to 18.79 million tonnes compared to 18.91 million tonnes in 2011 as well as to cater demand for further processing (local and export).

Total exports of oil palm products, consisting of palm oil, palm kernel oil, palm kernel cake, oleochemicals, biodiesel and finished products increased marginally by 1.2% or 0.29 million tonnes to 24.56 million tonnes in 2012 from 24.27 million tonnes recorded in 2011. Total export revenue, however declined by 11.2% or RM9.02 billion to RM71.40 billion compared to the RM80.41 billion achieved in 2011 due to lower export prices.

Exports of palm oil declined by 2.4 % to 17.56 million tonnes in 2012 as against 17.99 million tonnes in the previous year. China, P.R continued to maintain its position as the largest palm oil export market for the 11th consecutive year, with off-takes totaling 3.50 million tonnes or 19.9% of total palm oil exports, followed by India 2.63 million tonnes (15.0%), the EU 2.22 million tonnes (12.6%), Pakistan 1.34 million tonnes (7.6%), USA 1.03 million tonnes (5.9%), Japan 0.56 million tonnes (3.2%) and Iran 0.55 million tonnes (3.1%). These seven (7) markets combined accounted for 11.83 million tonnes or 67.4% of total Malaysian palm oil exports in 2012.

The decline in palm oil export was mainly due to lower export volume to China, P.R, Pakistan, Egypt, UAE and the Philippines. Palm oil exports to China, P.R declined sharply by 12.1% or 0.48 million tonnes to 3.50 million tonnes mainly due to higher imports of soyabean for domestic crushing and higher imports of Indonesian palm oil. Exports to Pakistan decreased by 26.2% or 0.48 million tonnes to 1.34 million tonnes attributed to the higher imports of Indonesian palm oil during the first half of the year as well as the increase in import of canola (for domestic crushing) in January/October, especially from Australia. The country's political unrest as well as the high import of sunflower oil from Argentina had contributed to the decline in palm oil export to Egypt by 39.3% or 0.28 million tonnes to 0.43 million tonnes. The decline in palm oil export to UAE by 57.1% or 0.23 million tonnes to 0.17 million tonnes was due to low re-export of palm oil to Turkey. The recovery in domestic coconut production due to favourable weather conditions had contributed to the lower palm oil export to the Philippines by 44.3% or 0.23 million tonnes to 0.29 million tonnes.

While most major markets registered declines in off-takes, some markets recorded increases in exports, namely India, the EU, Iran and Bangladesh. Malaysian exports of palm oil to India increased significantly by 57.8% or 0.96 million tonnes to 2.63 million tonnes arising from lower supply availability of domestic vegetable oils, especially rapeseed oil (declined by 10.7% or 2.20 million tonnes from 2.50 million tonnes recorded in 2011). Another contributing factor was the competitiveness price of palm oil against other competing oils, such as soyabean oil, coupled with the increased intake of CPO due to the 0% import duty, which favoured imports of CPO. The lower production of domestic rapeseed oil arising from reduced production of rapeseed as well as a decline in crushing activity was the major contributing factor for the increase in palm oil exports to the EU by 10.7% or 0.21 million tonnes to 2.22 million tonnes. Palm oil exports to Iran increased by 60.2% or 0.21 million tonnes to 0.55 million tonnes due to the decline in oilseeds imports (for domestic crushing activity) during the first half of 2012. In addition, the exemption of sanctions by the US Government on seven (7) countries, including Malaysia for six (6) months (effective end of June 2012) had contributed to the high off-take of Malaysian palm oil. The higher demand for palm oil from the local food industry was the main reason for the increase in palm oil export to Bangladesh by 82.2% or 0.12 million tonnes to 0.27 million tonnes.

Palm kernel oil exports declined by 7.9% to 1.08 million tonnes in 2012. USA was the major export market for palm kernel oil with 0.24 million tonnes (or 21.7% of total palm kernel oil exports), followed by China, P.R 0.19 million tonnes (17.3%), the EU 0.15 million tonnes (13.7%) and Japan 0.09 million tonnes (8.4%).

Exports of palm kernel cake increased by 10.4% to 2.46 million tonnes. The major palm kernel cake export markets were the EU with 0.96 million tonnes (or 38.9% of total palm kernel cake exports), New Zealand 0.70 million tonnes (28.6%) and South Korea 0.47 million tonnes (19.1%).

Exports of oleochemical products rose by 19.2% to 2.60 million tonnes in 2012. The major export markets for oleochemicals were the EU with 0.66 million tonnes (25.4% of total oleochemical exports), China, P.R 0.37 million tonnes (14.2%), USA 0.23 million tonnes (8.8%), Japan 0.22 million tonnes (8.5%) and India 0.16 million tonnes (6.2%). The major oleochemical products exported were fatty acids (0.86 million tonnes or33.1% of total oleochemical exports), followed by fatty alcohol (0.56 million tonnes or 21.5%), methyl ester (0.48 million tonnes or 18.5%), soap noodles (0.36 million tonnes or 13.8%) and glycerine (0.31 million tonnes or 11.9%). The increase in exports of oleochemical products was due to the higher demand from the EU, China, P.R, India and USA.

Potential export markets for oil palm products were mostly African countries, namely Angola, Gabon and Guinea.

The average CPO price recorded for the year 2012 was RM2,764.00, a decline of RM455.00 or 14.1% against RM3,219.00 in the previous year. CPO prices traded firmer averaging at RM3,189.00 and RM3,197.00 per tonne during the first and second quarter of the year respectively, supported mainly by positive sentiments related to world supply tightness of vegetable oils, especially soya bean oil. However, CPO price declined to RM2,837.00 during the third quarter of the year mainly due to bearish market sentiments resulting from the unresolved Euro-zone financial crisis that lead to poor demand of oils and fats, coupled with the seasonal uptrend in palm oil production. Subsequently, CPO price was down to its lowest level in the year during the fourth quarter of 2012, averaging at RM2,181.00 on continued concerns over the build-up in palm oil stock levels reaching its highest level of 2.63 million tonnes in December, 2012.

In line with the overall decrease in local CPO prices coupled with the weaker world vegetable oil prices in 2012, namely that of soyabean oil (SBO) which was lower by 5.6% to US$1,226/tonne and rapeseed oil (RSO) by 9.4% to US$1,240/tonne against US$1,299/tonne and US$1,368/tonne respectively in 2011, the average export price for processed palm oil products declined. The price of RBD palm oil was down by RM455.50 or 13.3% to RM2,970.50; RBD palm olein by RM544.50 or 15.5% to RM2,963.00; and RBD palm stearin by RM317.00 or 10.2% to RM2,786.00. However, PFAD price traded slightly higher by RM27.50 or 1.1% to RM2,522.50 mainly due to increase demand (India, Pakistan, Bangladesh and China, P.R) for PFAD application in non-edible palm based product, mainly for soap.

The average price of palm kernel (PK) in 2012, declined by RM683.50 or 31.0% to RM1,522.50 from RM2,206.00 recorded in the previous year. The lower price was mainly due to weaker domestic crude palm kernel oil (CPKO) price sentiments. The price of CPKO in 2012 declined by RM1,361.50 or 29.5% to RM3,249.50, down from RM4,611.00 recorded in the previous year. The lower price was in tandem with the weaker world lauric oil prices in 2012, namely that of PKO which was lower by 32.6% to US$1,110/tonne and coconut oil by 35.8% to US$1,111/tonne against US$1,648/tonne and US$1,730/tonne respectively in 2011.

The average FFB price at 1% OER was lower by 16.7% to RM30.21, down from RM36.28 achieved in the previous year, which was in tandem with the lower CPO and PK prices. Based on the national oil extraction rate (OER), the average price of FFB in 2012 was equivalent to RM615/tonne as against RM738/tonne in the previous year.

(Source: Overview of the Malaysian Oil Palm Industry, Malaysian Palm Oil Board http://bepi.mpob.gov.my/images/overview/Overview_of_Industry_2012.pdf)

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APPENDIX 1

ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

BATU KAWAN BERHAD (6292-U)

2012

ANNUAL REPORT FOR THE YEAR ENDED 30 SEPTEMBER

BATU KAWAN BERHAD

Contents

BATU KAWAN BERHAD

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Forty-eighth ANNUAL GENERAL MEETING of the members of the Company will be held at its Registered Office, Wisma Taiko, No. 1, Jalan S. P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan, Malaysia on Wednesday, 20 February 2013 at 2.15 p.m. for the following purposes:

1. To receive the Financial Statements for the year ended 30 September 2012 and the Directors' and Auditors' Reports thereon. (Please Refer Note 1)

2. To approve the payment of a final single tier dividend of 50 sen per share for the year ended 30 September 2012. (Ordinary Resolution 1)

3. To re-elect Quah Chek Tin who retires as a director in accordance to the Company's Articles of Association. (Ordinary Resolution 2)

4. To consider and, if thought fit, pass resolutions pursuant to Section 129(6) of the Companies Act, 1965 to re-appoint the following as Directors of the Company to hold office until the next Annual General Meeting of the Company:

   (a) R.M. Alias (Ordinary Resolution 3)
   (b) Tan Sri Datuk Seri Utama Thong Yaw Hong (Ordinary Resolution 4)
   (c) Dato' Mustafa bin Mohd Ali (Ordinary Resolution 5)

5. To approve Directors' fees for the year ended 30 September 2012 amounting to RM765,000 (2011 : RM700,000). (Ordinary Resolution 6)

6. To appoint Auditors and to authorise the Directors to fix their remuneration. (Ordinary Resolution 7)

7. As SPECIAL BUSINESS, to consider and, if thought fit, pass the following Resolutions:

   (a) PROPOSED AUTHORITY TO BUY BACK ITS OWN SHARES BY THE COMPANY (Ordinary Resolution 8)

   "THAT authority be given to the Company to buy back an aggregate number of ordinary shares of RM1.00 each in the Company ("Authority to Buy Back Shares") as may be determined by the Directors from time to time through Bursa Malaysia Securities Berhad ("Bursa Securities") upon such terms and conditions as the Directors may deem fit and expedient in the best interests of the Company provided that at the time of purchase, the aggregate number of shares purchased pursuant to this resolution does not exceed 10% of the total issued and paid-up share capital of the Company and that the maximum fund to be allocated for the Authority to Buy Back Shares shall not exceed the latest audited retained profits of the Company AND THAT the Directors may resolve to cancel the shares so purchased and/or retain the shares so purchased as treasury shares which may be distributed as dividends to the shareholders of the Company and/or resold on Bursa Securities and/or cancelled;

   AND THAT the Directors be and are hereby empowered to do all such acts and things to give full effect to the Authority to Buy Back Shares with full powers to assent to any conditions, modifications, revaluations, variations and/or amendment (if any) as may be imposed by the relevant authorities AND THAT such Authority shall commence upon passing of this ordinary resolution and will expire at the conclusion of the next Annual General Meeting ("AGM") of the Company following the passing of this ordinary resolution or the expiry of the period within which the next AGM is required by law to be held (unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting) but not so as to prejudice the completion of a purchase by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the guidelines issued by Bursa Securities or any other relevant authority."

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

"THAT subject to the Companies Act, 1965, the Memorandum and Articles of Association of the Company and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into all arrangements and/or transactions as set out in Appendix II of the Circular to Shareholders dated 28 December 2012 involving the interests of Directors, major shareholders or persons connected with Directors or major shareholders ("Related Parties") of the Company and/or its subsidiaries provided that such arrangements and/or transactions are:

(i) recurrent transactions of a revenue or trading nature;
(ii) necessary for the Group's day-to-day operations;
(iii) carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public; and
(iv) are not to the detriment of minority shareholders
("the Mandate").

THAT such authority shall commence upon the passing of this resolution and shall continue to be in force until:

(i) the conclusion of the next Annual General Meeting of the Company following the Annual General Meeting at which such mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or
(ii) the expiration of the period within which the next Annual General Meeting after the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965; or
(iii) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is earlier.

AND THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Mandate."

8. To transact any other ordinary business.

By Order of the Board
CHONG SEE TECK
MD SHAIZATUL AZAM BIN CHE SODA
(Company Secretaries)

Ipoh,
Perak Darul Ridzuan,
Malaysia.

28 December 2012

NOTES:

(1) This item is meant for discussion only as under Section 169(1) of the Companies Act, 1965 and the Company's Articles of Association, the Audited Financial Statements are to be laid at the general meeting and do not require a formal approval of the shareholders. Hence, this matter will not be put forward for voting.

(2) A member, other than an exempt authorised nominee who may appoint multiple proxies in respect of each Omnibus Account held, is entitled to appoint only one proxy to vote in his stead. The proxy need not be a member of the Company.

(3) The instrument appointing the proxy, to be valid, must be deposited at the Registered Office of the Company at Wisma Taiko, No. 1, Jalan S. P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan, not less than 48 hours before the time for holding the meeting.

(4) For purposes of determining shareholders who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company pursuant to Article 56(4)(c) of the Articles of Association of the Company and Paragraph 7.16(2) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, a Record of Depositors as of 13 February 2013 and a shareholder whose name appears on such Record of Depositors or Register of Members on such date shall be entitled to attend this meeting or appoint proxy to attend and/or vote in his stead.

(5) The final single tier dividend, if approved, will be paid on 22 March 2013 to all shareholders on the Register of Members as at 25 February 2013.

A Depositor with Bursa Malaysia Depository Sdn Bhd shall qualify for entitlement to the dividend only in respect of:

(a) securities deposited into the Depositor's Securities Account before 12.30 p.m. on 21 February 2013 in respect of securities which are exempted from mandatory deposit;

(b) securities transferred into the Depositor's Securities Account before 4.00 p.m. on 25 February 2013 in respect of transfers; and

(c) securities bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

(6) Profile of the Directors (together with their attendance in Board Meetings) standing for re-election or re-appointment as Directors of the Company under Resolutions 2 to 5 are shown on pages 9 to 11 of this 2012 Annual Report. Their interests in the shares of the holding company and its related corporations as well as their interests in the shares of the Company and its subsidiaries are set out on pages 38 to 39.

(7) Ordinary Resolution 8 under item 7(a), if passed, is to give authority to Directors to buy back the Company's own shares. This authority will expire at the next Annual General Meeting of the Company unless earlier revoked or varied by ordinary resolution of the Company at a general meeting.

(8) Ordinary Resolution 9 under item 7(b), if passed, will allow the Group to enter into Recurrent Related Party Transactions of a Revenue or Trading Nature in the ordinary course of business made on normal commercial terms not more favourable to the related parties than those generally available to the public, and are not to the detriment of the minority shareholders.

By obtaining the Proposed Shareholders' Mandate under Ordinary Resolution 9 and the renewal of the same on an annual basis, the necessity to convene separate general meetings from time to time to seek shareholders' approval as and when such recurrent related party transactions occur is avoided which would reduce substantial administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising the corporate objectives of the Group or adversely affecting the business opportunities available to the Group.

For Ordinary Resolutions 8 and 9 mentioned above, further information is set out in the Circular to Shareholders of the Company which is despatched together with the Company's 2012 Annual Report.

(A proxy form is attached with this Annual Report)

BATU KAWAN BERHAD

Notis Mesyuarat Agung Tahunan

DENGAN INI DIBERITAHU bahawa MESYUARAT AGUNG TAHUNAN pemegang-pemegang saham Syarikat yang Ke Empat Puluh Lapan akan diadakan di Pejabat Berdaftar di Wisma Taiko, No. 1, Jalan S. P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan, Malaysia pada hari Rabu, 20 Februari 2013 pada jam 2.15 petang untuk tujuan-tujuan berikut:

1. Menerima Penyata Kewangan bagi tahun berakhir 30 September 2012 dan Laporan Lembaga Pengarah dan Juruaudit. (Sila Rujuk Nota 1)

2. Meluluskan bayaran dividen akhir "single tier" 50 sen sesaham bagi tahun berakhir 30 September 2012. (Resolusi Biasa 1)

3. Melantik semula Quah Chek Tin yang bersara sebagai pengarah menurut Tataurus Syarikat. (Resolusi Biasa 2)

4. Mempertimbangkan dan sekiranya wajar, meluluskan resolusi menurut Seksyen 129(6) Akta Syarikat, 1965 bagi melantik semula penama berikut sebagai Pengarah Syarikat untuk berkhidmat hingga Mesyuarat Agung Tahunan Syarikat tahun berikutnya:

   (a) R.M. Alias (Resolusi Biasa 3)
   (b) Tan Sri Datuk Seri Utama Thong Yaw Hong (Resolusi Biasa 4)
   (c) Dato' Mustafa bin Mohd Ali (Resolusi Biasa 5)

5. Meluluskan bayaran yuran Pengarah-Pengarah sebanyak RM765,000 bagi tahun berakhir 30 September 2012 (2011 : RM700,000). (Resolusi Biasa 6)

6. Melantik Juruaudit dan memberi kuasa kepada para Pengarah menetapkan ganjaran Juruaudit. (Resolusi Biasa 7)

7. Sebagai URUSAN KHAS, untuk menimbangkan dan sekiranya bersesuaian meluluskan yang berikut sebagai Resolusi-Resolusi:

   (a) CADANGAN MEMBERI KUASA MEMBELI BALIK SAHAM SENDIRI OLEH SYARIKAT (Resolusi Biasa 8)

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

   DAN BAHAWA Pengarah-Pengarah diberi kuasa membuat segala tindakan dan perkara yang perlu untuk melaksanakan dengan penuh Cadangan Memberi Kuasa Membeli Balik Saham dengan penuh kuasa untuk menyetujui sebarang syarat, ubahsuaian, nilaian semula, perubahan dan/atau pindaan (jika ada) yang dikuatkuasakan oleh pihak berkuasa berkenaan; DAN BAHAWA kuasa tersebut akan bermula apabila resolusi ini diluluskan dan akan tamat pada penghabisan Mesyuarat Agung Tahunan Syarikat tahun hadapan berikutan dengan kelulusan resolusi biasa ini atau penamatan jangkamasa dalam tempoh di mana Mesyuarat Agung Tahunan hadapan yang dikehendaki oleh undang-undang perlu diadakan (kecuali dibatalkan atau diubahsuai melalui resolusi biasa pemegang-pemegang saham Syarikat dalam Mesyuarat Agung) tetapi tidak menjejaskan penyempurnaan pembelian oleh Syarikat sebelum tarikh tamat dan, dalam keadaan apa pun, seharusnya mengikut peruntukan dalam garis panduan yang dikeluarkan oleh Bursa Securities atau mana-mana pihak berkuasa berkenaan."

(b) CADANGAN PEMEGANG-PEMEGANG SAHAM MEMBERI MANDAT UNTUK MELULUSKAN TRANSAKSI DAGANGAN SERING BERULANG DENGAN PIHAK-PIHAK YANG BERKAITAN (Resolusi Biasa 9)

"BAHAWA, tertakluk kepada Akta Syarikat, 1965, Tatacara dan Tataurus Syarikat dan Peraturan Bursa Malaysia Securities Berhad, kelulusan diberikan kepada Syarikat dan/atau subsidiari-subsidiarinya untuk mementerai perjanjian atau menangani transaksi dengan pihak-pihak yang berkaitan seperti yang tertera di Appendik II dalam Surat Pekeliling kepada pemegang-pemegang saham bertarikh 28 Disember 2012 yang melibatkan kepentingan Pengarah-pengarah atau pemegang saham utama atau pihak-pihak yang berkaitan dengan Pengarah-pengarah atau pemegang-pemegang saham utama ("Pihak-pihak berkaitan") syarikat dan/atau subsidiari-subsidiarinya sekiranya transaksi-transaksi tersebut adalah:

(i) sering berulang dan bersifat dagangan;
(ii) merupakan keperluan untuk urusan perniagaan harian;
(iii) dilaksanakan secara perniagaan biasa seumpama transaksi dijalankan dengan pihak umum dan tidak memberikan kelebihan kepada pihak-pihak berkaitan; dan
(iv) tidak merugikan atau menjejaskan kepentingan pemegang-pemegang saham minoriti ("Mandat").

DAN BAHAWA, mandat tersebut akan berkuatkuasa sebaik sahaja resolusi ini diluluskan dan berkuatkuasa sehingga:

(i) penamatan Mesyuarat Agung Tahunan Syarikat selepas Mesyuarat Agung Tahunan pada mana mandat tersebut diluluskan bila mana ia akan luput, melainkan resolusi diluluskan untuk memperbaharui mandat, diperolehi dalam mesyuarat tersebut; atau
(ii) tamatnya tempoh bilamasa Mesyuarat Agung Tahunan perlu diadakan mengikut seksyen 143(1) Akta Syarikat, 1965 (tetapi tidak dilanjutkan kepada lanjutan yang dibenarkan dibawah seksyen 143(2) Akta Syarikat, 1965 tersebut); atau
(iii) dimansuhkan atau diubah oleh suatu resolusi yang diluluskan oleh pemegang-pemegang saham dalam mesyuarat agung;

yang mana lebih terdahulu.

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

8. Menguruskan lain-lain perkara biasa.

Dengan Perintah Lembaga Pengarah
CHONG SEE TECK
MD SHAIZATUL AZAM BIN CHE SODA
(Setiausaha-setiausaha Syarikat)

Ipoh,
Perak Darul Ridzuan,
Malaysia.

28 Disember 2012

NOTA-NOTA:

(1) Perkara ini bertujuan sebagai perbincangan sahaja seperti di bawah Seksyen 169(1) Akta Syarikat, 1965 dan Tataurusan Pertubuhan Syarikat, Penyata Kewangan Diaudit akan dibentangkan di mesyuarat agung dan tidak memerlukan kelulusan formal pemegang saham. Justeru, perkara ini tidak dibentangkan untuk undian.

(2) Seorang pemegang saham Syarikat, selain daripada nomini diberi kuasa berkecuali yang boleh melantik beberapa proksi berhubung dengan setiap Akaun Omnibus, adalah berhak melantik seorang proksi sahaja untuk menghadiri dan mengundi bagi pihaknya. Proksi tersebut tidak semestinya seorang pemegang saham Syarikat.

(3) Suratcara perlantikan proksi, supaya ianya sah, hendaklah sampai ke Pejabat Berdaftar Syarikat di Wisma Taiko, No. 1, Jalan S. P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan, tidak kurang daripada 48 jam sebelum mesyuarat ini diadakan.

(4) Bagi tujuan menentukan pemegang saham yang berhak untuk menghadiri mesyuarat ini, Syarikat akan meminta Bursa Malaysia Depository Sdn Bhd menyediakan untuk Syarikat menurut Artikel 56(4)(c) Tataurusan Pertubuhan Syarikat dan Perenggan 7.16(2) Keperluan Penyenaraian Pasaran Utama Bursa Malaysia Securities Berhad, satu Rekod Pendeposit pada 13 Februari 2013 dan pemegang saham yang namanya terkandung di dalam Rekod Pendeposit atau Rekod Pendaftaran Ahli pada tarikh tersebut adalah layak untuk menghadiri mesyuarat ini atau melantik proksi untuk hadir dan/atau mengundi bagi pihaknya.

(5) Dividen akhir “single tier”, jika diluluskan, akan dibayar pada 22 Mac 2013 kepada semua pemegang-pemegang saham yang didaftarkan dalam Buku Pendaftaran Ahli pada 25 Februari 2013.

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

(a) saham yang didepositkan ke dalam akaun sekuriti pendeposit sebelum pukul 12.30 petang pada 21 Februari 2013 berhubung dengan saham yang dikecualikan daripada deposit mandatori;

(b) saham yang dipindahkan ke dalam akaun sekuriti pendeposit sebelum pukul 4.00 petang pada 25 Februari 2013 berhubung dengan pindahan; dan

(c) saham yang dibeli di Bursa Malaysia Securities Berhad pada dasar bersama kelayakan menurut Peraturan Bursa Malaysia Securities Berhad.

(6) Profil para pengarah (bersama dengan kehadiran mereka dalam Mesyuarat Lembaga Pengarah) yang akan dipilih atau dilantik semula sebagai pengarah-pengarah syarikat untuk resolusi-resolusi 2 hingga 5 tertera pada mukasurat 9 hingga 11 dalam Laporan Tahunan 2012. Kedudukan saham mereka di dalam syarikat induk dan syarikat-syarikat berkaitan dengannya serta kedudukan saham di dalam Syarikat dan subsidiari-subsidiari tertera pada mukasurat 38 hingga 39.

(7) Cadangan Resolusi Biasa 8 di bawah perenggan 7(a) jika diluluskan bertujuan memberi kuasa kepada para pengarah untuk membeli balik saham Syarikat pada satu masa bila mana terma dan syarat-syarat pengarah-pengarah mendapati sesuai dengan kepentingan Syarikat. Bidang kuasa ini akan luput pada Mesyuarat Agung Tahunan yang akan datang melainkan sekiranya diimansuhkan atau diubah melalui resolusi biasa Syarikat dalam suatu mesyuarat umum.

(8) Cadangan Resolusi Biasa 9 di bawah perenggan 7(b) jika diluluskan akan membenarkan Kumpulan menjalankan transaksi-transaksi sering berulang bersifat dagangan dengan pihak-pihak berkaitan dalam transaksi perniagaan biasa atas syarat-syarat komersil yang tidak memberikan apa-apa kelebihan kepada pihak berkaitan dan tidak merugikan atau menjejaskan kepentingan pemegang-pemegang saham minoriti.

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

Untuk Resolusi Biasa 8 dan 9, penerangan lanjut berkenaan dengan perkara-perkara tersebut di atas adalah terkandung di dalam Surat Pekeliling kepada Pemegang Saham yang telah disertakan bersama dengan Laporan Tahunan 2012.

(Sesalinan borang proksi dikembarkan bersama Laporan Tahunan ini).

Corporate Information

BOARD OF DIRECTORS

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

COMPANY SECRETARIES

Chong See Teck
Md Shaizatul Azam bin Che Soda

REGISTERED OFFICE / PRINCIPAL PLACE OF BUSINESS

Wisma Taiko
No. 1, Jalan S. P. Seenivasagam
30000 Ipoh
Perak Darul Ridzuan, Malaysia
Tel : 605-2417844
Fax : 605-2548054
Email : cosec@bkawan.com.my
Website : www.bkawan.com.my

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd
55, Medan Ipoh 1A
Medan Ipoh Bistari
31400 Ipoh
Perak Darul Ridzuan, Malaysia
Tel : 605-5474833
Fax : 605-5474363

PLACE OF INCORPORATION AND DOMICILE

In Malaysia as a public limited liability company

STOCK EXCHANGE LISTING

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

AUDITORS

Ernst & Young
Chartered Accountants

PRINCIPAL BANKERS

Hong Leong Islamic Bank Berhad
Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad
OCBC Al-Amin Bank (Malaysia) Berhad
Oversea-Chinese Banking Corporation Limited
Public Bank Berhad
Standard Chartered Bank Malaysia Berhad
The Hongkong and Shanghai Banking Corporation Limited

Board of Directors

Profile of the Directors

The Board of Directors comprises a Non-Independent Non-Executive Chairman, a Managing Director and five (5) Independent Non-Executive Directors.

The Board meets quarterly and additional Board Meetings are held as and when required. The Board met four (4) times during the financial year ended 30 September 2012.

Particulars of the Directors are as follows:

TAN SRI DATO' SERI LEE OI HIAN

Malaysian, aged 61, joined the Board on 1 June 1979 and is the Non-Independent Non-Executive Chairman of Batu Kawan Berhad ("BKB"). He is the CEO of Kuala Lumpur Kepong Berhad. He also serves as trustee member of several social organisations.

He graduated from the University of Malaya with a Bachelor of Agricultural Science (Honours) degree and obtained his Masters in Business Administration from Harvard Business School, U.S.A.

He is the brother of Dato' Lee Hau Hian who is also a Director of BKB. He is deemed connected with Wan Hin Investments Sdn Berhad which is the holding company of Arusha Enterprise Sdn Bhd, a substantial shareholder of BKB. He is deemed interested in various related parties transactions with the BKB Group. He attended all the four (4) Board of Directors' meetings held during the financial year ended 30 September 2012.

DATO' LEE HAU HIAN

Malaysian, aged 59, Managing Director of BKB, joined the Board on 20 December 1993.

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

He graduated with a Bachelor of Science (Economics) degree from the London School of Economics and has an MBA degree from Stanford University, U.S.A.

He is the brother of Tan Sri Dato' Seri Lee Oi Hian who is also a Director of BKB. He is deemed connected with Wan Hin Investments Sdn Berhad which is the holding company of Arusha Enterprise Sdn Bhd, a substantial shareholder of BKB. He is deemed interested in various related parties transactions with the BKB Group. He attended all the four (4) Board of Directors' meetings held during the financial year ended 30 September 2012.

R.M. ALIAS

Malaysian, aged 80, Independent Non-Executive Director, has served on the Board since 1 December 1979. He is the Chairman of the Remuneration Committee of the Board.

He holds a Bachelor of Arts (Honours) degree from the University of Malaya, Singapore, a Certificate in Public Administration from the Royal Institute of Public Administration, London and has attended the Advanced Management Program at Harvard Business School, U.S.A.

He is the Non-Executive Chairman of Kuala Lumpur Kepong Berhad and a director of a listed company, Cerebos Pacific Limited (Singapore). He is also a trustee of Yayasan KLK and Tan Sri Lee Loy Seng Foundation.

He has no family relationship with any director/major shareholder of BKB. He attended all the four (4) Board of Directors' meetings held during the financial year ended 30 September 2012.

TAN SRI DATUK SERI UTAMA THONG YAW HONG

Malaysian, aged 82, Senior Independent Non-Executive Director, joined the Board on 23 January 1987. He is the Chairman of the Nomination Committee of the Board and a member of the Audit Committee and Remuneration Committee.

Tan Sri Thong is the Co-Chairman of Public Bank Berhad and Public Mutual Berhad and Chairman of Malaysia Property Inc. He is also a director of Kuala Lumpur Kepong Berhad, Glenealy Plantations (Malaya) Bhd, HHB Holding Bhd, Malaysian South-South Corporation Bhd, Public Islamic Bank Berhad, Public Investment Bank Bhd (Co-Chairman) and LPI Capital Bhd (Co-Chairman). He had served in the Economic Planning Unit in the Prime Minister's Department since 1957 and became its Director-General from 1971 to 1978 and served as Secretary-General, Ministry of Finance from 1979 until his retirement in 1986. He was formerly the Chairman of the Employees Provident Fund Board. He currently serves as a member on the Boards of Trustees of Program Pertukaran Fellowship Perdana Menteri Malaysia, Tun Razak Foundation, Malaysian Institute of Economic Research and Yayasan Wah Seong. He is a member of the Working Group of the Executive Committee for the Economic Council and National Implementation Task Force, and also a member of the Investment Committee for the Unit Trust Funds managed by Public Mutual Berhad.

He graduated with a Bachelor of Arts (Honours) degree in Economics from University of Malaya and a Masters degree in Public Administration from Harvard University, and has attended the Advanced Management Program from Harvard Business School. Tan Sri was the Pro-Chancellor of Universiti Putra Malaysia until June 2006. He was conferred the Honorary Doctorate of Economics by Universiti Putra Malaysia on 17 September 2006.

He has no family relationship with any director/major shareholder of BKB. He attended all the four (4) Board of Directors' meetings held during the financial year ended 30 September 2012.

DATO' MUSTAFA BIN MOHD ALI

Malaysian, aged 75, Independent Non-Executive Director, joined the Board on 31 October 1994. He is a member of the Remuneration Committee and Nomination Committee of the Board.

He is an Honours Economics graduate with Master of Arts from Cambridge University, awarded the CAM Diploma in Advertising by the Advertising Association, United Kingdom and has attended the Harvard Business School's Advanced Management Program USA. He served 26 years with the Malaysian Tobacco Company including a $2^1/_2$ years' assignment as Corporate Planning Officer at British-American Tobacco Co. London, and was its Managing Director prior to joining Sime Darby Berhad on 1 July 1988. He worked for some six years with Sime Darby in various senior management positions before his retirement in February 1994. He was a Business Adviser to Kumpulan Guthrie Bhd from April 1994 to June 2002. He is also a director of another listed company, Affin Holdings Berhad. He is a trustee of British Graduate Association and Harvard Business School Alumni Association of Malaysia.

He has no family relationship with any director/major shareholder of BKB and does not have any conflict of interest with BKB. He attended all the four (4) Board of Directors' meetings held during the financial year ended 30 September 2012.

DATO' YEOH ENG KHOON

Malaysian, aged 65, Independent Non-Executive Director, was appointed to the Board on 24 February 2005. He is the Chairman of the Audit Committee and a member of the Nomination Committee of the Board.

He is also a director of Kuala Lumpur Kepong Berhad and See Sen Chemical Berhad and a trustee of Yayasan KLK. He has previous work experience in banking, manufacturing and the retail business.

He obtained a degree of Bachelor of Arts (Honours) in Economics (Business Administration) from the University of Malaya in 1968 and was called to the Bar of England and Wales at Lincoln's Inn in 1979.

He has no family relationship with any director/major shareholder of BKB. He is deemed interested in various transactions between the BKB Group and certain companies carried out in the ordinary course of business. He has attended all the four (4) Board of Directors' Meeting held during the financial year ended 30 September 2012.

QUAH CHEK TIN

Malaysian, aged 61, Independent Non-Executive Director, was appointed to the Board on 4 March 2010. He is a member of the Audit Committee of the Board.

He began his career with Coopers & Lybrand London before returning to Malaysia. He joined the Genting Group in 1979 and has served in various positions within the Group. He was the Executive Director of Genting Berhad as well as the Executive Director and Chief Operating Officer of Genting Malaysia Berhad prior to his retirement in 2006. He holds a Bachelor of Science (Honours) Degree in Economics from the London School of Economics and Political Science and is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Malaysian Institute of Accountants.

In addition, he sits on the Boards of Genting Malaysia Berhad, Genting Plantations Berhad, Paramount Corporation Berhad and ECS ICT Berhad.

He has no family relationship with any director/major shareholder of BKB and does not have any conflict of interest with BKB. He has attended all the four (4) Board of Directors' Meetings held during the financial year ended 30 September 2012.

Note: None of the Directors of BKB has been convicted of any offence within the past 10 years.

Group Financial Summary

FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS

	2012 RM'000	2011 RM'000	2010 RM'000	2009 RM'000	2008 RM'000
Revenue	**336,541**	283,140	224,426	238,148	284,087
Profit before taxation	**625,644**	785,356	572,504	350,716	522,780
Profit attributable to owners of the Company	**605,687**	779,468	567,452	337,348	505,539
Total assets	**3,889,634**	3,816,722	3,261,310	3,036,080	2,902,467
Share capital	**435,951**	435,951	435,951	435,951	435,951
Reserves	**3,291,458**	3,233,763	2,694,623	2,466,268	2,356,269
Equity attributable to owners of the Company	**3,727,409**	3,669,714	3,130,574	2,902,219	2,792,220
Non-controlling interests	**66,836**	64,151	58,407	59,394	58,459
Total equity	**3,794,245**	3,733,865	3,188,981	2,961,613	2,850,679
Total liabilities	**95,389**	82,857	72,329	74,467	51,788
Total equity and liabilities	**3,889,634**	3,816,722	3,261,310	3,036,080	2,902,467

FINANCIAL STATISTICS

	2012	2011	2010	2009	2008
Basic earnings per share (sen)	**145.3**	186.5	134.2	79.2	117.3
Dividends per share (sen)					
- Gross	**65.0**	95.0	65.0	40.0	64.0
- Net	**65.0**	95.0	65.0	40.0	57.9
Share price as at 30 September (RM)	**18.00**	14.96	12.28	9.26	7.50
Historical price earnings ratio (times)	**12.4**	8.0	9.2	11.7	6.4
Dividend yield - net (%)	**3.6**	6.4	5.3	4.3	7.7
Dividend cover (times)	**2.2**	2.0	2.1	2.0	2.0
Net assets per share attributable to owners of the Company (RM)	**8.96**	8.80	7.47	6.82	6.53
Return on shareholders' equity (%)	**16.25**	21.2	18.1	11.6	18.1

QUARTERLY FINANCIAL HIGHLIGHTS

	Year 2012 RM'000	Fourth Quarter RM'000	Third Quarter RM'000	Second Quarter RM'000	First Quarter RM'000
Revenue	**336,541**	86,707	82,500	83,053	84,281
Profit before taxation	**625,644**	211,804	122,929	117,952	172,959
Profit attributable to owners of the Company	**605,687**	206,352	119,090	112,060	168,185
Basic earnings per share (sen)	**145.3**	49.5	28.6	26.9	40.3
Net dividends per share (sen)	**65.0**	50.0	-	15.0	-

BATU KAWAN BERHAD

Group Plantation Statistics

FIVE-YEAR GROUP PLANTATION STATISTICS

	2012	2011	2010	2009	2008
OIL PALM					
PRODUCTION					
Fresh Fruit Bunches ("FFB") Production (mt)	**56,855**	39,648	21,154	2,543	-
FFB Yield per average mature hectare (mt/ha)	**18.42**	16.25	14.53	3.52	-
Profit/(Loss) per average mature hectare (RM/ha)	**4,830**	4,861	2,012	(393)	-
AVERAGE SELLING PRICES					
FFB (RM/mt)	**554**	608	459	305	-
PLANTED AREA					
Mature (ha)	**3,087**	2,516	1,868	844	-
Immature (ha)	**515**	911	1,559	2,537	3,039
Total planted area (ha)	**3,602**	3,427	3,427	3,381	3,039
AREA STATEMENT as at 30 September					
Mature (all below 5 years) (ha)	**3,087**	2,516	1,868	844	-
Immature (ha)	**2,421**	2,996	1,575	2,809	3,472
Total (ha)	**5,508**	5,512	3,443	3,653	3,472
Plantable reserves (ha)	**-**	-	2,046	1,735	1,905
Nurseries (ha)	**43**	43	43	30	30
Building sites, etc (ha)	**149**	145	145	259	270
Oil palm mill (ha)	**28**	28	-	-	-
TOTAL AREA (ha)	**5,728**	5,728	5,677	5,677	5,677

Chairman's Statement

Your Group achieved a pre-tax profit of RM625.6 million for the year ended 30 September 2012, which is 20% lower than the RM785.4 million for the last year. The reduction was due to lower profits of our main associate, Kuala Lumpur Kepong Berhad ("KLK"), where lower commodity prices have reduced its plantation profits.

While the pre-tax profit contribution from our chemical subsidiaries increased this year to RM 48.2 million due to higher profit achieved by the Malay-Sino group, the contribution from investment and other income at RM10.9 million was lower.

Profit after tax attributable to our shareholders is RM605.7 million, or 22% lower than last year. Earnings per share this year is 145 sen compared to 186 sen previously.

Taking note of the reduced profits and a cautious future outlook, your Board is recommending payment of a final dividend of 50 sen per share (last year: 80 sen), which together with the earlier 15 sen interim dividend, will bring total dividends for the financial year to 65 sen.

With further share buybacks made since last year Chairman's statement, the Company now holds 19,947,600 of its shares which are being kept as Treasury shares.

MAIN ASSOCIATE – KLK

KLK Group reported a lower pre-tax profit of RM1.56 billion, which was 24.6% lower than the record profit of RM2.07 billion achieved last year. Our Company's attributable share of this profit, which we account for on an after-tax profit basis under the accounting rules, is RM564.0 million, compared to RM731.7 million last year. However, given an external environment of greater economic uncertainty, slowdown in the European and US economies, and the adverse impact of the Indonesian crude palm oil ("CPO") export duty, the results achieved may be considered satisfactory.

Reflecting the external economic environment, palm products and rubber prices softened and were lower during the year. For oil palm, average palm oil price achieved at RM2,829/mt was 4.4% lower than last year's price of RM2,958/mt, reflecting both a decline in palm oil prices and the adverse impact from the imposition of Indonesian export duty on crude palm oil exports from Indonesia during the year. Palm oil price fell further by the end of the financial year. The Indonesian CPO export duty favors their local refiners over the upstream palm producers and had an adverse impact on KLK which does not yet have refining capacity in Indonesia to cater for the production from its Indonesian plantations. As a consequence of this, KLK is accelerating the construction of 3 new palm oil refineries in Indonesia.

Average rubber price achieved this year was lower at RM12.20/kg compared to RM14.09/kg last year; the decline a result of weakening economic conditions which reduced the demand for tyres and other rubber products. The low yielding rubber areas in Indonesia are being replanted to oil palm for better productivity and profitability. While future production from rubber will decline due to age, rubber still contributed a significant RM114.6 million in profit this year.

Unit production costs have increased for both crops reflecting the rise in labor costs, the impact of lower crop yields and lower crop production, especially for rubber. As a result of the lower average selling prices achieved for both rubber and palm oil and the higher costs, KLK's plantation profit fell by 25.6% to RM1.19 billion.

The manufacturing sector reported lower profits, with the oleochemical businesses facing stronger competition from Indonesian producers due to the latter's cost advantage arising from the imposition of Indonesian CPO export duty.

KLK continues to pursue new plantation developments in Indonesia and elsewhere, while continuing to plant up its land bank in Kalimantan, Indonesia. Meanwhile, in line with growing crop production in Indonesia, additional palm oil mills and 3 new palm oil refineries in Indonesia are being constructed to ensure that sufficient processing capacity are available in the future.

Crabtree & Evelyn, the toiletries manufacturing and retailing business and a non-core investment for KLK, was sold during the year with a net a gain of RM135.7 million.

In property development, the company is in the course of developing a 1,000 acre township in Sg. Buloh, Selangor, where it has a property land bank of a further 6,000 acres. Initial sales have been very promising.

INDUSTRIAL OPERATIONS

Our chemical and its related logistics operations achieved an increased pre-tax profit of RM48.2 million compared to RM41.2 million last year, on the back of increased sales revenues.

The Malay-Sino group benefited from higher product prices and increased sales volume, thus making an improved profit. We continued our program of refurbishing selected parts of our older Lahat plant to enhance future operating efficiency. During the year, its production capacity was temporarily reduced as an old transformer was in the process of being replaced.

The Kemaman plant increased sales due to phase 1 of its capacity expansion project coming on-stream. Construction of phase 2 of the expansion is on-going in order to cater for the requirements of a key customer. Once their drawdown of our products from the expanded plant is progressively achieved, the major benefit of our plant expansion can be realised.

In contrast, our See Sen sulphuric acid operations made reduced profits due to lower volume off-take from a main customer and the impact of high raw material price. However sale volumes for its other products - aluminum hydroxide, sulphur powder and sodium silicate - all improved.

PLANTATION ACTIVITIES

Further areas have been planted at PT Satu Sembilan Delapan though the rate of planting was slower this year due to delays encountered in obtaining approval of local permits. With increased maturing hectarage, an increased pre-tax profit of RM5.7 million was achieved. The recruitment of sufficient harvesters and other workers remains a challenge but the situation will improve given the new labour quarters and other facilities being provided for the workers.

Work has now started on building a palm oil mill on the property, targeted for commissioning by December 2013, in order to process internally, the future crop production.

The nearby 1,712 ha of plasma area that is being co-developed for the benefit of the local community is progressing well and is almost fully planted.

In October, the Company announced that it plans to acquire 18% of the share capital of Collingwood Plantations Pte Ltd ("CPPL"), along with our associate, KLK which will acquire another 51%, with the intention to develop oil palm plantations on some 44,000 hectares of leased land in Papua New Guinea. A wholly-owned CPPL subsidiary will own the leases. Currently, due diligence on this project is proceeding. This will be a long term development which will leverage on the overseas plantation and development expertise as well as resources of KLK.

COMMERCIAL OFFICE BUILDING

Our office building in Mutiara Damansara is now almost fully occupied and most of our tenants are large reputable companies with requirements for long term tenancies. Within the area, there are been more office buildings being developed and thus our high level of occupancy augurs well for the future.

GENERAL

It is apparent that economic growth in the world is beginning to slow down and this will affect the pricing of plantation commodities as well as our bulk chemical products. Given these circumstances, the Group will continue to focus on cost optimization and production efficiency in its operations.

On behalf of the Board of Directors, I would like to take this opportunity to thank our management, employees, customers as well as my fellow Directors for their dedication and contributions made during the year.

Tan Sri Dato' Seri Lee Oi Hian
Chairman

10 December 2012

Kenyataan Pengerusi

Saya dengan ini melaporkan bahawa Kumpulan anda telah mencatatkan rekod keuntungan sebelum cukai sebanyak RM625.6 juta untuk tahun kewangan berakhir 30 September 2012 ("TK 2012") 20% kurang daripada RM785.4 juta yang dicapai tahun lalu. Penyusutan tersebut adalah disebabkan syarikat sekutu utama kita, Kuala Lumpur Kepong Berhad ("KLK") mencatatkan pengurangan dalam keuntungan berpunca dari penyusutan keuntungan dari sektor perladangannya.

Walaupun keuntungan subsidiari kimia kita menunjukkan peningkatan sebanyak RM48.2 juta disebabkan peningkatan keuntungan kumpulan Malay-Sino, sumbangan dari pelaburan dan pendapatan lain menunjukkan penyusutan dengan hanya mencatatkan sebanyak RM10.9 juta.

Keuntungan selepas cukai yang boleh dibahagi kepada pemegang-pemegang ekuiti adalah RM605.7 juta atau 22% kurang dari tahun lalu. Manakala perolehan adalah 145 sen berbanding tahun lalu 186 sen.

Mengambil kira penyusutan dalam keuntungan dan keadaan masa depan, Lembaga Pengarah anda mengesyorkan dividen akhir "single tier" sebanyak 50 sen sesaham Tahun lalu: 80 sen) bersama dengan dividen interim "single tier" 15 sen sesaham yang dibayar terdahulu, maka jumlah dividen dibayar dan boleh dibayar untuk TK 2012 adalah 65 sen.

Lanjutan dari Penyata Pengerusi tahun lalu, Syarikat kini memegang sebanyak 19,947,600 dari saham sendiri yang disimpan sebagai saham perbendaharaan.

SYARIKAT SEKUTU UTAMA – KLK

Kumpulan KLK melaporkan keuntungan sebelum cukai sebanyak RM1.56 billion susut 24.6% dari rekod keuntungan sebanyak RM2.07 juta yang dicapai tahun lalu. Bahagian Syarikat kita yang diambil berdasarkan peraturan perakaunan dari keuntungan KLK selepas cukai adalah RM564.0 juta berbanding RM731.7 juta tahun lalu. Bagaimanapun, disebabkan ketidaktentuan keadaan ekonomi masa kini, kelembapan ekonomi di Eropah dan Amerika Syarikat serta impak yang dialami atas pengenaan duti eksport minyak sawit mentah ("CPO"), pencapaian ini boleh dikatakan agak memuaskan.

Disebabkan keadaan ekonomi yang kurang memberangsangkan, harga produk sawit dan getah mencatatkan pengurangan dalam tahun tinjauan. Untuk kelapa sawit, harga purata minyak sawit adalah RM2,829/mt susut 4.4% dari harga tahun lalu iaitu RM2,958/mt mengakibatkan pengurangan harga minyak sawit dan kesan negatif berpunca dari pengenaan duti eksport terhadap minyak sawit mentah dari Indonesia dalam tahun tinjauan. Harga minyak sawit terus jatuh pada penghujung tahun kewangan. Duti eksport Indonesia lebih berpihak kepada pihak penapis tempatan daripada pengeluar sawit huluan dan memberikan impak negatif terhadap KLK yang belum mempunyai kilang penapisan sendiri di Indonesia untuk perladangannya di Indonesia. Atas sebab tersebut, pembinaan 3 kilang penapisan di Indonesia di percepatkan.

Harga purata getah susut tahun ini kepada RM12.20/kg berbanding RM14.09/kg tahun lalu, penyusutan disebabkan keadaan ekonomi yang lemah yang mengakibatkan permintaan terhadap tayar dan produk getah lain kurang. Kawasan penanaman getah yang memberikan hasil yang kurang telah digantikan dengan tanaman kelapa sawit untuk mendapatkan pulangan dan produktiviti yang lebih. Walaupun pengeluaran getah dimasa akan datang akan susut, sektor getah telah menyumbang sebanyak RM114,6 juta tahun ini.

Unit kos pengeluaran untuk kedua-dua tanaman telah meningkat disebabkan oleh peningkatan kos buruh dan kesan dari kurang hasil tanaman dan pengeluaran terutamanya getah. Kesan daripada kejatuhan harga purata untuk getah dan minyak sawit dan peningkatan kos, keuntungan perladangan KLK telah jatuh sebanyak 25.6% kepada RM1.19 billion.

Sektor pengilangan melapurkan kurang keuntungan dengan perniagaan oleo kimia menghadapi persaingan sengit dari pengeluar-pengeluar Indonesia kerana mereka mempunyai kelebihan dari segi kos disebabkan pengenaan duti eksport CPO oleh pihak berkuasa Indonesia.

KLK akan terus membangunkan sektor perladangan di Indonesia atau mana-mana tempat dan dalam masa yang sama membuat tanaman di tanah-tanak miliknya di Kalimantan, Indonesia. Bersesuaian dengan pertumbuhan pengeluaran tanaman di Indonesia, tambahan kilang-kilang kelapa sawit dan 3 kilang penapisan minyak sawit di Indonesia kini sedang dibina untuk memastikan kapasiti pemerosesan adalah mencukupi untuk keperluan masa depan.

Crabtree & Evelyn, pengilang produk perhiasan diri dan peruncitan KLK yang bukannya perniagaan utamanya telah dijual dalam tahun tinjauan dengan mendapat keuntungan bersih sebanyak RM135.7 juta.

Dalam sektor pembangunan hartanah pula, KLK kini dalam proses membangunkan 1,000 ekar di kawasan Bandar Sungai Buloh, Selangor, dimana ia mempunyai hartanah melebihi 6,000 ekar. Jualan permulaan projek hartanah tersebut adalah amat memberangsangkan.

OPERASI INDUSTRI

Keuntungan sebelum cukai subsidiari-subsidiari kimia dan operasi pengangkutan kita telah meningkat kepada RM48.2 juta berbanding dengan RM41.2 juta tahun lalu, disebabkan peningkatan dalam perolehan jualan.

Kumpulan Malay-Sino telah mendapat manfaat dari peningkatan harga produk dan volum jualan yang membolehkannya mendapat lebih keuntungan. Kita akan meneruskan program membaik pulih bahagian-bahagian terpilih kilang Lahat untuk mempertingkatkan keberkesanan operasinya. Dalam tahun tinjauan kapasiti pengeluaran telah dikurangkan buat sementara waktu kerana “transformer” lama dalam proses untuk digantikan.

Perolehan kilang Kemaman telah meningkat disebabkan Fasa I projek pengeluarannya telah bermula. Pembesaran kilang Fasa 2 masih berjalan untuk memenuhi keperluan pelanggan utamanya. Apabila pengeluaran semakin meningkat, faedah sebenar pembesaran kilang tersebut akan dapat kita perolehi.

Berbeza sekali dengan operasi pengeluaran asid sulfuric See Sen yang mencatatkan penyusutan dalam keuntungan disebabkan oleh kurangnya volum permintaan dari pelanggan utamanya dan kesan dari peningkatan harga barang mentah. Bagaimananpun, volum jualan untuk produk lainnya seperti aluminium hidrosik, serbuk sulfur and sodium silikat, adalah memberansangkan.

AKTIVITI PERLADANGAN

Walaupun kadar aktiviti penanaman agak perlahan pada tahun ini disebabkan kelewatan dalam mendapatkan kelulusan permit dari pihak berkuasa tempatan tetapi PT Sembilan Delapan terus memperluaskan kawasan tanamannya. Dengan pertambahan dalam hektar sudah matang, keuntungan sebelum cukai telah mencapai sebanyak RM5.7 juta. Masalah untuk mendapatkan pekerja ladang dan pekerja am masih lagi sukar tapi dengan adanya kemudahan perumahan dan kemudahan-kemudahan lain yang disediakan untuk pekerja, masalah ini akan dapat diatasi.

Kerja-kerja sedang dijalankan untuk membina kilang kelapa sawit di atas tanah tersebut dan disasarkan akan mula beroperasi pada bulan Disember 2013, untuk memproses sendiri pengeluaran tanaman untuk masa depan.

Peningkatan kawasan penanaman berjalan lancar di mana hampir 1,712 hektar kawasan plasma telah dimajukan untuk kemudahan penduduk tempatan.

Pada bulan Oktober, Syarikat telah mengumumkan perancangan untuk memiliki saham modal Collingwood Plantations Pte Ltd (“CPPL”) sebanyak 18%, dan KLK pula akan memiliki sebanyak 51% dari saham modal tersebut, dengan satu tujuan untuk memajukan perladangan kelapa sawit di 44,000 hektar tanah pajak di Papua New Guinea. Subsidiari milik penuh CPPL akan memiliki pajakan tersebut. Sekarang ini, langkah-langkah pemeriksaan dokumentasi sedang dijalankan. Ia merupakan pembangunan jangka masa panjang dimana ia akan menggabungkan kepakaran dan pengalaman dalam memajukan perladangan di luar negara dan sumber-sumber KLK yang lain.

BANGUNAN PEJABAT KOMERSIL

Bangunan pejabat komersil di Mutiara Damansara kini hampir dihuni sepenuhnya dan kebanyakan dari penyewa-penyewa tersebut adalah dari Syarikat yang bereputasi tinggi dengan tempoh jangka sewa yang panjang. Walaupun berdekatan kawasan tersebut terdapat banyak bangunan-bangunan pejabat komersil yang baru dibina tetapi penghunian bangunan kita tidak terjejas dan ini amat baik untuk masa depan Syarikat kita

SECARA UMUM

Adalah jelas pertumbuhan ekonomi dunia kini mengalami kelembapan dan ini akan menjejaskan harga komoditi perladangan serta sebahagian besar produk-produk kimia. Dalam situasi ini, Syarikat akan terus focus untuk mengoptimakan kos dan meningkatkan keberkesanan operasinya.

Bagi pihak Pengarah-Pengarah Syarikat, saya ingin mengambil kesempatan ini untuk mengucapkan ribuan terima kasih kepada pihak pengurusan, kakitangan, pelanggan-pelanggan serta rakan sejawat saya, para Pengarah atas dedikasi dan sumbangan mereka selama ini.

Tan Sri Dato' Seri Lee Oi Hian
Pengerusi

10 Disember 2012

The Board is pleased to report on the application of the Principles of Corporate Governance contained in the Malaysian Code of Corporate Governance ("the Code") and the extent of compliance with the Best Practices of the Code as required under the Bursa Malaysia Securities Berhad's Main Market Listing Requirements ("Listing Requirements"). These Principles and Best Practices have been applied by the Group throughout the financial year ended 30 September 2012.

THE BOARD OF DIRECTORS

The Board has the overall responsibility for corporate governance, strategic direction, formulation of policies and overseeing the investment and business of the Company.

The Board meets at least four (4) times a year, with additional meetings convened as necessary. During the financial year ended 30 September 2012, four (4) Board meetings were held and all Directors in office attended 100% of the meetings. Details on the attendance of the Directors at Board meetings can be found in their respective profiles set out on pages 9 to 11.

BOARD BALANCE

The Board currently has seven (7) members, comprising six (6) Non-Executive Directors (including the Chairman) and one (1) Executive Director, with five (5) of the seven (7) Directors being Independent Directors. Together, the Directors have a wide range of business, financial and technical experience. This mix of skills and experience is vital for the successful direction of the Group. A brief profile of each Director is presented on pages 9 to 11.

The respective roles of the Chairman and the Managing Director are clearly defined, so as to ensure that there is a balance of power and authority. The Chairman is responsible for ensuring Board effectiveness and conduct, whilst the Managing Director has overall responsibility for the operating units, organisational effectiveness and implementation of Board policies and decisions. The presence of five (5) Independent Non-Executive Directors fulfills a pivotal role in corporate accountability. Although all the Directors have an equal responsibility for the Group's operations, the role of these Independent Non-Executive Directors is particularly important as they provide unbiased and independent views, advice and judgement.

SUPPLY OF INFORMATION

All Directors are provided with an agenda and a set of Board papers prior to Board meetings. They are issued with sufficient time to enable the Directors to obtain further explanation/clarification, where necessary, in order to be properly briefed before the meeting. The Board papers include, among others, the following:

- quarterly financial report and a report on the Group's cash and borrowings position;
- a current review of the operations of the Group; and
- minutes of meetings of all Board Committees.

All Directors have access to the advice and services of the Company Secretaries. They also have direct and unrestricted access to senior management of the Company for information relating to the affairs of the Group and have authority to seek external professional advice should they so require.

AUDIT COMMITTEE

The Audit Committee reviews issues of accounting policies and presentation for external financial reporting, monitors the work of the internal audit function and ensures an objective and professional relationship is maintained with the external auditors. The Audit Committee has full access to the auditors both internally and externally who, in turn, have access at all times to the Chairman of the Audit Committee.

The report of the Audit Committee can be found on pages 32 to 34.

NOMINATION COMMITTEE

The Nomination Committee currently consists of three Independent Non-Executive Directors as follows:

Independent Non-Executive
Tan Sri Datuk Seri Utama Thong Yaw Hong (Chairman)
Dato' Yeoh Eng Khoon
Dato' Mustafa bin Mohd Ali

The Committee is authorised to propose new nominees to the Board and to assess the contribution of each individual Director and overall effectiveness of the Board on an on-going basis. The actual decision as to who shall be appointed a Director remains the responsibility of the full Board after considering the recommendations of the Committee.

As an integral element of the process of appointing new Directors, the Committee provides an orientation and education programme for new recruits to the Board.

REMUNERATION COMMITTEE

The Remuneration Committee consists of three Independent Non-Executive Directors with R.M. Alias as Chairman. The Committee is responsible for setting the policy framework and for making recommendations to the Board on remuneration and other terms of employment for the Board and senior employees.

The members of the Remuneration Committee are as follows:

Independent Non-Executive
R.M. Alias (Chairman)
Tan Sri Datuk Seri Utama Thong Yaw Hong
Dato' Mustafa bin Mohd Ali

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

Category	Fees (RM'000)	Salaries (RM'000)	Incentive (RM'000)	Other Emoluments (RM'000)
1 Executive Director	-	1,098	1,300	442
6 Non-Executive Directors	765	-	-	25

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

Range of Remuneration	Executive Director	Non-Executive Directors
RM100,001 to RM150,000	-	5
RM150,001 to RM200,000	-	1
RM2,800,001 to RM2,850,000	1	-

RE-ELECTION OF THE DIRECTORS

In accordance with the Company's Articles of Association ("the Articles"), all Directors who are appointed by the Board are subject to re-election by shareholders at the next Annual General Meeting immediately after their appointment.

In accordance with the Articles, one-third of the remaining Directors, including the Managing Director, is required to submit themselves for re-election by rotation at each Annual General Meeting.

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

DIRECTORS' TRAINING

All Directors have completed the Mandatory Accreditation Programme (MAP) as required under the Listing Requirements. The Directors are mindful that they should continue to update their skills and knowledge to maximise their effectiveness as Directors during their tenure.

For the year under review, the Directors had attended various seminars, courses, plant visits and training to keep abreast with the developments on a variety of areas relevant to the Group's business. Some of the conferences, seminars and training programmes, attended by Directors were as follows:

- Malaysian Code on Corporate Governance 2012;
- The Case of Diversity in the Boardroom; and
- Advocacy Sessions on Disclosure for CEOs and CFOs.

INVESTOR RELATIONS AND SHAREHOLDER COMMUNICATION

The Board acknowledges the need for shareholders to be informed of all material business matters affecting the Company. Announcements and release of financial results on a quarterly basis provide the shareholders and the investing public with an overview of the Group's performance and operations. Summaries of the Group's 2nd and 4th quarterly financial results are advertised in a major daily and copies of the full announcement are provided on request.

The Annual General Meeting which is held in February each year, provides a means of communication with shareholders. Shareholders who are unable to attend are allowed to appoint a proxy to attend and vote on their behalf. Members of the Board as well as the Auditors of the Company are present to answer questions raised at the meeting. Any concern can be conveyed to any one of the Directors as they exercise their responsibilities collectively.

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

FINANCIAL REPORTING

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

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

INTERNAL CONTROLS

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

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

The Board and management have formulated and adopted a formal approach towards risk management which is in compliance with the guidance issued by the relevant authorities.

RELATIONSHIP WITH THE AUDITORS

The role of the Audit Committee in relation to the external auditors is stated on pages 32 to 34.

CORPORATE SOCIAL RESPONSIBILITIES

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

During the year, Batu Kawan Berhad Group continues to support important causes including contribution to the needy, internship program, organising Health Talk and participating in sports events organised by members of the public and organising various safety related activities.

OTHER INFORMATION

Material Contracts

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

Recurrent Related Party Transactions of a Revenue or Trading Nature

Pursuant to Practice Note 12/2001 issued by the Bursa Malaysia Securities Berhad, the aggregate value of the recurrent transactions of a revenue or trading nature conducted for the year under review between the Company and/or its subsidiaries with related parties is set out below:

Company	**Type of transactions**	**Related Party and nature of relationship**	**Transactions aggregate value RM'000**
Malay-Sino Chemical Industries Sendirian Berhad ("MSCI") Group	Purchase of raw materials and other products and services	See Sen Chemical Berhad ("SSCB") <u>Interested Directors</u> Tan Sri Dato' Seri Lee Oi Hian ("LOH") Dato' Lee Hau Hian ("LHH"), and Dato' Yeoh Eng Khoon ("YEK") <u>Interested major shareholders</u> #	2,853
MSCI Group	Sale of finished goods and other products and services	SSCB <u>Interested Directors</u> LOH, LHH, YEK <u>Interested major shareholders</u> #	815
MSCI Group	Provision of transportation services	SSCB <u>Interested Directors</u> LOH, LHH, YEK <u>Interested major shareholders</u> #	4,471

Company	Type of transactions	Related Party and nature of relationship	Transactions aggregate value RM'000
MSCI Group	Rental of transport vehicles received	SSCB Interested Directors LOH, LHH, YEK Interested major shareholders #	300
MSCI Group	Rental of transport vehicles incurred	SSCB Interested Directors LOH, LHH, YEK Interested major shareholders#	198
MSCI Group	Purchase of electricity	SSCB Interested Directors LOH, LHH, YEK Interested major shareholders #	5,133
MSCI Group	Purchase and sale of products and services which relate to core chemical business	Taiko Marketing Sdn Bhd ("TMK") Group Interested Directors LOH, LHH Interested major shareholders #	670
MSCI Group	Provision of transportation services	TMK Group Interested Directors LOH, LHH Interested major shareholders #	1,310
MSCI Group	Sale of finished products	TMK Group Interested Directors LOH, LHH Interested major shareholders #	139,566
MSCI Group	Purchase and sale of products and services which relate to core chemical business	Taiko Marketing (Singapore) Pte Ltd ("TMK(S)") Interested Directors LOH, LHH Interested major shareholders #	18,989
MSCI Group	Purchase of storage and packing materials	Paragon Yield Sdn Bhd ("PYSB") Group Interested Directors LOH, LHH Persons connected @ Interested major shareholders #	7

Company	Type of transactions	Related Party and nature of relationship	Transactions aggregate value RM'000
MSCI Group	Purchase and sale of products and services which relate to core chemical business	Chlor-Al Chemical Pte Ltd ("CAC") Interested Directors LOH, LHH Interested major shareholders #	12,666
SSCB Group	Purchase of raw materials and other products and services	MSCI Interested Directors LOH, LHH, YEK Interested major shareholders #	815
SSCB Group	Procurement of transportation services	MSCI Interested Directors LOH, LHH, YEK Interested major shareholders #	4,471
SSCB Group	Rental of transport vehicles incurred	MSCI Interested Directors LOH, LHH, YEK Interested major shareholders #	198
SSCB Group	Rental of transport vehicles paid	MSCI Interested Directors LOH, LHH, YEK Interested major shareholders #	300
SSCB Group	Sale of finished goods and other products and services	MSCI Interested Directors LOH, LHH, YEK Interested major shareholders #	2,853
SSCB Group	Sale of electricity	MSCI Interested Directors LOH, LHH, YEK Interested major shareholders #	5,133

Company	Type of transactions	Related Party and nature of relationship	Transactions aggregate value RM'000
SSCB Group	Commission given for sale products	TMK Group Interested Directors LOH, LHH Interested major shareholders #	1,329
SSCB Group	Sale of finished goods and other products and services	TMK Group Interested Directors LOH, LHH Interested major shareholders #	34,392
SSCB Group	Purchase of products and services which relate to core chemical business	TMK Group Interested Directors LOH, LHH Interested major shareholders #	4,373
SSCB Group	Commission given for sale of products	CAC Interested Directors LOH, LHH Interested major shareholders #	443
SSCB Group	Purchase and sale of products and services which relate to core chemical business	CAC Interested Directors LOH, LHH Interested major shareholders #	10,939
SSCB Group	Purchase and sale of products and services which relate to core chemical business	TCC Group Interested Directors LOH, LHH Persons connected @ Interested major shareholders #	8,169
SSCB Group	Purchase of storage and packing materials	PYSB Group Interested Directors LOH, LHH Persons connected @ Interested major shareholders #	254

Company	Type of transactions	Related Party and nature of relationship	Transactions aggregate value RM'000
SSCB Group	Purchase and sale of finished products	PYSB Group Interested Directors LOH, LHH	12
SSCB Group	Sale of electricity and provision of other chemical-based products and services	BASF See Sen Sdn Bhd Interested Directors LOH, LHH, YEK Interested major shareholders #	4,234
PT Satu Sembilan Delapan ("PTSSD")	Purchase of materials required for plantations	PT Taiko Persada Indoprima Interested Directors LOH, LHH Interested major shareholders #	NIL
PTTSD	Sale of fresh fruit bunches	PT Hujan Hijau Mas ("PTHHM") Interested Directors LOH, LHH Interested major shareholders #	31,498
PTSSD	Management fees	PT KLK Agriservindo Interested Directors LOH, LHH Interested major shareholders #	174

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

Note:-

\# *Wan Hin Investments Sdn Berhad ("WHI"), Arusha Enterprise Sdn Bhd, Malay Rubber Plantations (Malaysia) Sdn Bhd and Malay-Sino Formic Acid Sdn Bhd, High Quest Holdings Sdn Bhd, Congleton Holdings Sdn Bhd, Cengal Emas Sdn Bhd and Di Yi Sdn Bhd are persons connected with LOH and LHH, who are Directors of BKB. LOH and LHH are also deemed major shareholders of BKB and they are brothers.*

@ *Taiko Clay Chemicals Sdn Bhd, Taiko Chemical Industries Sdn Bhd and Paragon Yield Sdn Bhd are persons connected with LOH and LHH, who are Directors of BKB. LOH and LHH are also deemed major shareholders of BKB and they are brothers.*

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

1. SSCB Group

(a) SSCB is a 61% subsidiary of BKB.
(b) Certain BKB Directors, namely LHH (who is also a deemed major shareholder of BKB) and YEK are Directors of SSCB.
(c) Wan Hin Investments Sdn Berhad ("WHI"), a company in which LOH and LHH have interests, is a major shareholder of SSCB. WHI is also a deemed major shareholder of BKB.

2. TCC Group

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

3. BASF See Sen Sdn Bhd

(a) BASF See Sen Sdn Bhd is a 30% associate of SSCB.
(b) Certain BKB Directors, namely LHH (who is also a deemed major shareholder of BKB) and YEK are also Directors of SSCB.
(c) WHI, a company in which LOH and LHH have interests, is a major shareholder of SSCB. WHI is also a deemed major shareholder of BKB.

4. TMK Group

TMK is a company in which LSH and his siblings namely, LOL and Lee Oi Kum (all are persons connected with LOH and LHH), are major shareholders.

5. TMK(S)

TMK(S) is a company in which LSH, a person connected with LOH and LHH, is a deemed major shareholder.

6. PYSB Group

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

7. MSCI Group

(a) MSCI is a 86% subsidiary of BKB.
(b) Certain BKB Directors, namely LHH and YEK are also Directors of MSCI.
(c) WHI which is a deemed major shareholder of BKB, is also a shareholder of MSCI.

8. PTHHM and PT KLK Agriservindo

(a) Subsidiaries of Kuala Lumpur Kepong Berhad ("KLK").
(b) KLK is an associate company of BKB.
(c) Certain BKB Directors, LOH and LHH are deemed major shareholders and directors of KLK.
(d) WHI, a company in which LOH and LHH have interests, is a deemed major shareholder of BKB.

Share Buy Backs

During the financial year, the Company bought back some of its own shares from the open market and details are stated on page 37.

Options, Warrants or Convertible Securities

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

Imposition of Sanctions/Penalties

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

Non-audit Fees

Non-audit fees of RM22,000 (2011: RM52,000) was paid to the external auditors and its affiliate, by the Group during the financial year.

Profit Guarantees

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

American Depository Receipt (ADR) or Global Depository Receipt (GDR) Programme

During the financial year, the Company did not sponsor any ADR or GDR programme.

Statement on Internal Control

INTRODUCTION

The Board, in compliance with the Bursa Malaysia Securities Berhad's Main Market Listing Requirements and in adopting the Malaysian Code of Corporate Governance's best practices, is pleased to provide the following Statement on Internal Control ("the Statement"). Preparation of the Statement, which outlines the nature and scope of internal control of the Group during the year, is guided by The Institute of Internal Auditors Malaysia's "Statement on Internal Control: Guidance for Directors of Public Listed Companies".

BOARD RESPONSIBILITY

The Board of Directors recognises the importance of sound internal controls and risk management practices. The Board acknowledges that it is responsible to maintain sound systems of internal control, for reviewing their adequacy and integrity and for the proper management of risks of the Group.

As there are limitations inherent to any system of internal control, it should be noted that the systems designed for the Group are to manage risks that the Group's businesses are exposed to, rather than to eliminate the risks of failure to achieve business objectives. It can only provide reasonable and not absolute assurance against material misstatement or loss.

For purposes of preparing this statement, associates are not dealt with as part of the Group.

RISK MANAGEMENT

The Board regards risk management as an integral part of the business operations. The Group has implemented a formal risk assessment approach towards identifying, evaluating, monitoring and managing the significant risks relating to the business environment which the Group operates in.

The Group's Enterprise Risk Management ("ERM") Framework provides an organised, integrated and disciplined approach for the Group's business operations to systematically manage the risks and opportunities to achieve the set business objectives.

This is an on-going process and is regularly reviewed by the Board. A proactive risk management approach is adopted with the aim of minimising the potential for undesired risk exposures.

A summary highlighting the above and management's actions was presented to the Audit Committee and to the Board during the financial year ended 30 September 2012.

The Group Risk Management Committee assists the Board of Directors in the discharge of its risk management and control responsibilities. The Group Risk Management Committee's functions are to coordinate and monitor the implementation and effectiveness of the Group's risk management activities, coordinate the identification of the Group's key business risks through the ERM Process together with the mitigating action plans.

During the year, all subsidiaries and their functional units had progressively followed through on the implementation of various control activities and action plans formulated since the last reporting period. The Group Risk Management Committee, having reviewed the progress of the implementation of the controls, was satisfied with the efforts made by the management. As a result, the risk profiles of the Group's subsidiaries have been updated timely and well documented to reflect the changes that had taken place during the financial year.

SYSTEM OF INTERNAL CONTROL

The Board is committed to maintain a sound system of Internal Control and the proper management of risks throughout its operations to achieve the following objectives:

- safeguard shareholders' investments and assets of the Group,
- achieve operational objectives,
- comply with regulatory requirements, and
- protect the environment, employees, markets, reputation and earnings of the Group.

Outlined below are the key elements of the system and scope of internal control practised by the Group:

- The full Board meets regularly to discuss matters of the Group to ensure full and effective supervision.
- Existence of a management structure with clear delegation of responsibilities to Committees of the Board and to the Management of the Operating Centres from whom the Board receives regular reports.
- Documented internal procedures are set out in circulars, the Standard Operating Manuals and the Standard Policy Procedures Manual. The Group periodically reviews and updates the Standard Operating Manuals and the Standard Policy Procedures Manual.
- Budgeting process where Operating Centres of Group subsidiaries prepare budgets approved by their respective Boards and a monthly monitoring of results against budget with major variances being highlighted and management action taken where necessary.
- Regular financial reviews and reports from the management of the Group subsidiaries.
- Regular visits to Operating Centres by senior management whenever appropriate.
- Regular internal audit visits to assess the effectiveness of internal controls, to monitor compliance with procedures, to review and assess risks the Group's operations are exposed to, and to assess the integrity and reliability of financial information. The Group's Internal Auditor reports to the Audit Committee.
- The Audit Committee reviews the internal audit plan for the year, reviews and holds discussions on the actions taken on internal control issues identified in reports prepared by the Internal Auditor.

INTERNAL AUDIT FUNCTIONS

The Group has an Internal Audit Department, independent of the activities or operations of other Operating Centres in the Group, which provides the Audit Committee and the Board with much of the assurance it requires regarding the adequacy of the system of Internal Control.

Its principal responsibility is to undertake regular and systematic reviews of the system of internal control so as to provide reasonable assurance that such system operates satisfactorily and effectively in the Group and reports to the Audit Committee on a quarterly basis. Internal audit strategy and a detailed annual internal audit plan are presented to the Audit Committee each year for approval. The internal audit function adopts a risk-based approach and prepares its audit strategy and plan based on the risk profiles of the key business units of the Group.

The activities that are carried out are as follows:

- Undertake internal audit function based on the audit plan that has been reviewed and approved by the Audit Committee which includes the review of operational compliance with established internal control procedures and reliability of financial records.
- Participate in meetings of group senior management to keep abreast with the strategic and operational plans and on development issues.
- Manage formalised approach for risk assessment and management in compliance with the guidance on the "Statement on Internal Control: Guidance for Directors of Public Listed Companies" issued by the Institute of Internal Auditors Malaysia.
- Assess key business risks at each of the Group subsidiaries' operations, which were identified by risk analysis.
- Prepare internal audit reports to the Audit Committee on the Group subsidiaries' operations, including identification and assessment of their key operational and business risks.

This statement is made in accordance with a resolution of the Board of Directors dated 21 November 2012.

Report of the Audit Committee

The Board of Directors of Batu Kawan Berhad ("BKB") is pleased to present the report of the Audit Committee for the financial year ended 30 September 2012.

The Audit Committee ("the Committee") was established in 1993.

MEMBERS AND MEETINGS

The composition of the Committee is as listed below. The Committee held meetings on 22 November 2011, 8 December 2011, 21 February 2012, 23 May 2012 and 24 August 2012 respectively, a total of five (5) meetings.

Name	Status of directorship	Attendance of meetings
Dato' Yeoh Eng Khoon (Chairman)	Independent Non-Executive Director	Attended all five (5) meetings
Tan Sri Datuk Seri Utama Thong Yaw Hong	Senior Independent Non-Executive Director	Attended all five (5) meetings
Quah Chek Tin	Independent Non-Executive Director	Attended all five (5) meetings

MEMBERSHIP

The Committee is appointed by the Board from amongst their members and shall consist of not less than three (3) members, a majority of whom shall be independent. The Chairman of the Committee shall be an Independent Non-Executive Director appointed by the Board.

All members have attended trainings and seminars including the update on Audit Committee's duties and corporate governance.

MEETINGS AND MINUTES

The Committee meets regularly and the Group Financial Controller, the Internal Auditor and occasionally, representatives of the external auditors, normally attend these meetings. Other members of the Board may attend the meetings upon the invitation of the Committee. At least twice a year, the Committee meets with the external auditors without the Executive Director and management present. The quorum for Committee meetings is two (2) members present and a majority of the members present must be independent Directors. Minutes of each meeting are kept and distributed to each member of the Committee and the Board. The Chairman of the Committee reports on the outcome of each meeting to the Board. The Secretary to the Committee is, but need not be, the Company Secretary.

AUTHORITY

The Committee is authorised by the Board to investigate any matter within its terms of reference. In discharging its duties, the Committee shall have full access to information, may obtain external professional advice and may invite outsiders with relevant experience to attend its meetings, if necessary.

TERMS OF REFERENCE

The terms of reference of the Audit Committee are as follows:

(a) To consider and recommend the appointment of external auditors, the audit fee and any questions of resignation, dismissal or re-appointment;

(b) To discuss with the external auditors before the audit commences, the audit plan, the nature and scope of the audit, and ensure co-ordination when more than one audit firm is involved;

(c) To review and discuss with the external auditors the following:

- its evaluation of the system of internal controls;
- its audit report;
- the assistance given by the employees;
- problems and reservations arising from the interim and final audits, and any matter it may wish to discuss (in the absence of management where necessary); and
- its management letter and management's response.

(d) To review and discuss with the internal auditor the following:

- the adequacy of the scope, functions and resources of the internal audit function;
- the internal audit programme and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;
- approve any appointment or termination of senior staff members of the internal audit function; and
- take cognizance of resignations of internal audit staff members (for in-house internal audit function) or the internal audit service provider (for out-sourced internal audit function) and provide the resigning staff member or the internal audit service provider an opportunity to submit his reasons for resigning.

(e) To review the quarterly and year-end financial statements of the Group, prior to submission to the Board of Directors, focusing particularly on:

- any changes in accounting policies and practices;
- compliance with accounting standards and other legal requirements;
- significant adjustments arising from the audit; and
- the going concern assumption.

(f) To consider any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management's integrity;

(g) To consider the major findings of internal investigations and management's response; and

(h) To consider any topics as defined by the Board.

REVIEW OF COMPOSITION OF THE COMMITTEE

The Board of Directors of BKB shall review the terms of office and performance of the Committee and that of each member at least once in every three (3) years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

ACTIVITIES OF THE COMMITTEE DURING THE YEAR

In line with the terms of reference of the Committee, the following activities were carried out by the Committee during the financial year ended 30 September 2012 in the discharge of its functions and duties:

(a) review of the audit plans for the Company and the Group for the year which were prepared by both the external and internal auditors;

(b) review of the audit reports for the Company and the Group prepared by the external and internal auditors and consideration of the major findings by the auditors and management's response thereto;

(c) review of the quarterly and annual reports of the Company and the Group prior to submission to the Board for their consideration and approval;

(d) review of related party transactions entered into by the Company and/or its subsidiaries;

(e) consideration and recommendation to the Board for approval of the audit fees payable to the external auditors;

(f) recommendations to management on improvement in internal control procedures and risk management;

(g) review of the adequacy of resources for the internal audit function including the appointment of the internal auditor; and

(h) review the risk management activities of the Company and its subsidiaries.

Internal Audit Function

The Company has an in-house Internal Audit Department whose principal responsibility is to independently assess and report to the Board, through the Audit Committee, the systems of internal control of the Company. The main responsibilities of the Internal Auditors are to:

- Assist in reviewing the adequacy, integrity and effectiveness of the Company's internal control system for the Board as well as to assist in drafting the Statement on Internal Control in the annual report;
- Support the Audit Committee in evaluating the effectiveness of the existing internal control system, identify future requirements and co-develop a prioritised action plan to further enhance the internal control system;
- Identify the key business processes within the Company that internal audit should focus on;
- Allocate necessary resources to selected areas of audit in order to provide management and the Audit Committee an effective and efficient level of internal audit coverage; and
- Coordinate risk identification and risk management processes and activities.

The Internal Auditors independently focus on key areas of business risks based on an internal audit plan agreed annually with the Audit Committee and report on the systems of financials and operations control on a quarterly basis to the Audit Committee. They adopt a risk-based approach in the planning and conduct of its internal audits. In addition to rendering assistance in evaluating and reporting on the Company's business risks, the Internal Auditors also assist management in recommending certain risk management measures and mechanisms to enhance the existing risk management practices of the Company.

Internal Audit reports, incorporating audit recommendations and management responses with regards to audit findings relating to the weaknesses in the systems and controls of the respective operations audited, were issued to the Audit Committee and the management of the respective operations. The Internal Audit function also followed up with management on the implementation of the agreed audit recommendations. The Audit Committee is regularly updated on the extent of compliance by the respective management units.

The Internal Auditors place great importance on the effective and fair communication with auditees and other stakeholders. Open channels of communications are maintained to facilitate this. In striving for continuous improvement, the Internal Auditors will endeavor to put in place appropriate action plans and carry out necessary assignments to further enhance the Company's systems of internal control. Its resources and manpower requirements are reviewed on a regular basis to ensure the function can carry out its duties effectively. The costs incurred for the Internal Audit function for the financial year ended 30 September 2012 were RM361,000 (2011: RM285,000).

Directors' Responsibility Statement

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which give a true and fair view of the financial position of the Group and of the Company as at the financial year end and of the results and the cash flows of the Group and of the Company for that financial year.

The Directors consider that, in preparing the financial statements of Batu Kawan Berhad for the financial year ended 30 September 2012, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Directors also consider that all applicable Financial Reporting Standards in Malaysia have been followed and confirm that the financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that the Group and the Company keep accounting records which disclose with reasonable accuracy the financial position of the Group and of the Company at any time and which enable them to ensure that the financial statements comply with the provisions of the Companies Act, 1965.

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

Report of the Directors

The Directors have pleasure in submitting their Report together with the audited financial statements of the Group and of the Company for the financial year ended 30 September 2012.

PRINCIPAL ACTIVITIES

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

SUMMARY OF RESULTS

	Group RM'000	Company RM'000
Profit for the year	**611,943**	**423,766**
Attributable to:		
Owners of the Company	**605,687**	**423,766**
Non-controlling interests	**6,256**	**-**
	611,943	**423,766**

DIVIDENDS

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

(a) a final single tier dividend of 80 sen per share amounting to RM333,479,120 in respect of the financial year ended 30 September 2011 was paid on 20 March 2012; and

(b) an interim single tier dividend of 15 sen per share amounting to RM62,527,335 in respect of the financial year ended 30 September 2012 was paid on 10 August 2012.

The Directors recommend the payment of a final single tier dividend of 50 sen per share amounting to RM207,863,000 (based on the number of shares less treasury shares as at 13 December 2012) which, subject to shareholders' approval at the forthcoming Annual General Meeting of the Company, will be paid on 22 March 2013 to shareholders on the Company's register at the close of business on 25 February 2013. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 30 September 2013.

RESERVES AND PROVISION

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

TREASURY SHARES

During the financial year, the Company bought back a total of 763,700 of its issued shares from the open market for a total cost of RM14,223,916. Details of the shares bought back and retained as treasury shares were as follows:

Month	No. of shares bought back	Highest price paid per share RM	Lowest price paid per share RM	Average price paid per share RM	Total consideration RM
October 2011	25,300	15.90	14.96	15.87	403,192
November 2011	75,600	15.90	15.74	15.85	1,202,469
August 2012	632,100	19.00	18.90	19.00	12,045,412
September 2012	30,700	18.60	18.58	18.59	572,843
	763,700				14,223,916

As at 30 September 2012, the Company held as treasury shares a total of 19,764,900 of its 435,951,000 issued ordinary shares. The Company has not made any share cancellation nor resold its treasury shares during the financial year ended 30 September 2012. Such treasury shares are held at a carrying amount of RM196,442,000 and further details are disclosed in Note 31 to the financial statements.

The mandate given by the shareholders at the Annual General Meeting ("AGM") held on 22 February 2012 to approve the Company's plan to repurchase its own shares will expire at the forthcoming AGM and an ordinary resolution will be tabled at the forthcoming AGM for shareholders to renew the mandate for another year.

DIRECTORS OF THE COMPANY

The Directors in office since the date of the last report are shown on page 7.

Quah Chek Tin retires at the forthcoming AGM in accordance with the Company's Articles of Association and, being eligible, offers himself for re-election.

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

DIRECTORS' SHAREHOLDINGS

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

	Balance as at 1.10.2011	**Additions**	**(Disposals)**	**Balance as at 30.9.2012**
Company:	**Number of ordinary shares of RM1 each**			
Batu Kawan Berhad				
Direct interest				
Tan Sri Dato' Seri Lee Oi Hian	854,355	-	-	854,355
Dato' Lee Hau Hian	625,230	-	-	625,230
Tan Sri Datuk Seri Utama Thong Yaw Hong	22,500	-	-	22,500
Dato' Yeoh Eng Khoon	315,000	-	-	315,000
Deemed interest				
Tan Sri Dato' Seri Lee Oi Hian	207,619,834	465,100	(1,046,000)	207,038,934
Dato' Lee Hau Hian	206,453,209	435,000	(1,046,000)	205,842,209
R.M. Alias	1,500*	-	-	1,500*
Dato' Yeoh Eng Khoon	15,377,000**	2,000*	-	15,379,000**

* Indirect interest held through child pursuant to Section 134(12)(c) of the Companies Act, 1965.

** Includes indirect interest held through spouse pursuant to Section 134(12)(c) of the Companies Act, 1965.

By virtue of their deemed interests in the shares of the Company, Tan Sri Dato' Seri Lee Oi Hian and Dato' Lee Hau Hian are deemed to have an interest in the shares of the subsidiaries of the Company to the extent of the Company's interest in the respective subsidiaries as disclosed in Note 19 to the financial statements. In addition, they also have an interest in the shares of the subsidiaries held by other related corporations of the Company as detailed below:

	Balance as at 1.10.2011	**Additions**	**(Disposals)**	**Balance as at 30.9.2012**
Subsidiaries:	**Number of ordinary shares of RM1 each**			
See Sen Chemical Berhad				
Deemed interest				
Tan Sri Dato' Seri Lee Oi Hian	2,126,236	-	-	2,126,236
Dato' Lee Hau Hian	2,126,236	-	-	2,126,236

	Balance as at 1.10.2011	Additions	(Disposals)	Balance as at 30.9.2012
	Number of ordinary shares of RM1 each			
Subsidiaries:				
Malay-Sino Chemical Industries Sendirian Berhad				
Deemed interest				
Tan Sri Dato' Seri Lee Oi Hian	1,971,000	-	-	1,971,000
Dato' Lee Hau Hian	1,971,000	-	-	1,971,000

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefits (other than those disclosed as Directors' remuneration in the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which a Director is a member or with a company in which a Director has a substantial financial interest except for any benefits, which may be deemed to have arisen to certain Directors by virtue of the normal trading transactions entered into by the Group and the Company with the related parties as disclosed in Note 34 to the financial statements.

Neither during nor at the end of the financial year was the Company a party to any arrangement with the object of enabling the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

OTHER STATUTORY INFORMATION

Before the income statements, statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and had satisfied themselves that there were no known bad debts and that no provision for doubtful debts was necessary; and

(b) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business were written down to an amount which they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances:

(a) that would render it necessary to write off any bad debts or to make any provision for doubtful debts in respect of the financial statements of the Group and the Company;

(b) that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading;

(c) which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; and

(d) not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

At the date of this report, there does not exist:

(a) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(b) any contingent liabilities in respect of the Group or of the Company which have arisen since the end of the financial year.

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

In the opinion of the Directors, the results of the operations of the Group or of the Company for the financial year ended 30 September 2012 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

SIGNIFICANT EVENT

Details of significant event are disclosed in Note 41 to the financial statements.

SUBSEQUENT EVENTS

Details of subsequent events are disclosed in Note 42 to the financial statements.

AUDITORS

The auditors, Messrs. Ernst & Young, have expressed their willingness to accept re-appointment.

Signed in accordance with a resolution of the Directors, dated 13 December 2012.

DATO' LEE HAU HIAN
(Managing Director)

DATO' YEOH ENG KHOON
(Director)

Income Statements
for the year ended 30 September 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Revenue	4	**336,541**	283,140	**431,627**	309,338
Cost of sales	5	**(255,414)**	(209,705)	**-**	-
Gross profit		**81,127**	73,435	**431,627**	309,338
Other items of income					
Other income	6	**19,102**	11,201	**150**	408
Other items of expense					
Administration and general expenses		**(21,303)**	(17,767)	**(5,843)**	(5,771)
Selling and distribution expenses		**(15,641)**	(11,728)	**-**	-
Other expenses	7	**(97)**	(69)	**-**	-
Operating profit	8	**63,188**	55,072	**425,934**	303,975
Finance costs	11	**(1,481)**	(1,307)	**-**	-
Share of results of associates		**563,937**	731,591	**-**	-
Profit before tax		**625,644**	785,356	**425,934**	303,975
Income tax expense	12	**(13,701)**	1,967	**(2,168)**	(1,839)
Profit for the year		**611,943**	787,323	**423,766**	302,136
Profit attributable to:					
Owners of the Company		**605,687**	779,468	**423,766**	302,136
Non-controlling interests		**6,256**	7,855	**-**	-
		611,943	787,323	**423,766**	302,136
Earnings per share attributable to owners of the Company:		**Sen**	Sen	**Sen**	Sen
Basic earnings per share	13	**145.3**	186.5	**101.7**	72.3

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Comprehensive Income

for the year ended 30 September 2012

	Group		Company	
	2012	2011	**2012**	2011
	RM'000	RM'000	**RM'000**	RM'000
Net profit for the year	**611,943**	787,323	**423,766**	302,136
Other comprehensive income				
Net fair value gain/(loss) on available-for-sale investments	**785**	(694)	**522**	(694)
Foreign currency translation differences	**(14,624)**	4,529	**-**	-
Share of other comprehensive (loss)/income of associates	**(124,016)**	51,918	**-**	-
Other comprehensive (loss)/income for the year, net of tax	**(137,855)**	55,753	**522**	(694)
Total comprehensive income for the year	**474,088**	843,076	**424,288**	301,442
Total comprehensive income attributable to:				
Owners of the Company	**467,925**	835,193	**424,288**	301,442
Non-controlling interests	**6,163**	7,883	**-**	-
	474,088	843,076	**424,288**	301,442

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Financial Position

at 30 September 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	14	**254,460**	216,923	**240**	244
Investment properties	15	**53,906**	55,410	**-**	-
Land use rights	16	**3,853**	4,381	**-**	-
Biological assets	17	**58,083**	61,512	**-**	-
Intangible asset	18	**12,005**	12,356	**-**	-
Investment in subsidiaries	19	**-**	-	**240,202**	145,307
Investment in associates	20	**3,172,104**	3,153,699	**439,916**	439,916
Other investments	21	**20,648**	18,668	**19,189**	18,668
Deferred tax assets	22	**982**	1,535	**-**	-
Other receivables	23	**30,577**	27,753	**-**	-
		3,606,618	3,552,237	**699,547**	604,135
Current Assets					
Inventories	24	**34,244**	34,882	**-**	-
Trade and other receivables	23	**88,529**	66,176	**5,538**	76,959
Other current assets	25	**6,126**	9,635	**-**	-
Tax recoverable		**461**	3,021	**3**	453
Derivatives	26	**6**	31	**-**	-
Short term trust funds	27	**4,239**	53,295	**-**	32,908
Term deposits	27	**44,527**	29,250	**-**	-
Cash and bank balances	27	**104,884**	68,195	**86,641**	63,034
		283,016	264,485	**92,182**	173,354
TOTAL ASSETS		**3,889,634**	3,816,722	**791,729**	777,489

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Financial Position
at 30 September 2012 (Continued)

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
EQUITY AND LIABILITIES					
Current Liabilities					
Trade and other payables	28	**36,699**	40,143	**3,025**	2,847
Provision for retirement benefits	29	**165**	182	**-**	-
Taxation		**3,934**	1	**-**	-
Loans and borrowings	30	**10,800**	8,000	**-**	-
Derivative liabilities	26	**2**	-	**-**	-
		51,600	48,326	**3,025**	2,847
Net Current Assets		**231,416**	216,159	**89,157**	170,507
Non-Current Liabilities					
Provision for retirement benefits	29	**3,574**	3,355	**19**	15
Deferred tax liabilities	22	**11,085**	3,525	**-**	-
Loans and borrowings	30	**29,130**	27,651	**-**	-
		43,789	34,531	**19**	15
Total Liabilities		**95,389**	82,857	**3,044**	2,862
Net Assets		**3,794,245**	3,733,865	**788,685**	774,627
Equity attributable to owners of the Company					
Share capital	31	**435,951**	435,951	**435,951**	435,951
Treasury shares	31	**(196,442)**	(182,218)	**(196,442)**	(182,218)
Reserves	32	**3,487,900**	3,415,981	**549,176**	520,894
		3,727,409	3,669,714	**788,685**	774,627
Non-controlling interests		**66,836**	64,151	**-**	-
Total Equity		**3,794,245**	3,733,865	**788,685**	774,627
TOTAL EQUITY AND LIABILITIES		**3,889,634**	3,816,722	**791,729**	777,489

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity of the Group
for the year ended 30 September 2012

	Attributable to Owners of the Company										
		Non-distributable	Distributable	Non-distributable	Non-distributable	Distributable	Distributable	Non-distributable			
	Share capital Note 31	Revaluation reserve	Capital reserve*	General reserve	Exchange fluctuation reserve Note 32	Fair value reserve	Retained earnings	Treasury shares Note 31	Total	Non-controlling interests	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 October 2010	435,951	708	520,105	25,100	(4,625)	-	2,299,954	(146,619)	3,130,574	58,407	3,188,981
Effects of adopting FRS 139	-	-	-	10,979	-	-	416	-	11,395	(7)	11,388
	435,951	708	520,105	36,079	(4,625)	-	2,300,370	(146,619)	3,141,969	58,400	3,200,369
Total comprehensive income	-	-	160	51,758	4,501	(694)	779,468	-	835,193	7,883	843,076
Transactions with owners:											
Share buy back	-	-	-	-	-	-	-	(35,599)	(35,599)	-	(35,599)
Dividends paid (Note 33)	-	-	-	-	-	-	(271,849)	-	(271,849)	-	(271,849)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(2,132)	(2,132)
Transfer of reserves	-	(2)	-	-	-	-	2	-	-	-	-
	-	(2)	-	-	-	-	(271,847)	(35,599)	(307,448)	(2,132)	(309,580)
At 30 September 2011	**435,951**	**706**	**520,265**	**87,837**	**(124)**	**(694)**	**2,807,991**	**(182,218)**	**3,669,714**	**64,151**	**3,733,865**
Total comprehensive income	**-**	**-**	**(2,775)**	**(121,241)**	**(14,531)**	**785**	**605,687**	**-**	**467,925**	**6,163**	**474,088**
Transactions with owners:											
Share buy back	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(14,224)**	**(14,224)**	**-**	**(14,224)**
Acquisition of non-controlling interest	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(154)**	**(154)**
Dividends paid (Note 33)	**-**	**-**	**-**	**-**	**-**	**-**	**(396,006)**	**-**	**(396,006)**	**-**	**(396,006)**
Dividends paid to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3,324)**	**(3,324)**
	-	**-**	**-**	**-**	**-**	**-**	**(396,006)**	**(14,224)**	**(410,230)**	**(3,478)**	**(413,708)**
At 30 September 2012	**435,951**	**706**	**517,490**	**(33,404)**	**(14,655)**	**91**	**3,017,672**	**(196,442)**	**3,727,409**	**66,836**	**3,794,245**

* Included in capital reserve is RM246,418,000 (2011: RM249,193,000) which is distributable.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity of the Company
for the year ended 30 September 2012

	Non-distributable		Distributable		Non-distributable	Distributable	Non-distributable	
	Share capital Note 31 RM'000	Revaluation reserve RM'000	Capital reserve RM'000	General reserve Note 32 RM'000	Fair value reserve RM'000	Retained earnings RM'000	Treasury shares Note 31 RM'000	Total equity RM'000
At 1 October 2010	435,951	18	32,555	6,739	-	451,989	(146,619)	780,633
Total comprehensive income	-	-	-	-	(694)	302,136	-	301,442
Transactions with owners:								
Share buy back	-	-	-	-	-	-	(35,599)	(35,599)
Dividends paid (Note 33)	-	-	-	-	-	(271,849)	-	(271,849)
Transfer of reserves	-	(2)	-	-	-	2	-	-
	-	(2)	-	-	-	(271,847)	(35,599)	(307,448)
At 30 September 2011	**435,951**	**16**	**32,555**	**6,739**	**(694)**	**482,278**	**(182,218)**	**774,627**
Total comprehensive income	-	-	-	-	522	423,766	-	424,288
Transactions with owners:								
Share buy back	**-**	**-**	**-**	**-**	**-**	**-**	**(14,224)**	**(14,224)**
Dividends paid (Note 33)	**-**	**-**	**-**	**-**	**-**	**(396,006)**	**-**	**(396,006)**
	-	**-**	**-**	**-**	**-**	**(396,006)**	**(14,224)**	**(410,230)**
At 30 September 2012	**435,951**	**16**	**32,555**	**6,739**	**(172)**	**510,038**	**(196,442)**	**788,685**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BATU KAWAN BERHAD

Consolidated Statement of Cash Flows

for the year ended 30 September 2012

	Note	2012 RM'000	2011 RM'000
Cash flows from operating activities			
Profit before tax		**625,644**	785,356
Adjustments for:			
Depreciation of property, plant and equipment	14	**26,852**	20,656
Depreciation of investment properties	15	**938**	957
Amortisation of land use rights	16	**161**	134
Amortisation of biological assets	17	**2,675**	2,235
Gain on disposal of property, plant and equipment		**(3)**	(146)
Gain on government acquisition of land		**-**	(300)
Gain on disposal of short term funds		**(720)**	(1,993)
Surplus on voluntary liquidation of a subsidiary		**-**	(629)
Share of results of associates		**(563,937)**	(731,591)
Dividend income		**(1,398)**	(4,712)
Interest income		**(3,597)**	(2,933)
Plant and equipment written off		**1,130**	166
Impairment loss on property, plant and equipment		**81**	-
Inventories written off		**222**	7
Inventories written down to net realisable value		**1,171**	1,180
Inventories value written down		**14**	-
Inventories value gain adjustment		**(3,245)**	-
Retirement benefits recognised	29	**685**	853
Net unrealised (gain)/loss on foreign exchange		**101**	(504)
Interest expense		**1,481**	1,307
Fair value loss on financial instruments	7	**97**	69
Total adjustments		**(537,292)**	(715,244)
Operating cash flows before changes in working capital		**88,352**	70,112
Changes in working capital			
Inventories		**2,106**	(10,639)
Receivables		**(18,787)**	(17,023)
Payables		**(4,232)**	11,373
Derivatives		**(1)**	(127)
Total changes in working capital		**(20,914)**	(16,416)
Cash flows from operations		**67,438**	53,696
Interest received		**1,301**	1,149
Interest paid		**(1,550)**	(1,321)
Retirement benefits paid		**(464)**	(214)
Tax paid		**(245)**	(4,021)
Tax refund		**2,010**	14
Net cash flows from operating activities		**68,490**	49,303
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**43**	366
Proceeds from disposal of short term funds		**720**	1,993
Purchase of shares from non-controlling interests		**(144)**	-
Purchase of other investments		**(1,195)**	-
Compensation from government acquisition of land		**-**	300
Share buy back		**(14,224)**	(35,599)
Purchase of property, plant and equipment	14	**(68,492)**	(89,071)
Subsequent expenditure on investment property	15	**(70)**	11
Land use rights		**(10)**	(1,240)
Additions to biological assets		**(5,137)**	(6,677)
Dividend received		**422,913**	302,250
Net cash flows from investing activities		**334,404**	**172,333**

Consolidated Statement of Cash Flows
for the year ended 30 September 2012 (Continued)

	Note	**2012 RM'000**	2011 RM'000
Cash flows from financing activities			
Dividends paid to shareholders	33	**(396,006)**	(271,849)
Dividends paid to non-controlling interests		**(3,324)**	(2,132)
Proceeds from term loan		**12,279**	12,082
Repayment of term loans		**(8,000)**	(8,000)
Other receivables		**(4,394)**	(6,800)
Net cash flows used in financing activities		**(399,445)**	(276,699)
Net increase/(decrease) in cash and cash equivalents		**3,449**	(55,063)
Effects of exchange rate changes		**(539)**	35
Cash and cash equivalents at beginning of year		**150,740**	205,768
Cash and cash equivalents at end of year	27	**153,650**	150,740

The accompanying accounting policies and explanatory notes form an integral part of financial statements.

Statement of Cash Flows of the Company

for the year ended 30 September 2012

	Note	2012 RM'000	2011 RM'000
Cash flows from operating activities			
Profit before tax		**425,934**	303,975
Adjustments for:			
Depreciation of property, plant and equipment	14	**11**	236
Retirement benefits recognised	29	**4**	3
Dividend income		**(431,177)**	(308,967)
Interest income		**(450)**	(371)
Loss on voluntary liquidation of a subsidiary		**-**	489
Gain on disposal of land		**-**	(108)
Gain on government acquisition of land		**-**	(300)
Total adjustments		**(431,612)**	(309,018)
Operating cash flows before changes in working capital		**(5,678)**	(5,043)
Changes in working capital			
Receivables		**(21)**	(48)
Payables		**177**	247
Total changes in working capital		**156**	199
Cash flows used in operations		**(5,522)**	(4,844)
Interest received		**450**	371
Tax paid		**(109)**	(71)
Tax refund		**474**	-
Net cash flows used in operating activities		**(4,707)**	(4,544)
Cash flows from investing activities			
Purchase of plant and equipment	14	**(7)**	(17)
Dividends received		**429,095**	307,193
Purchase of additional investment in subsidiaries		**(94,894)**	-
Compensation from government acquisition of land		**-**	300
Proceeds from disposal of land		**-**	109
Capital distribution from a subsidiary in voluntary liquidation		**-**	3,334
Share buy back		**(14,224)**	(35,599)
Proceeds from disposal of plant and equipment		**-**	2
Loan to subsidiaries		**(29,384)**	(14,887)
Repayment from subsidiaries		**100,826**	3,235
Net cash flows from investing activities		**391,412**	263,670
Cash flows from financing activities			
Dividends paid, representing net cash flows used in financing activities		**(396,006)**	(271,849)
Net decrease in cash and cash equivalents		**(9,301)**	(12,723)
Cash and cash equivalents at beginning of year		**95,942**	108,665
Cash and cash equivalents at end of year	27	**86,641**	95,942

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. CORPORATE INFORMATION

Batu Kawan Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Wisma Taiko, No. 1, Jalan S.P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan.

The principal activity of the Company is investment holding while the principal activities of its subsidiaries and associates are shown in Notes 19 and 20.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and the Company have been prepared in accordance with Financial Reporting Standards ("FRS") and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Company adopted new and revised FRS which are mandatory for financial periods beginning on or after the dates as described fully in Note 2.2.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except where otherwise indicated.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 October 2011, the Group and the Company adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods as follows:

Description	**Effective for financial period beginning on or after**
TR-3: *Guidance on Disclosure of Transition to IFRSs*	31 December 2010
Amendments to FRS 1: *Limited Exemption from Comparative FRS 7 Disclosure for First-time Adopters*	1 January 2011
Amendments to FRS 1: *Additional Exemption for First-time Adopters*	1 January 2011
Amendments to FRS 2: *Group Cash-Settled Share-based Payment Transactions*	1 January 2011
Amendments to FRS 7: *Improving Disclosures about Financial Instruments*	1 January 2011
IC Interpretation 4: *Determining Whether an Arrangement contains a Lease*	1 January 2011
IC Interpretation 18: *Transfer of Assets from Customers*	1 January 2011
TR *i*-4: *Shariah Compliant Sale Contracts*	1 January 2011
Improvement to FRS issued in 2010	1 January 2011
Amendments to IC Interpretation 14: *Prepayments of a Minimum Funding Requirement*	1 July 2011
IC Interpretation 19: *Extinguishing Financial Liabilities with Equity Instruments*	1 July 2011

Adoption of the above standards and interpretations did not have any significant effect on the financial performance or position of the Group and the Company except for those discussed below:

<u>Amendments to FRS 7: Improving Disclosures about Financial Instruments</u>

The amended standard requires enhanced disclosure about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy (Level 1, Level 2 and Level 3), by class, for all financial instruments recognised at fair value. A reconciliation between the beginning and ending balance for Level 3 fair value measurements is required. Any significant transfers between levels of the fair value hierarchy and the reasons for those transfers need to be disclosed. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in Note 38. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 37.

2.3 Standards issued but not yet effective

The Group and the Company has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	**Effective for financial periods beginning on or after**
FRS 124: *Related Party Disclosures*	1 January 2012
Amendments to FRS 1: *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*	1 January 2012
Amendments to FRS 7: *Transfers of Financial Assets*	1 January 2012
Amendments to FRS 112: *Deferred Tax: Recovery of Underlying Assets*	1 January 2012
Improvements to FRS issued in 2012	1 January 2012
Amendments to FRS 101: *Presentation of Items of Other Comprehensive Income*	1 July 2012
FRS 10: *Consolidated Financial Statements*	1 January 2013
FRS 11: *Joint Arrangements*	1 January 2013
FRS 12: *Disclosure of Interests in Other Entities*	1 January 2013
FRS 13: *Fair Value Measurement*	1 January 2013
FRS 119: *Employee Benefits*	1 January 2013
FRS 127: *Separate Financial Statements*	1 January 2013
FRS 128: *Investment in Associates and Joint Ventures*	1 January 2013
IC Interpretation 20: *Stripping Costs in the Production Phase of a Surface Mine*	1 January 2013
Amendments to FRS 7: *Disclosure - Offsetting Financial Assets and Financial Liabilities*	1 January 2013
Amendments to FRS 1: *Government loans*	1 January 2013
Amendments to FRS 132: *Offsetting Financial Assets and Financial Liabilities*	1 January 2014
FRS 9: *Financial Instruments*	1 January 2015

The Directors expect that the adoption of standards and interpretation above will have no material impact on the financial statements in the period of initial application, except as disclosed below:

Amendments to FRS 7: Transfer of Financial Assets

The amendments require additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's and the Company's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendments require disclosure about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment affects disclosure only and has no impact on the Group's and the Company's financial position or performance.

Amendments to FRS 112: Deferred Tax: Recovery of Underlying Assets

The amendments clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in FRS 140 should be determined on the basis that its carrying amount will be recovered through sale. Futhermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in FRS 116 to be always measured on a sale basis of that asset.

Amendments to FRS 101: Presentation of Items of Other Comprehensive Income

The amendments to FRS 101 change the grouping of items presented in Other Comprehensive Income. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only has no impact on the Group's and the Company's financial position or performance.

FRS 9: Financial Instruments

FRS 9 reflects the first phase of work on the replacement of FRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in FRS 139. The adoption of this first phase of FRS 9 will have an effect on the classification and measurement of the Group's and the Company's financial assets but will potentially have no impact on classification and measurements of financial liabilities. The Company is in the process of making an assessment of the impact of adoption of FRS 9.

FRS 10: Consolidated Financial Statements

FRS 10 replaces the portion of FRS 127 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. FRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by FRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in FRS 127.

FRS 12: Disclosure of Interests in Other Entities

FRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and has no impact on the Group's and the Company's financial position or performance.

FRS 13: Fair Value Measurement

FRS 13 establishes a single source of guidance under FRS for all fair value measurements. FRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under FRS when fair value is required or permitted. The Company is currently assessing the impact of adoption of FRS 13.

FRS 127: Separate Financial Statements

As a consequence of the new FRS 10 and FRS 12, FRS 127 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

FRS 128: Investment in Associates and Joint Ventures

As a consequence of the new FRS 11 and FRS 12, FRS 128 is renamed as FRS 128 Investments in Associates and Joint Ventures. This new standard describes the application of the equity method to investments in joint ventures in addition to associates.

Amendments to FRS 7: Disclosure - Offsetting Financial Assets and Financial Liabilities

The amendments require additional information to be disclosed to enable users of financial statements to evaluate the effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. The amendment affects disclosure only and has no impact on the Group's and the Company's financial position or performance.

Amendments to FRS 132: Offsetting Financial Assets and Financial Liabilities

The amendments to FRS 132 clarified that a legally enforceable right to set off is a right of set off that must not be contingent on a future event; and must be legally enforceable in the normal course of business, the event of default and the event of insolvency or bankruptcy of the entity and all of the counterparties. The amendments futher clarified that an entity will meet the net settlement criterion as provided in FRS 132 if the entity can settle amounts in a manner that the outcome is, in effect, equivalent to net settlement.

Malaysian Financial Reporting Standards ("MFRS Framework")

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS) Framework.

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venture (herein called "Transitioning Entities").

Adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2014.

The Company falls within the scope definition of Transitioning Entities and has opted to defer adoption of the new MFRS Framework. Accordingly, the Company will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 30 September 2015. In presenting its first MFRS financial statements, the Company will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

At the date of these financial statements, the Company has not completed its quantification of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework. Accordingly, the financial performance and financial position as disclosed in these statements for the year ended 30 September 2012 could be different if prepared under the MFRS Framework.

The Company expects to be in a position to fully comply with requirements of the MFRS Framework for the financial year ending 30 September 2015.

2.4 Basis of consolidation

Business combinations before 1 July 2010

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiary companies used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interest are treated as a revaluation and recognised in other comprehensive income. The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination.

Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statement of financial position.

Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

<u>Business combinations from 1 July 2010</u>

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the period in which the costs are incurred and the services are received.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest’s proportionate shares of the acquiree’s net identifiable assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group’s previously held equity interest in the acquiree (if any), over the net fair value of the acquiree’s identifiable assets and liabilities is recorded as goodwill in the statement of the financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly to owners of the Company, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any differences between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.6 Foreign currency

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company’s functional currency.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group’s net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(c) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, plant and equipment and furniture and fixtures are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Certain long term leasehold land and buildings are stated at valuation, being the fair value on the basis of their existing use at the date of revaluation, less any subsequent accumulated depreciation and accumulated impairment losses. These properties have since not been revalued. The Directors have not adopted a policy of regular revaluations of such assets and no later valuation has been recorded. As permitted under the transitional provisions of International Accounting Standard 16 (Revised) *Property, Plant and Equipment*, these assets continue to be stated at their original valuation less accumulated depreciation and any impairment losses. The year of valuation for certain leasehold land and buildings is stated in Note 14.

Surpluses arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is charged to profit or loss.

Freehold land has an unlimited useful life and therefore is not depreciated. Leasehold land are depreciated over their remaining lease periods of 53 to 99 years as at date of acquisition.

Depreciation is computed on a straight-line basis over the estimated useful lives of the other assets as follows:

Buildings	5 – 10% per annum
Plant and machinery	$6\frac{1}{4}$ - $33\frac{1}{3}$% per annum
Motor vehicles	16 – 20% per annum
Furniture and equipment	10 – $33\frac{1}{3}$% per annum

Capital work-in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2.8 Investment properties

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

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

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

Transfers are made to or from investment property only when there is a change in use. A transfer from investment property to owner-occupied property is made at the carrying amount as at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.7 up to the date of change in use.

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

2.9 Biological assets and replanting expenditure

Biological assets comprise cost of planting and oil palm plantation development expenditure.

(a) Plantation development expenditure

Costs of new planting and development of plantation crops are capitalised from the stage of land clearing up to the stage of maturity and is not amortised.

Mature plantations are stated at cost which represents the accumulated cost incurred during development until it is transferred from immature plantations.

Upon maturity, all subsequent maintenance expenditure are charged to profit or loss and the capitalised mature plantations are amortised using straight line method over the estimated productive lifespan of 20 years.

(b) Replanting expenditure

Replanting expenditure is charged to profit or loss in the financial year in which the expenditure is incurred.

2.10 Intangible asset

Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

2.11 Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over their remaining lease period of 23 to 35 years.

2.12 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2.13 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.14 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associates is measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss for the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

When there is share buyback by an associate, the accretion of the Group's interest is recognised as a deemed acquisition of additional equity interest in the associate. Any reduction of the Group's pre-acquisition reserves arising from the share buyback (i.e. goodwill) is included in the carrying amount of the investment and is not amortised. Any increase of the Group's pre-acquisition reserves arising from the share buyback (i.e. negative goodwill) is included as income in the determination of the Group's share of associate's results in the period of share buybacks.

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2.15 Financial assets

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

When financial assets are recognised initially, they are measured at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

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

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that is held primarily for trading purposes are presented as current whereas financial assets that is not held primarily for trading purposes are presented as current or non-current based on the settlement date.

b) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

(c) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

(d) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group and the Company commit to purchase or sell the asset.

2.16 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic condition that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(c) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

2.17 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

2.18 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials, stores and consumables: purchase costs on the weighted average costs basis.
- Finished goods and work-in-progress: cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These cost are assigned on weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

2.19 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.20 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

(b) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.21 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Gorup and the Company incurred in connection with the borrowing of funds.

2.22 Employee benefits

(a) Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year which the associated services are rendered by employees of the Group and the Company. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-cummulating compensated absences such as sick leave are recognised when the absences occur.

(b) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employee Provident Fund (“EPF”) in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(c) Defined benefit plans

The Group and the Company provide for retirement benefits for eligible employees on an unfunded deferred benefits basis in accordance with the terms of the Unions’ Collective Agreements and/or employment agreements. Defined benefit plan defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and last drawn salary.

The estimated liabilities in respect of the defined benefit plans are the present values of the defined benefit obligations at the reporting date, adjusted for unrecognised actuarial gains and losses and past service costs. The defined benefit obligations calculated using the Projected Unit Credit Method, are determined by independent actuaries, if it is material, considering the estimated future cash outflows. The present value of the defined benefit obligations is determined by discounting the estimated future outflows using interest rate of high quality bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arise from market adjustments and changes in actuarial assumptions. Past service costs are recognised immediately in profit or loss.

2.23 Leases

(a) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.24(f).

2.24 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Transportation services

Revenue from transportation services rendered is recognised upon delivery.

(c) Interest income

Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset.

(d) Management fees

Management fees are recognised when services are rendered.

(e) Dividend income

Dividend income is recognised when the Group’s right to receive payment is established.

(f) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

Other rent related and car-park income is recognised upon services being rendered.

2.25 Income taxes

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.26 Segment operating

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment manangers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the performance. Additional disclosure on each of these segments are shown in Note 36, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.27 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.28 Treasury shares

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

2.29 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

3. Significant accounting judgements and estimates

The preparation of the Group’s financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Judgements made in applying accounting policies

In the process of applying the Group’s accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(a) Impairment of available-for-sale investments

The Group reviews its equity securities classified as available-for-sale investments at each reporting date to assess whether they are impaired. The Group also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost. In prior year, the Group impaired quoted and unquoted equity instruments with "significant" decline in fair value greater than 20% and 30% respectively, and for "prolonged" period of greater than 12 months or more.

For the financial year ended 30 September 2012, the amount of impairment loss recognised for available-for-sale financial assets was Nil (2011: Nil).

(b) Operating lease commitments – as lessor

The Group has entered into commercial property leases on its investment properties. The commercial properties combined leases of land and buildings. Therefore, the Group evaluated based on terms and conditions of the arrangement, whether the land and the buildings were clearly operating leases or finance leases. The Group assessed the following:

(i) the land titles do not pass to the lessees, and

(ii) the lease term do not form major part of the economic lives of the properties, and

(iii) the lessees do not participate in the residual value of the land and building.

Management judged that it retains all the significant risks and rewards of ownership of these properties and thus accounted for the contracts as operating leases.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful lives of motor vehicles and buildings

The cost of motor vehicles and buildings for operation and administrative purposes is depreciated on a straight-line basis over the assets' estimated economic useful lives. Management estimates the useful lives of these motor vehicles and buildings to be within 5 to 6.25 years and 10 to 20 years respectively. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's plant and equipment at the reporting date is disclosed in Note 14.

(b) Impairment of goodwill

Goodwill, is tested for impairment annually and at other times when such indicators exist. This requires an estimation of the value in use of the cash-generating units to which goodwill is allocated. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Details of the carrying value, the key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in the assumptions are given in Note 18.

(c) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and unutilised reinvestment allowances to the extent that it is probable that taxable profit will be available against which the losses, unabsorbed capital allowances and unutilised reinvestment allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies. Further details of the recognised and unrecognised deferred tax assets are disclosed in Note 22.

(d) Defined benefit plans

The cost of defined benefit plans and the present value of the defined benefit obligation is determined by using actuarial method which involves making assumptions about discount rates, future salary increases and mortality rates. All assumptions are reviewed at each reporting date. The net employee liability as at 30 September 2012 is RM3,739,000 (2011: RM3,537,000). Further details are disclosed in Note 29.

In determining the appropriate discount rate, management has derived the applicable interest rates from high quality corporate bonds in the country with a minimum AA rating. The bonds have been selected based on the expected duration of the defined benefit obligation.

Future salary increases are based on last three years average increases and mortality and disability rates are based on the experience of Malaysian insured lives Table 1999-2003.

4. REVENUE

Revenue represents the net invoiced value of goods sold and transportation services performed, investment income, rental income and management fees received as follows:

	Group		Company	
	2012	2011	**2012**	2011
	RM'000	RM'000	**RM'000**	RM'000
Chemicals	**268,631**	225,614	**-**	-
Transportation services	**25,420**	21,248	**-**	-
Palm products	**31,195**	24,163	**-**	-
Dividends (gross)	**1,398**	4,712	**431,177**	308,967
Rental	**6,265**	4,434	**-**	-
Interest	**3,597**	2,933	**450**	371
Management fees	**35**	36	**-**	-
	336,541	283,140	**431,627**	309,338

Included in dividends (gross) are the following:

	Group		Company	
	2012	2011	**2012**	2011
	RM'000	RM'000	**RM'000**	RM'000
Unquoted subsidiaries	-	-	**8,329**	7,085
Associate quoted in Malaysia	**-**	-	**421,516**	297,541
Other unquoted investments in Malaysia	**102**	2,834	**102**	2,463
Other quoted investments outside Malaysia	**136**	183	**125**	183
Short term trust funds quoted in Malaysia	**1,160**	1,695	**1,105**	1,695
	1,398	4,712	**431,177**	308,967

5. COST OF SALES

	Group	
	2012	2011
	RM'000	RM'000
Cost of inventories sold	**225,691**	183,369
Cost of services rendered	**29,723**	26,336
	255,414	209,705

6. OTHER INCOME

	Group		Company	
	2012	2011	**2012**	2011
	RM'000	RM'000	**RM'000**	RM'000
Gain on disposal of property, plant and equipment	**6**	146	**-**	108
Rental income	**252**	129	**-**	-
Rental income from investment property	**-**	178	**-**	-
Gain on foreign exchange				
- realised	**-**	87	**-**	-
- unrealised	**178**	504	**150**	-
Gain on government acquisition of land	**-**	300	**-**	300
Surplus on voluntary liquidation of a subsidiary	**-**	629	**-**	-
Gain on disposal of short term funds	**720**	1,993	**-**	-
Compensation claim from a customer	**14,890**	4,306	**-**	-
Insurance claim	**325**	963	**-**	-
Oleum processing fee and manpower charges	**696**	696	**-**	-
Profit from sale of electricity	**613**	110	**-**	-
Sundry income	**1,403**	876	**-**	-
Weak acid collection income	-	284	-	-
Fair value gain on financial instruments	**19**	-	**-**	-
	19,102	11,201	**150**	408

7. OTHER EXPENSES

	Group	
	2012	2011
	RM'000	RM'000
Fair value loss on financial instruments	**97**	69

8. OPERATING PROFIT

The following items have been included in arriving at operating profit:

	Group		Company	
	2012	2011	**2012**	2011
	RM'000	RM'000	**RM'000**	RM'000
Auditors' remuneration				
- audit fee - current year	**198**	205	**66**	80
- non-audit fee - assurance related	**7**	7	**6**	6
- non-audit fee - tax and other non-audit services	**15**	45	**-**	-
- non-audit fee - under-provision in previous year	**-**	5	**-**	5
Amortisation of land use rights (Note 16)	**161**	134	**-**	-
Amortisation of biological assets (Note 17)	**2,675**	2,235	**-**	-
Depreciation of property, plant and equipment (Note 14)	**26,852**	20,656	**11**	236
Depreciation of investment properties (Note 15)	**938**	957	**-**	-
Inventories written off	**222**	7	**-**	-
Inventories written down to net realisable value	**1,171**	1,180	**-**	-
Inventories value written down	**14**	-	**-**	-
Impairment loss on property, plant and equipment	**81**	-	**-**	-
Loss on foreign exchange				
- realised	**13**	67	**-**	2
- unrealised	**279**	-	**-**	-
Loss on voluntary liquidation of a subsidiary	**-**	-	**-**	489
Loss on disposal of property, plant and equipment	**3**	-	**-**	-
Plant and equipment written off	**1,130**	166	**-**	-
Rental of premises	**96**	96	**96**	96
Rental of equipment	**2,470**	2,221	**-**	-
Retirement benefits recognised	**685**	853	**4**	3
Rental of warehouse	**102**	-	**-**	-
Staff costs (Note 9)	**43,924**	36,993	**4,276**	3,575

9. EMPLOYEE BENEFITS EXPENSES

	Group		Company	
	2012	2011	**2012**	2011
	RM'000	RM'000	**RM'000**	RM'000
Staff costs:				
Wages, salaries and others	**39,002**	32,710	**3,757**	3,150
Socso contributions	**353**	336	**6**	7
Contributions to defined contribution plans	**3,812**	3,035	**485**	407
Retirement benefits	**685**	853	**4**	3
Service gratuity	**55**	-	**24**	-
Annual leave pay	**17**	59	**-**	8
	43,924	36,993	**4,276**	3,575

Included in employee benefits expense of the Group and the Company are Executive Directors' remuneration amounting to RM3,813,000 (2011: RM3,230,000) and RM2,812,000 (2011: RM2,316,000) respectively.

10. DIRECTORS' REMUNERATION

	Group		Company	
	2012	2011	**2012**	2011
	RM'000	RM'000	**RM'000**	RM'000
Executive:				
Salaries and other emoluments	**3,319**	2,812	**2,448**	2,018
Contributions to defined contribution plans	**494**	418	**364**	298
	3,813	3,230	**2,812**	2,316
Other benefits	**232**	45	**28**	28
	4,045	3,275	**2,840**	2,344

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Non-Executive:				
Fees	**795**	730	**765**	700
Other benefits	**25**	25	**25**	25
	820	755	**790**	725
Total directors' remuneration	**4,865**	4,030	**3,630**	3,069

The Directors of the Company whose total remuneration during the year fell within the following bands is analysed below:

	Number of Directors 2012	Number of Directors 2011
Executive Director		
RM2,800,001 to RM2,850,000	**1**	-
RM2,300,001 to RM2,350,000	**-**	1
Non-Executive Directors		
RM100,001 to RM150,000	**5**	6
RM150,001 to RM200,000	**1**	-

11. FINANCE COSTS

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Interest expense on:				
- term loans	**1,481**	1,547	**-**	-
Less: Amount capitalised in property, plant and equipment	**-**	(240)	**-**	-
Total finance costs	**1,481**	1,307	**-**	-

12. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 30 September 2012 and 2011 are:

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Current tax				
- Malaysian income tax	**5,411**	2,727	**2,168**	1,839
- Foreign income tax	**917**	859	**-**	-
- Over provision in prior years	**(716)**	(129)	**-**	-
	5,612	3,457	**2,168**	1,839
Deferred tax (Note 22)				
- Relating to origination and reversal of temporary differences	**9,510**	(5,461)	**-**	-
- (Over)/Under provision in prior years	**(1,421)**	37	**-**	-
	8,089	(5,424)	**-**	-
	13,701	(1,967)	**2,168**	1,839

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% of the assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Reconciliation between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 30 September 2012 and 2011 are as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	**2012 RM'000**	2011 RM'000
Profit before tax	**625,644**	785,356	**425,934**	303,975
Taxation at Malaysian statutory tax rate of 25%	**156,411**	196,339	**106,484**	75,994
Effects of different tax rates in foreign jurisdictions	**(1,374)**	(1,289)	**-**	-
Income not subject to tax	**(3,674)**	(1,850)	**(105,750)**	(75,570)
Expenses not deductible for tax purposes	**5,479**	1,784	**1,434**	1,415
Utilisation of current year reinvestment allowance	**-**	(1,267)	**-**	-
Deferred tax assets recognised on unutilised reinvestment allowances	**-**	(12,660)	**-**	-
(Over)/Under provision in prior years				
- current tax	**(716)**	(129)	**-**	-
- deferred tax	**(1,421)**	37	**-**	-
Tax effects of associates' results	**(141,004)**	(182,932)	**-**	-
	13,701	(1,967)	**2,168**	1,839

13. EARNINGS PER SHARE

The basic earnings per share of the Group and the Company is calculated based on the net profit attributable to owners of the Company divided by the weighted average number of shares in issue during the financial year, excluding treasury shares held by the Company.

	Group		Company	
	2012	2011	**2012**	2011
Net profit attributable to owners of the Company (RM'000)	**605,687**	779,468	**423,766**	302,136
Weighted average number of shares of RM1 each in issue ('000)	**416,774**	418,060	**416,774**	418,060
Basic earnings per share (sen)	**145.3**	186.5	**101.7**	72.3

There is no dilutive effect on earnings per share as the Company has no potential dilutive ordinary shares.

14. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold Land	Leasehold Land	Buildings	Plant And Machinery	Motor Vehicles	Furniture And Equipment	Capital Work-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost/Valuation								
At 1 October 2010								
At cost	-	13,817	35,765	276,786	24,922	5,840	51,596	408,726
At valuation	2	-	-	-	-	-	-	2
	2	13,817	35,765	276,786	24,922	5,840	51,596	408,728
Additions	-	-	23,831	52,446	2,810	689	9,295	89,071
Transfers	-	-	7,887	49,972	-	-	(57,859)	-
Disposals	(2)	-	-	(58)	(415)	(43)	-	(518)
Written off	-	-	(3)	(750)	(57)	(76)	-	(886)
Currency translation differences	-	-	331	314	219	10	63	937
At 30 September 2011	-	13,817	67,811	378,710	27,479	6,420	3,095	497,332
Additions	-	-	4,370	13,513	705	939	48,965	68,492
Reclassified from investment properties	-	-	800	-	-	-	-	800
Transfers	-	-	3,295	7,056	4,025	-	(14,376)	-
Disposals	-	-	-	(309)	(196)	(3)	-	(508)
Written off	-	-	(1,500)	(4,246)	(247)	(73)	-	(6,066)
Currency translation differences	-	-	(1,418)	(715)	(575)	(26)	(588)	(3,322)
At 30 September 2012	-	13,817	73,358	394,009	31,191	7,257	37,096	556,728
Accumulated depreciation								
At 1 October 2010	-	2,832	22,413	217,138	13,642	3,833	-	259,858
Depreciation charge for the year	-	205	2,264	15,566	2,606	647	-	21,288
Disposals	-	-	-	(58)	(206)	(34)	-	(298)
Written off	-	-	(1)	(613)	(35)	(71)	-	(720)
Currency translation differences	-	-	28	106	145	2	-	281
At 30 September 2011	-	3,037	24,704	232,139	16,152	4,377	-	280,409
Depreciation charge for the year	-	204	3,957	20,462	2,644	599	-	27,866
Reclassified from investment properties	-	-	164	-	-	-	-	164
Impairment loss	-	-	-	81	-	-	-	81
Disposals	-	-	-	(275)	(190)	(2)	-	(467)
Written off	-	-	(1,021)	(3,648)	(206)	(61)	-	(4,936)
Currency translation differences	-	-	(161)	(308)	(374)	(6)	-	(849)
At 30 September 2012	-	3,241	27,643	248,451	18,026	4,907	-	302,268
Net carrying amount								
At 30 September 2011								
At cost	-	6,084	42,581	146,571	11,327	2,043	3,095	211,701
At valuation	-	4,696	526	-	-	-	-	5,222
	-	10,780	43,107	146,571	11,327	2,043	3,095	216,923
At 30 September 2012								
At cost	-	6,181	45,577	145,558	13,165	2,350	37,096	249,927
At valuation	-	4,395	138	-	-	-	-	4,533
	-	10,576	45,715	145,558	13,165	2,350	37,096	254,460

	Group 2012 RM'000	Group 2011 RM'000
Depreciation charge for the year is allocated as follows:		
Income statements (Note 8)	**26,852**	20,656
Biological assets (Note 17)	**1,014**	632
	27,866	21,288

Company

	Freehold Land RM'000	Motor Vehicles RM'000	Furniture And Equipment RM'000	Total RM'000
Cost/Valuation				
At 1 October 2010	2	798	88	888
Additions	-	-	17	17
Disposals	(2)	-	(3)	(5)
Written off	-	-	(3)	(3)
At 30 September 2011	**-**	**798**	**99**	**897**
Additions	**-**	**-**	**7**	**7**
Written off	**-**	**-**	**(3)**	**(3)**
At 30 September 2012	**-**	**798**	**103**	**901**
Accumulated depreciation				
At 1 October 2010	-	355	68	423
Depreciation charge for the year	-	218	18	236
Disposals	-	-	(3)	(3)
Written off	-	-	(3)	(3)
At 30 September 2011	**-**	**573**	**80**	**653**
Depreciation charge for the year	**-**	**-**	**11**	**11**
Written off	**-**	**-**	**(3)**	**(3)**
At 30 September 2012	**-**	**573**	**88**	**661**
Net carrying amount				
At 30 September 2011	-	225	19	244
At 30 September 2012	**-**	**225**	**15**	**240**

Analysis of cost & valuation	**Cost RM'000**	**Valuation RM'000**	**Total RM'000**
Group			
2012			
Leasehold land	**8,017**	**5,800**	**13,817**
Buildings	**69,328**	**4,030**	**73,358**
Plant and machinery	**394,009**	**-**	**394,009**
Motor vehicles	**31,191**	**-**	**31,191**
Furniture and equipment	**7,257**	**-**	**7,257**
Capital work-in-progress	**37,096**	**-**	**37,096**
	546,898	**9,830**	**556,728**
2011			
Leasehold land	8,017	5,800	13,817
Buildings	63,781	4,030	67,811
Plant and machinery	378,710	-	378,710
Motor vehicles	27,479	-	27,479
Furniture and equipment	6,420	-	6,420
Capital work-in-progress	3,095	-	3,095
	487,502	9,830	497,332
Company			
2012			
Motor vehicles	**798**	**-**	**798**
Furniture and equipment	**103**	**-**	**103**
	901	**-**	**901**
2011			
Motor vehicles	798	-	798
Furniture and equipment	99	-	99
	897	-	897

(a) Certain leasehold land and buildings of the subsidiaries were revalued by their Directors in 1996 based on independent professional valuation using the open market value basis.

As allowed by the transitional provisions of International Accounting Standard 16 (Revised) *Property, Plant and Equipment* issued by the MASB, these assets continue to be stated on the basis of their 1996 valuations.

If the leasehold land and buildings of the Group were measured using the cost model, the carrying amounts would be as follows:

	Group 2012 RM'000	**Group 2011 RM'000**
Leasehold land at 30 September		
Cost	**6,136**	6,136
Less: Accumulated depreciation	**(1,431)**	(1,338)
Net carrying amount	**4,705**	4,798
Factory and office buildings at 30 September		
Cost	**3,802**	3,802
Less: Accumulated depreciation	**(3,667)**	(3,381)
Net carrying amount	**135**	421

(b) The ownership of certain property, plant and equipment of subsidiaries with a carrying amount of RM1,218,000 (2011: RM1,564,000) are held in trust by third parties.

(c) All subsequent additions to property, plant and equipment are recorded at cost and subsequent disposals/write off at cost or valuation where applicable.

(d) The Group's property, plant and equipment include borrowing costs arising from bank loans borrowed specifically for the purpose of the construction of a plant. During the financial year, borrowing costs capitalised as cost of property, plant and equipment amounted to Nil (2011: RM239,795).

(e) During the financial year, the Group conducted a review on its estimated residual value of motor vehicles. The revision in estimate has been applied on a prospective basis from 1 October 2011. The effects of the above revision on depreciation charge in current and future periods are as follows:

	2012 RM'000	**2013 RM'000**	**2014 RM '000**	**2015 and subsequent year RM'000**
Increase in depreciation expense	9	34	79	64

(f) Leasehold land

The remaining lease periods of the leasehold land of the Group range from 27 to 75 years.

(g) Property, plant and equipment purchased during the year were fully paid for in cash.

(h) The descriptions and locations of the Group's properties are shown on pages 112 to 113.

15. INVESTMENT PROPERTIES

Group	Freehold Land RM'000	Buildings RM'000	Total RM'000
2012			
Cost			
At 1 October 2011	**11,149**	**47,158**	**58,307**
Additions	**-**	**70**	**70**
Reclassified to property, plant and equipment	**-**	**(800)**	**(800)**
At 30 September 2012	**11,149**	**46,428**	**57,577**
Accumulated depreciation			
At 1 October 2011	**-**	**2,897**	**2,897**
Depreciation charge for the year	**-**	**938**	**938**
Reclassified to property, plant and equipment	**-**	**(164)**	**(164)**
At 30 September 2012	**-**	**3,671**	**3,671**
Net carrying amount			
At 30 September 2012	**11,149**	**42,757**	**53,906**
Fair value of investment properties			**80,000**
2011			
Cost			
At 1 October 2010	11,149	47,169	58,318
Additions	-	(11)	(11)
At 30 September 2011	11,149	47,158	58,307
Accumulated depreciation			
At 1 October 2010	-	1,940	1,940
Current depreciation	-	957	957
At 30 September 2011	-	2.897	2,897
Net carrying amount			
At 30 September 2011	11,149	44,261	55,410
Fair value of investment properties			80,825

An investment property with a carrying value of RM53,906,000 (2011 : RM54,774,000) is pledged as security to a licensed bank for term loans as disclosed in Note 30.

<u>Reclassification to property, plant and equipment</u>

On 1 October 2011, a subsidiary reclassified a warehouse that was held as investment property to owner-occupied property. On that date, the subsidiary commenced using the warehouse for storing its own goods.

16. LAND USE RIGHTS

	Group 2012 RM'000	2011 RM'000
Cost		
At 1 October	**7,113**	5,555
Additions	**10**	1,240
Currency translation differences	**(404)**	318
At 30 September	**6,719**	7,113
Accumulated amortisation and impairment losses		
At 1 October		
Accumulated amortisation	**1,424**	1,283
Accumulated impairment loss	**1,308**	1,308
Amortisation for the year	**161**	134
Currency translation differences	**(27)**	7
At 30 September	**2,866**	2,732
Net carrying amount	**3,853**	4,381
Amount to be amortised:		
Not later than one year	161	134
Later than one year but not later than five years	644	538
Later than five years	3,048	3,709

17. BIOLOGICAL ASSETS

	Group 2012 RM'000	2011 RM'000
Plantation development expenditure		
Cost		
At 1 October	**64,829**	54,487
Additions	**6,151**	7,309
Currency translation differences	**(7,418)**	3,033
At 30 September	**63,562**	64,829
Accumulated amortisation		
At 1 October	**3,317**	985
Current amortisation	**2,675**	2,235
Currency translation differences	**(513)**	97
At 30 September	**5,479**	3,317
Net carrying amount		
At 30 September	**58,083**	61,512
Biological assets additions during the year include the following:		
Depreciation of property, plant and equipment (Note 14)	**1,014**	632
Salaries and allowances	**1,056**	950

18. INTANGIBLE ASSET

	Group	
	2012	2011
	RM'000	RM'000
Goodwill		
At 1 October	**12,356**	12,194
Exchange translation differences	**(351)**	162
At 30 September	**12,005**	12,356

The carrying amounts of goodwill allocated to the Group's cash-generating units ("CGU") are based on the respective CGUs' excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Goodwill has been allocated to the Group's CGUs identified according to business segments as follows:

	Group	
	2012	2011
	RM'000	RM'000
Chemicals	**9,136**	9,136
Plantations	**2,869**	3,220
At 30 September	**12,005**	12,356

Goodwill is tested for impairment on an annual basis by comparing the carrying amount with the recoverable amount of the CGU. The recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections based on financial budgets and forecasts approved by management covering a period of 5 years. Key assumptions used in the value-in-use calculations are:

(a) the pre-tax discount rate used is 5% - 9% per annum;

(b) the growth rate used for the plantation company is determined based on the management's estimate of commodity prices, palm yields, oil extraction rates as well as cost of production whilst growth rates of companies in other segments are determined based on the industry trends and past performances of the respective companies; and

(c) profit margins are projected based on historical profit margin achieved.

In assessing the value-in-use, the management is of the view that no foreseeable changes to any of the above key assumptions would cause the carrying amounts of the respective CGU to materially exceed their recoverable amounts.

19. SUBSIDIARIES

	Company 2012 RM'000	Company 2011 RM'000
Unquoted shares at cost	**240,202**	145,307

Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Percentage of Equity Held 2012	Percentage of Equity Held 2011	Principal Activities
Held by the Company:				
See Sen Chemical Berhad	Malaysia	**61**	61	Chemicals manufacturing
Malay-Sino Chemical Industries Sendirian Berhad	Malaysia	**86**	86	Chemicals manufacturing
Batu Kawan Holdings Sdn Bhd	Malaysia	**100**	100	Investment holding
Caruso Enterprises Sdn Bhd	Malaysia	**100**	100	Money lending
Whitmore Holdings Sdn Bhd	Malaysia	**100**	100	Investment holding
Enternal Edge Sdn Bhd	Malaysia	**100**	100	Investment holding
Held through Subsidiaries:				
Malay-Sino Chemical Industries Sendirian Berhad:				
Malay-Sino Agro-Chemical Products Sdn Bhd	Malaysia	**86**	86	Manufacture and sale of methyl chloride
Circular Agency Sdn Bhd	Malaysia	**86**	86	General transportation services
North-South Transport Sdn Bhd	Malaysia	**86**	86	General transportation services
Malay-Sino Properties Sdn Bhd	Malaysia	**86**	86	Letting of storage warehouse facilities
Malay-Sino Chemical Holdings Berhad	Malaysia	**86**	86	Dormant
See Sen Chemical Berhad:				
See Sen Bulking Installation Sdn Bhd	Malaysia	**61**	61	Dormant
Whitmore Holdings Sdn Bhd:				
P.T. Satu Sembilan Delapan *	Indonesia	**92**	92	Plantations

* The financial statements of this subsidiary is not audited by Messrs. Ernst & Young.

2012

Acquisition of shares from non-controlling interests

On 15 March 2012, the Group acquired an additional 0.06% interest in Malay-Sino Chemical Industries Sdn Bhd ("MSCI") for RM144,000 in cash, increasing its ownership from 85.5% to 85.6%. The carrying amount of MSCI's net assets in the consolidated financial statements on the date of acquisition was RM252,823,000. The Group recognised decrease in non-controlling interests of RM154,000 and a negative goodwill derecognised of RM10,000.

20. ASSOCIATES

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Quoted shares in Malaysia at cost	**439,916**	439,916	**439,916**	439,916
Unquoted shares at cost	**2,130**	2,130	**-**	-
	442,046	442,046	**439,916**	439,916
Group's share of retained reserves	**2,730,058**	2,711,653	**-**	-
	3,172,104	3,153,699	**439,916**	439,916
Market value of quoted shares	**10,939,588**	10,463,522	**10,939,588**	10,463,522

The carrying values of the investment in associates are represented by:

	Group 2012 RM'000	Group 2011 RM'000
Group's share of aggregate net tangible assets	**3,022,124**	2,989,073
Group's share of aggregate intangible assets	**142,622**	157,268
Goodwill on acquisition	**7,358**	7,358
	3,172,104	3,153,699

Details of the associates are as follows:

Name of Associates	**Country of Incorporation**	**Percentage of Equity Held 2012**	**Percentage of Equity Held** 2011	**Principal Activities**
Held by the Company:				
Quoted:				
Kuala Lumpur Kepong Berhad *	Malaysia	**47**	47	Plantations
Held through a Subsidiary See Sen Chemical Berhad:				
Unquoted:				
BASF See Sen Sdn Bhd *	Malaysia	**30**	30	Manufacture of sulphuric acid products

* The financial statements of the associates are not audited by Messrs. Ernst & Young.

The financial year end of the main associate is coterminous with that of the Group, while BASF See Sen Sdn Bhd has a financial year end of 31 December to conform with its holding company's financial year end. For the purpose of applying the equity method of accounting, the audited financial statements of BASF See Sen Sdn Bhd for the year ended 31 December 2011 and the management accounts for the period ended 30 September 2012 have been used.

The summarised financial information of the associates are as follows:

	Group	
	2012	2011
	RM'000	RM'000
Total assets	**11,389,282**	10,975,396
Total liabilities	**3,876,623**	3,503,994
Revenue	**10,576,562**	10,749,349
Profit for the year	**1,210,982**	1,570,954

21. OTHER INVESTMENTS

	Group		Company	
	2012	2011	**2012**	2011
Non-Current	**RM'000**	RM'000	**RM'000**	RM'000
Available-for-sale financial assets				
- Equity instruments (quoted outside Malaysia) - at fair value	**6,658**	4,678	**5,199**	4,678
- Equity instruments (unquoted in Malaysia) - at cost	**13,990**	13,990	**13,990**	13,990
	20,648	**18,668**	**19,189**	18,668
Market value of quoted investment	**6,658**	**4,678**	**5,199**	4,678

22. DEFERRED TAX

	Group 2012 RM'000	Group 2011 RM'000
Balance brought forward	**1,990**	7,484
Recognised in profit or loss (Note 12)	**8,089**	(5,424)
Exchange translation differences	**24**	(70)
Balance carried forward	**10,103**	1,990
Presented after appropriate offsetting as follows:		
Deferred tax assets	**(982)**	(1,535)
Deferred tax liabilities	**11,085**	3,525
	10,103	1,990

The components and movements of deferred tax assets and liabilities during the financial year are as follows:

Deferred Tax Assets of the Group

	Property, Plant and Equipment RM'000	Unabsorbed Capital Allowances RM'000	Provision For Liabilities RM'000	Provision For Retirement Benefits RM'000	Unutilised Tax Losses RM'000	Unutilised Reinvestment Allowances RM'000	Total RM'000
At 1 October 2010	(419)	(1,500)	(75)	(720)	(2,275)	-	(4,989)
Recognised in profit or loss	11	(2,342)	(28)	(159)	542	(12,660)	(14,636)
Exchange translation differences	-	-	-	(1)	(103)	-	(104)
At 30 September 2011	**(408)**	**(3,842)**	**(103)**	**(880)**	**(1,836)**	**(12,660)**	**(19,729)**
Recognised in profit or loss	**(122)**	**847**	**(267)**	**(54)**	**1,136**	**5,509**	**7,049**
Exchange translation differences	**-**	**-**	**-**	**5**	**122**	**-**	**127**
At 30 September 2012	**(530)**	**(2,995)**	**(370)**	**(929)**	**(578)**	**(7,151)**	**(12,553)**

Deferred Tax Liabilities of the Group

	Property, Plant and Equipment RM'000	Revaluation Surplus RM'000	Investment Property RM'000	Biological Assets RM'000	Land Use Rights RM'000	Total RM'000
At 1 October 2010	10,461	504	1,348	138	22	12,473
Recognised in profit or loss	6,408	(8)	2,738	60	14	9,212
Exchange translation differences	24	-	-	9	1	34
At 30 September 2011	**16,893**	**496**	**4,086**	**207**	**37**	**21,719**
Recognised in profit or loss	**1,189**	**(7)**	**(327)**	**167**	**19**	**1,041**
Exchange translation differences	**(67)**	**-**	**-**	**(32)**	**(5)**	**(104)**
At 30 September 2012	**18,015**	**489**	**3,759**	**342**	**51**	**22,656**

23. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current				
Trade receivables				
Third parties	**20,385**	15,769	**-**	-
Amount due from an associate	**358**	17	**-**	-
Amount due from related parties being companies in which persons connected with certain Directors have significant interests	**56,734**	48,630	**-**	-
	77,477	64,416	**-**	-
Other receivables				
Other receivables	**10,078**	656	**70**	49
Amount due from subsidiaries	**-**	-	**5,456**	76,898
Amount due from related parties being companies in which persons connected with certain Directors have significant interests	**5**	86	**-**	-
Amount due from an associate	**149**	66	**-**	-
Refundable deposits	**820**	952	**12**	12
	11,052	1,760	**5,538**	76,959
	88,529	66,176	**5,538**	76,959
Non-Current				
Other receivables				
Plasma receivables	**30,577**	27,753	**-**	-
Total trade and other receivables	**119,106**	93,929	**5,538**	76,959
Add: Cash and bank balances (Note 27)	**153,650**	150,740	**86,641**	95,942
Total loans and receivables	**272,756**	244,669	**92,179**	172,901

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2011: 30 to 90 days) terms. They are recognised at their original invoice amounts which represent their fair value on initial recognition.

<u>Ageing analysis of trade receivables</u>

The ageing analysis of the Group's trade receivables is as follows:

	Group	
	2012	2011
	RM'000	RM'000
Neither past due nor impaired	**74,149**	63,441
1 to 30 days past due not impaired	**2,519**	749
31 to 60 days past due not impaired	**174**	156
61 to 90 days past due not impaired	**554**	67
90 to 120 days past due not impaired	**34**	-
More than 121 days past due not impaired	**47**	3
	77,477	64,416

Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM3,328,000 (2011: RM975,000) that are past due at the reporting date but not impaired. The Directors are of the opinion that these debts should be realised in full without material losses in the ordinary course of business. These trade receivables that are past due but not impaired are unsecured in nature.

(b) Related party balances

Company

- Amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demand.

Group and Company

- Amount due from an associate is unsecured, non-interest bearing and repayable on demand.
- Amount due from related parties being companies in which persons connected with certain Directors have significant interests are unsecured, non-interest bearing and repayable on demand.

(c) Plasma receivables

The Company's plantation subsidiary in Indonesia participates in a "Kredit Koperasi Primer untuk Anggotanya" ("Plasma Plantation") project to provide financing and to assist in the development of oil palm plantation for the benefit of the communities in Indonesia in the vicinity of its operations. Interest rate of 8% (2011: 8%) per annum is chargeable on the advances given for the plasma plantation projects.

	Group	
	2012	2011
	RM'000	RM'000
At 1 October	**27,753**	18,012
Additions	**9,677**	8,614
Payments	**(3,477)**	-
Currency translation	**(3,376)**	1,127
At 30 September	**30,577**	27,753

24. INVENTORIES

	Group 2012 RM'000	2011 RM'000
At Cost		
Finished goods	**8,642**	4,631
Work-in-progress	**493**	440
Raw materials	**12,416**	15,226
Stores and consumables	**8,320**	13,065
	29,871	33,362
At Net Realisable Value		
Finished goods	**419**	1,491
Work-in-progress	**24**	29
Raw materials	**3,930**	-
	4,373	1,520
	34,244	34,882

The cost of inventories recognised as an expense during the financial year in the Group amounted to approximately RM233,894,000 (2011: RM168,179,000).

25. OTHER CURRENT ASSETS

	Group 2012 RM'000	2011 RM'000
Prepaid operating expenses	**6,126**	9,635

26. DERIVATIVES

	Group 2012 RM'000 Contract/ Notional Amount	Assets	Liabilities	2011 RM'000 Contract/ Notional Amount	Assets	Liabilities
Non-hedging derivatives: Current						
Forward currency contracts	**1,760**	**6**	**2**	2,906	31	-

The Group uses forward currency contracts to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.

Forward currency contracts are used to hedge the Group's sales denominated in SGD for which firm commitments existed at the reporting date, extending to November 2012 (2011: November 2011).

During the financial year, the Group recognised a loss of RM97,000 (2011: RM69,000) arising from fair value changes of derivatives. The fair value changes are attributable to changes in foreign exchange spot and forward rate. The method and assumptions applied in determining the fair values of derivatives are disclosed in Note 38.

27. CASH AND CASH EQUIVALENTS

	Group		Company	
	2012	2011	**2012**	2011
	RM'000	RM'000	**RM'000**	RM'000
Short term trust funds in Malaysia	**4,239**	53,295	**-**	32,908
Term deposits with licensed banks	**44,527**	29,250	**-**	-
Cash and bank balances	**104,884**	68,195	**86,641**	63,034
	153,650	150,740	**86,641**	95,942

The effective interest rates of deposits per annum at the balance sheet date are as follows:

	Group		Company	
	2012	2011	**2012**	2011
	%	%	**%**	%
Short term trust funds	**2.63**	1.20 - 3.16	**-**	3.04 - 3.16
Term deposits with licensed banks	**0.05 - 3.05**	0.10 - 3.10	**-**	-

The maturities of deposits as at the end of the financial year are as follows:

	Group		Company	
	2012	2011	**2012**	2011
	Days	Days	**Days**	Days
Short term trust funds	**30**	30 - 32	**-**	31 - 32
Term deposits with licensed banks	**3 - 92**	1 - 92	**-**	-

28. TRADE AND OTHER PAYABLES

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current				
Trade payables				
Third parties	**10,915**	11,950	**-**	-
Amount due to related parties being companies in which persons connected with certain Directors have significant interests	**1,195**	1,014	**-**	-
	12,110	12,964	**-**	**-**
Other payables				
Other payables	**14,071**	18,439	**-**	-
Amount due to related parties being companies in which persons connected with certain Directors have significant interests	**1,095**	1,140	**-**	3
Accrued operating expenses	**8,836**	7,019	**3,025**	2,844
Deposits received	**587**	581	**-**	-
	24,589	27,179	**3,025**	2,847
Total trade and other payables	**36,699**	40,143	**3,025**	2,847
Add: Loans and borrowings (Note 30)	**39,930**	35,651	**-**	-
Total financial liabilities carried at amortised cost	**76,629**	75,794	**3,025**	2,847

(a) Trade payables

These amounts are non-interest bearing. The normal trade credit terms granted to the Group range from 30 to 90 days (2011: 30 to 90 days).

(b) Other payables

These amounts are non-interest bearing. The normal trade credit terms granted to the Group range from 30 to 90 days (2011: 30 to 90 days).

(c) Related party balances

Amounts due to related parties being companies in which persons connected with certain Directors have significant interests are unsecured, non-interest bearing and repayable on demand.

29. PROVISION FOR RETIREMENT BENEFITS

	Group		Company	
	2012	2011	**2012**	2011
	RM'000	RM'000	**RM'000**	RM'000
Present value of unfunded defined benefit obligation	**3,537**	2,893	**15**	12
Recognised in profit or loss	**685**	853	**4**	3
Payments	**(464)**	(214)	**-**	-
Currency translation differences	**(19)**	5	**-**	-
Net liabilities	**3,739**	3,537	**19**	15
Represented by:				
Payable not later than 1 year	**165**	182	**-**	-
Payable later than 1 year	**3,574**	3,355	**19**	15
	3,739	3,537	**19**	15

The retirement benefits recognised in profit or loss are as follows:

	Group		Company	
	2012	2011	**2012**	2011
	RM'000	RM'000	**RM'000**	RM'000
Current service cost	**271**	240	**1**	1
Under provision	**618**	424	**2**	1
Interest cost	**206**	189	**1**	1
Actuarial loss on obligation	**(410)**	**-**	**-**	**-**
Total, included in employee benefits expenses (Note 9)	**685**	853	**4**	3

Movements in the net liabilities are as follows:

	Group		Company	
	2012	2011	**2012**	2011
	RM'000	RM'000	**RM'000**	RM'000
At 1 October	**3,537**	2,893	**15**	12
Current service cost	**271**	240	**1**	1
Interest cost	**206**	189	**1**	1
Actuarial loss on obligation	**(410)**	-	-	-
Payments	**(464)**	(214)	**-**	-
Under provision	**618**	424	**2**	1
Currency translation differences	**(19)**	5	**-**	-
At 30 September	**3,739**	3,537	**19**	15

Principal actuarial assumptions used are as follows:

	Group		Company	
	2012	2011	**2012**	2011
	%	%	**%**	%
Discount rate	**4.31 - 7.50**	4.39 - 10.50	**5.07**	5.87
Expected rate of salary increase	**3.50 - 6.05**	3.00 - 9.17	**6.05**	9.17
Mortality rate	**0.03 - 0.41**	0.04 - 0.41	**-**	**-**
Turnover rate	**5.00**	3.00	**-**	-

30. LOANS AND BORROWINGS

	Maturity	Group 2012 RM'000	Group 2011 RM'000
Current			
Secured term loans:			
4.65% p.a. fixed rate RM bank loans	2013	**8,000**	8,000
Unsecured term loan:			
RM loan at bank's COF + 0.75% p.a	2013	**2,800**	-
		10,800	8,000
Non-Current			
Secured term loans:			
4.65% p.a. fixed rate RM bank loans	2014	**7,568**	15,569
Unsecured term loan:			
RM loan at bank's COF + 0.75% p.a.	2014 - 2016	**21,562**	12,082
		29,130	27,651
Total loans and borrowings (Note 28)		**39,930**	35,651

The maturities of the loans and borrowings are as follows:

	Group 2012 RM'000	Group 2011 RM'000
Within 1 year	**10,800**	8,000
More than 1 year and less than 2 years	**24,368**	10,800
More than 2 years and less than 5 years	**4,762**	16,851
	39,930	35,651

(a) <u>4.65% p.a. fixed rate RM bank loans</u>

These loans are to be fully repaid within 5 years by 7 equal half yearly instalments of RM4,000,000 and one final instalment of RM7,568,000 commencing 13 months from the date of the first drawdown (1 April 2009), and are secured by the following:

(i) first legal charge on a freehold land and building of a subsidiary as disclosed in Note 15; and

(ii) assignment of all rental or lease or other agreements of a rental or an income yielding nature which shall be entered into from time to time in respect of the investment property of a subsidiary (Note 15).

(b) <u>RM loan at bank's COF + 0.75% p.a.</u>

This loan has been partially drawn down under a six-year RM50,000,000 term loan facility. This loan is repayable by 35 equal monthly instalments of RM1,400,000 each and one final instalment of RM1,000,000 commencing from August 2013.

The weighted average floating interest rates per annum as at reporting date for the term loan is 4.16% (2011: 3.97%).

31. SHARE CAPITAL

	Group and Company			
	2012		2011	
	No of shares '000	**RM'000**	No of shares '000	RM'000
Ordinary shares of RM1 each				
Authorised	**1,000,000**	**1,000,000**	1,000,000	1,000,000
Issued and fully-paid	**435,951**	**435,951**	435,951	435,951
Treasury shares		**196,442**		182,218

(a) Share Capital

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share without restrictions at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

(b) Treasury Shares

Treasury shares relate to ordinary shares of the Company that are held by the Company.

The shareholders of the Company have first granted the authority to the Directors to buy back its own shares at the Annual General Meeting held on 3 February 1999. The mandate was subsequently renewed annually by shareholders at every Annual General Meeting of the Company. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the share buy back can be applied in the best interests of the Company and its shareholders.

During the year, the Company bought back a total of 763,700 of its issued shares from the open market for a total cost of RM14,223,916. The average price paid for the shares bought back was RM18.57 per share. The shares bought back were financed by internally generated funds and held as treasury shares.

Of the total 435,951,000 issued and fully-paid shares, 19,764,900 (2011: 19,001,200) are held as treasury shares by the Company as at 30 September 2012. As at this date, the number of outstanding shares issued and fully-paid, after deducting treasury shares held, is 416,186,100 (2011: 416,949,800) shares of RM1 each.

32. RESERVES

	Group		Company	
	2012	2011	**2012**	2011
	RM'000	RM'000	**RM'000**	RM'000
Non-distributable:				
Revaluation reserve	**706**	706	**16**	16
Exchange fluctuation reserve	**(14,655)**	(124)	**-**	-
Capital reserve	**271,072**	271,072	**-**	-
Fair value reserve	**91**	(694)	**(172)**	(694)
	257,214	270,960	**(156)**	(678)
Distributable:				
Capital reserve	**246,418**	249,193	**32,555**	32,555
Revenue reserve - General reserve	**(33,404)**	87,837	**6,739**	6,739
- Retained earnings	**3,017,672**	2,807,991	**510,038**	482,278
	3,230,686	3,145,021	**549,332**	521,572
	3,487,900	3,415,981	**549,176**	520,894

The nature and purpose of each category of reserve are as follows:

(a) Revaluation reserve

The Group's and Company's revaluation reserve arose from revaluation of properties in prior years.

(b) Exchange fluctuation reserve

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

(c) Capital and general reserve

The capital reserve and general reserve arose from surpluses on disposals of properties and share investments. In addition, the Group's capital reserve and general reserve also include the share of associates' reserves.

(d) Fair value reserve

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

(e) Revenue reserve

The Company has elected for the irrevocable option under the Finance Act 2007 to disregard the 108 balance with effect from 19 March 2009. Hence, the Company will be able to distribute dividends out of its entire retained earnings as at 30 September 2012 and 2011 under the single tier system.

Of the Company's retained earnings at year end of RM510,038,000, RM196,442,000 was utilised for the purchase of the treasury shares and is considered as non-distributable. Details of treasury shares are disclosed on page 37 and in Note 31.

33. DIVIDENDS

	Group and Company	
	2012	2011
	RM'000	RM'000
Dividends Paid		
Final 80 sen single tier (2011 : 50 sen single tier)	**333,479**	209,201
Interim 15 sen single tier (2011 : 15 sen single tier)	**62,527**	62,648
	396,006	271,849
Dividend Proposed		
Final 50 sen single tier (2011 : 80 sen single tier)	**207,863**	333,479

The proposed dividend (based on the number of shares less treasury shares as at 13 December 2012) has not been accounted for in the financial statements but will be recognised in the financial year ending 30 September 2013 upon shareholders' approval.

34. RELATED PARTY TRANSACTIONS

The Company has a controlling related party relationship with its subsidiaries as disclosed in Note 19 and has significant influence in its associates as disclosed in Note 20.

The Directors who are major shareholders and close members of their families including companies where persons connected with certain Directors have significant interests are also considered as related parties.

The following transactions have been entered into in the ordinary course of business at prices mutually agreed upon between the parties on terms not more favourable to the related party than those generally available to the public and are not detrimental to the non-controlling interests of the Company:

	Group		Company	
	2012	2011	**2012**	2011
	RM'000	RM'000	**RM'000**	RM'000
(a) Transactions with associates and their related companies:				
Processing fee from	**600**	600	**-**	-
Sales of finished goods to	**2,808**	2,623	**-**	-
Sales of electricity to	**730**	697	**-**	-
Supply of manpower to	**96**	96	**-**	-
- BASF See Sen Sdn Bhd				
Procurement of air charter services from				
- Kuala Lumpur Kepong Bhd	**19**	23	**-**	-
Rental of premises charged by				
- Kuala Lumpur Kepong Bhd	**96**	96	**96**	96
Rental income of premises from				
- KL-Kepong Industrial Holdings Sdn Bhd	**1,274**	1,045	**-**	-
- KL-Kepong Property Development Sdn Bhd	**274**	328	**-**	-
- KL-Kepong Country Homes Sdn Bhd	**61**	-	-	-
- Kuala Lumpur Kepong Berhad	**1,039**	1,039	**-**	-
Plantation agency fees and internal audit fee charged by				
- PT KLK Agriservindo	**179**	133	**-**	-
Sales of fresh fruit bunches to				
- PT Hutan Hijau Mas	**31,498**	24,109	**-**	-
Recruitment fees charges by				
- Taiko Plantations Pte Ltd	**6**	-	-	-

	Group		Company	
	2012	2011	**2012**	2011
	RM'000	RM'000	**RM'000**	RM'000
(b) Transactions with other related parties being companies in which persons connected with certain Directors have significant interests				
Purchase of raw materials and finished goods from				
- Taiko Marketing Sdn Bhd	**5,043**	5,928	**-**	-
- Taiko Marketing (S) Pte Ltd	**18,595**	14,167	**-**	-
- Taiko Drum Industries Sdn Bhd	**262**	248	**-**	-
- Hydro-K Management (M) Sdn Bhd	**-**	2	**-**	-
Rental of premises & tanker from				
- Taiko Marketing Sdn Bhd	**889**	288	**-**	-
- Chlor-Al Chemical Pte Ltd	**22**	12	**-**	-
- Taiko Clay Marketing Sdn Bhd	**239**	19	**-**	-
Warehousing services and handling charges from				
- Taiko Marketing Sdn Bhd	**-**	64	**-**	-
Freight income earned from				
- Taiko Marketing Sdn Bhd	**1,309**	1,516	**-**	-
- Chlor-Al Chemical Pte Ltd	**105**	105	**-**	-
- Taiko Acid Works Sdn Bhd	**598**	698	**-**	-
Sales of indirect materials and finished goods to				
- Taiko Marketing Sdn Bhd	**173,959**	135,234	**-**	-
- Taiko Marketing (S) Pte Ltd	**394**	3,778	**-**	-
- Chlor-Al Chemical Pte Ltd	**23,476**	19,118	**-**	-
- Taiko Acid Works Sdn Bhd	**2,381**	-	**-**	-
- Taiko Bleaching Earth Sdn Bhd	**-**	1	**-**	-
- Premier Bleaching Earth Sdn Bhd	**5,563**	4,727	**-**	-
Sales commissions charged by				
- Taiko Marketing Sdn Bhd	**1,329**	1,090	**-**	-
- Chlor-Al Chemical Pte Ltd	**443**	341	**-**	-

Information regarding outstanding balances arising from related party transactions at balance sheet date are disclosed in Notes 23 and 28.

(c) Compensation of key management personnel

The remuneration of Directors, and other key management personnel of the Group and of the Company during the year were as follows:

	Group		Company	
	2012	2011	**2012**	2011
	RM'000	RM'000	**RM'000**	RM'000
Short-term employee benefits	**5,492**	5,118	**3,595**	3,047
Post-employment benefits:				
Defined contribution plan	**691**	641	**411**	338
Retirement benefits	**180**	-	**-**	-
Other benefits	**60**	67	**-**	-
	6,423	5,826	**4,006**	3,385
Included in compensation of key management personnel are:				
Directors' remuneration	**4,865**	4,030	**3,630**	3,069

35. CAPITAL COMMITMENTS

	Group	
	2012	2011
	RM'000	RM'000
Authorised and contracted for:		
Property, plant and equipment	**21,542**	19,038
Authorised but not contracted for:		
Property, plant and equipment	**66,224**	76,494
	87,766	95,532

36. SEGMENT INFORMATION

Group

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

The reportable segments of the Group comprise the following:

Investment holding - Deposits with licensed banks, fixed income trust funds and investment in quoted and unquoted corporations.
Chemicals - Manufacture and sale of chemicals and transportation services.
Plantations - Cultivation of oil palm.
Investment properties - Letting out of office space and car parks.

The accounting policies of the segments are as disclosed in Note 2.

Inter-segment pricing is determined based on arm's length basis in a manner similar to transactions with third parties.

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

Segment assets/liabilities exclude tax assets/liabilities.

(a) Information on Business Segments

2012

Revenue	Investment Holding RM'000	Chemicals RM'000	Investment Properties RM'000	Plantations RM'000	Elimination RM'000	Consolidated RM'000
External revenue						
Chemicals	-	268,631	-	-	-	268,631
Transportation services	-	25,455	-	-	-	25,455
Dividends	1,344	55	-	-	-	1,399
Rental income	-	-	6,265	-	-	6,265
Palm products	-	-	-	31,195	-	31,195
Interest income	455	801	7	2,333	-	3,596
	1,799	294,942	6,272	33,528	-	336,541
Inter segment revenue	18,790	-	-	-	(18,790)	-
	20,589	294,942	6,272	33,528	(18,790)	336,541
Results						
Operating results	14,901	48,897	3,271	14,909	(18,790)	63,188
Finance cost	-	(627)	(854)	(9,153)	9,153	(1,481)
Share of results of associates	564,016	(79)	-	-	-	563,937
Profit before tax	578,917	48,191	2,417	5,756	(9,637)	625,644
Income tax expense						(13,701)
Profit for the year						611,943
Assets						
Operating assets	110,498	415,896	54,472	135,221	-	716,087
Associates	3,170,583	1,521	-	-	-	3,172,104
Segment assets	3,281,081	417,417	54,472	135,221	-	3,888,191
Unallocated assets (tax assets)						1,443
Total assets						3,889,634
Liabilities						
Segment liabilities	3,047	56,048	17,508	3,767	-	80,370
Unallocated liabilities (tax liabilities)						15,019
Total liabilities						95,389
Other Information						
Depreciation of property, plant and equipment	11	25,606	47	1,299	(111)	26,852
Depreciation of investment properties	-	-	938	-	-	938
Amortisation of land use rights	-	118	-	101	(58)	161
Amortisation of biological assets	-	-	-	2,675	-	2,675
Other material non-cash expenses:						
Plant and equipment written off	-	1,129	1	-	-	1,130
Retirement benefits recognised	4	622	-	59	-	685
Inventories written down to net realisable value	-	1,171	-	-	-	1,171
Net unrealised loss on foreign exchange	-	101	-	-	-	101

2011

Revenue	Investment Holding RM'000	Chemicals RM'000	Investment Properties RM'000	Plantations RM'000	Elimination RM'000	Consolidated RM'000
External revenue						
Chemicals	-	225,614	-	-	-	225,614
Transportation services	-	21,284	-	-	-	21,284
Dividends	4,340	372	-	-	-	4,712
Rental income	-	-	4,434	-	-	4,434
Palm products	-	-	-	24,163	-	24,163
Interest income	375	731	8	1,819	-	2,933
	4,715	248,001	4,442	25,982	-	283,140
Inter segment revenue	18,298	-	-	-	(18,298)	-
	23,013	248,001	4,442	25,982	(18,298)	283,140
Results						
Operating results	18,755	41,382	1,371	11,862	(18,298)	55,072
Finance cost	-	(82)	(1,225)	(8,595)	8,595	(1,307)
Share of results of associates	731,728	(137)	-	-	-	731,591
Profit before tax	750,483	41,163	146	3,267	(9,703)	785,356
Income tax expense						1,967
Profit for the year						787,323
Assets						
Operating assets	115,197	364,179	56,167	122,924	-	658,467
Associates	3,152,099	1,600	-	-	-	3,153,699
Segment assets	3,267,296	365,779	56,167	122,924	-	3,812,166
Unallocated assets (tax assets)						4,556
Total assets						3,816,722
Liabilities						
Segment liabilities	2,866	44,260	25,627	6,578	-	79,331
Unallocated liabilities (tax liabilities)						3,526
Total liabilities						82,857
Other Information						
Depreciation of property, plant and equipment	236	19,435	39	946	-	20,656
Depreciation of investment properties	-	-	957	-	-	957
Amortisation of land use rights	-	60	-	74	-	134
Amortisation of biological assets	-	-	-	2,235	-	2,235
Other material non-cash expenses:						
Plant and equipment written off	-	166	-	-	-	166
Retirement benefits recognised	3	808	-	42	-	853
Inventories written down to net realisable value	-	1,180	-	-	-	1,180
Net unrealised gain on foreign exchange	-	504	-	-	-	504

Addition to non-current assets, other than financial instruments and deferred tax assets, are as follows:

	Investment Holding RM'000	Chemicals RM'000	Investment Property RM'000	Plantations RM'000	Elimination RM'000	Consolidated RM'000
2012						
Capital expenditure	**7**	**53,890**	**68**	**14,528**	**-**	**68,493**
Investment property	**-**	**-**	**70**	**-**	**-**	**70**
	7	**53,890**	**138**	**14,528**	**-**	**68,563**
2011						
Capital expenditure	17	82,079	10	6,965	-	89,071
Land use rights	-	-	-	1,240	-	1,240
	17	82,079	10	8,205	-	90,311

(b) Geographical Segments

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets. The amounts of non-current assets do not include tax assets.

(i) Revenue by geographical location of customers

	2012 RM'000	2011 RM'000
Malaysia	**269,332**	237,404
Asia	**67,182**	45,736
Europe	**27**	-
	336,541	283,140

(ii) Non-current assets (excluding deferred tax assets) and additions to capital expenditure by geographical location of assets

	Segment Assets		Additions to Capital Expenditure	
	2012 RM'000	2011 RM'000	**2012 RM'000**	2011 RM'000
Malaysia	**3,484,941**	3,438,323	**54,035**	82,106
Indonesia	**120,694**	112,379	**14,528**	8,205
	3,605,635	3,550,702	**68,563**	90,311

(c) Revenue from one major customer amounted to RM175,268,000 (2011: RM136,750,000) arose from sales by the chemical segment.

37. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

The Group and the Company are exposed to financial risks from their operations and the use of financial instruments. The key financial risks include interest rate risk, credit risk, foreign currency risk, liquidity risk and market price risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks which are executed by the Group Financial Controller.

(a) Interest Rate Risk

The Group's and the Company's primary interest rate risk relates to interest-bearing debt. The investment in financial assets are mainly short-tem in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits with licensed banks and tax-exempt fixed income trust funds which yield better returns than cash at bank as disclosed in Note 27.

The Group and the Company manage their interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes. The Group's interest-bearing borrowings are disclosed in Note 30.

The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes. As at 30 September 2012, the Group and the Company have not entered into any hedging instruments arrangement such as interest rate swaps to minimise its exposure to interest rate volatility.

<u>Sensitivity analysis for interest rate risk</u>

At the reporting date, if interest rates had been 10 basis points lower/higher, with all other variables held constant, the impact is immaterial to the Group's profit net of tax.

(b) Credit Risk

Credit risks, or the risk of counterparties defaulting, are controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's and the Company's associations to business partners with high credit worthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

Concentration of credit risk exists in certain subsidiaries to the extent of trade receivables owing by 2 (2011: 2) debtors which represents 90% (2011: 90%) of total trade receivables as at the reporting date.

<u>Exposure to credit risk</u>

At the reporting date, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 23.

(c) Foreign Currency Risk

The Group and the Company operate internationally and is exposed to various currencies, mainly United States Dollar ("USD"), Euro, Indonesian Rupiah and Singapore Dollar ("SGD"). Foreign currency denominated assets and liabilities together with expected cash flows from high probable purchases and sales give rise to foreign exchange exposures.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level. Material foreign currency transaction exposures are hedged, mainly with derivative financial instruments such as forward foreign currency contracts.

The net unhedged financial assets and financial liabilities of the Group that are not denominated in their functional currencies are as follows:

	Net Financial Assets/(Liabilities) Held in Non-Functional Currencies				
Functional Currencies	**United States Dollar**	**Singapore Dollar**	**Euro**	**Indonesian Rupiah**	**Total**
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
As at 30 September 2012:					
Ringgit Malaysia	**6,015**	**81,112**	**415**	**41,864**	**129,406**
As at 30 September 2011:					
Ringgit Malaysia	8,716	4,776	115	27,607	41,214

As at 30 September 2012, the Group has entered into forward foreign exchange contracts with maturity within 1 year to hedge trade receivables. The notional amounts of the forward exchange contracts at reporting dates are as follows:

	Group	
	2012	2011
	RM'000	RM'000
Singapore Dollar	**1,760**	2,906

<u>Sensitivity analysis for foreign currency risk</u>

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the USD and SGD exchange rates against the functional currency of the Group entities, with all other variables held constant.

		Group	
		2012	**2011**
		Profit net of tax RM'000 Increase/(Decrease)	**Profit net of tax RM'000 Increase/(Decrease)**
USD/RM	- strengthened 4% (2011: 3%)	**(150)**	**205**
	- weakened 4% (2011: 3%)	**150**	**(207)**
SGD/RM	- strengthened 2% (2011: 3%-5%)	**1,629**	**621**
	- weakened 2% (2011: 3%-5%)	**(1,629)**	**(621)**

(d) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities, if necessary.

The Group and the Company actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group and the Company maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group and the Company strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group and the Company raises committed funding from both capital markets and financial institutions and prudently balances its portfolio with some short-tem funding so as to achieve overall cost effectiveness.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profiles of the Group's liablities at the reporting date based on contractual undiscounted repayment obligations.

	2012 RM'000		
	On demand or within one year	**One to five years**	**Total**
Group			
Financial Liabilities:			
Trade and other payables	**36,699**	**-**	**36,699**
Loans and borrowings	**10,800**	**29,130**	**39,930**
Total undiscounted financial liablities	**47,499**	**29,130**	**76,629**

	2011 RM'000		
	On demand or within one year	**One to five years**	**Total**
Group			
Financial Liabilities:			
Trade and other payables	**40,143**	**-**	**40,143**
Loans and borrowings	**8,000**	**27,651**	**35,651**
Total undiscounted financial liabilities	**48,143**	**27,651**	**75,794**

(e) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group and the Company is exposed to equity price risk arising from its investment in quoted equity instruments. The quoted equity instruments outside Malaysia are listed on SGX-ST in Singapore. These instruments are classified as available-for-sale financial assets. The Group does not have exposure to commodity price risk.

Sensitivity analysis for equity price risk

At the reporting date, if the equity prices had been between 7% to 13% higher/lower, with all other variables held constant, the Group's fair value reserve would have been RM818,000 higher/lower, arising as a result of an increase/decrease in the fair value of equity instruments classified as available-for-sale.

38. FAIR VALUE OF FINANCIAL INSTRUMENTS

Determination of fair value

(a) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Derivatives	26
Trade and other receivables	23
Trade and other payables	28
Loans and borrowings (current)	30

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair value, either due to short-tem nature or that they are floating rate instruments that are reported to market interest rates or near the reporting date.

The carrying amounts of the current portion of loans and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

The fair values of current loans and borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangement at the reporting date.

(b) Derivatives

Forward currency contracts are valued using a valuation technique with market observable inputs.The most frequently applied valuation techniques include forward pricing, using present value calculation. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates.

(c) Fair Value of financial instruments that are carried at fair value

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	Quoted prices in active markets for identical instruments Level 1 RM'000	Significant Other observable inputs Level 2 RM'000	Significant unobservable inputs Level 3 RM'000	Total RM'000
Group				
At 30 September 2012				
Financial assets:				
Available-for-sale investment (Note 21) - Equity instruments (quoted outside Malaysia)	6,658	-	-	6,658
At 30 September 2011				
Available-for-sale investment (Note 21) - Equity instruments (quoted outside Malaysia	4,678	-	-	4,678
Company				
At 30 September 2012				
Financial assets:				
Available-for-sale investment (Note 21) - Equity instruments (quoted outside Malaysia)	**5,199**	**-**	**-**	**5,199**
At 30 September 2011				
Available-for-sale investment (Note 21) - Equity instruments (quoted outside Malaysia)	**4,678**	**-**	**-**	**4,678**

Fair value hierarchy

The Group and the Company classified fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

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

There have been no transfers between Level 1 and Level 2 fair value measurements during the financial year ended 30 September 2012 and 30 September 2011.

39. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 September 2012 and 30 September 2011.

40. OPERATING LEASE ARRANGEMENT

(a) The Group as lessee

The Group has entered into cancellable operating lease agreements for the use of motor vehicles. The Group is required to give a range of 1 to 6 months notice for the termination of these agreements.

(b) The Group as lessor

The Group has entered into non-cancellable lease agreements on its investment properties portfolio. These leases have remaining non-cancellable lease terms of 1 to 3 years. The leases include a clause to enable upward revision of the rental charge based on prevailing market conditions.

The future minimum lease payment receivable under non-cancellable operating leases contracted for as at the reporting dates but not recognised as receivables, are as follows:

	Group	
	2012	2011
	RM'000	RM'000
Not later than 1 year	**4,280**	5,116
Later than 1 year and not later than 3 years	**5,796**	3,046
	10,076	8,162

Investment properties rental income, recognised in profit or loss during the financial year is disclosed in Note 4.

The upkeep expenses incurred on the investment properties are RM39,000 (2011: RM108,000).

The Group has also entered into cancellable operating lease agreements on certain property, plant and equipment. The lessees are required to give 1 to 3 months notice for the termination of these agreements.

41. SIGNIFICANT EVENT

During the financial year, Whitmore Holdings Sdn Bhd ("WH"), a wholly-owned subsidiary entered into a conditional agreement to acquire from the Vendor, Damin, a 39% equity stake in PT Tekukur Indah ("PTTI"), a company established in the Republic of Indonesia, for a cash consideration of Rp1.395 billion and subject to adjustment for any difference in actual area of land which is free from "masyarakat" control. The agreement is subject to conditions precedent being fulfilled or waived (as the case may be) within eighteen months from the date of the agreement or any other date determined by WH.

Subsequently, WH also entered into a call and put option agreement to acquire from Bobby Noer Rahman ("BNR"), a 51% equity stake in PTTI for a cash consideration of Rp765 million. BNR agrees to grant a call option to WH and WH agrees to grant a put option to BNR upon the shares being legally registered in BNR's name.

The above agreements are yet to be completed.

42. SUBSEQUENT EVENTS

(a) Subsequent to 30 September 2012 until the date of this Annual Report, the Company bought back a total of 460,800 of its issued shares from the open market for a total cost of RM8,188,000. The average price paid for the shares bought back was RM17.71 per share. The shares bought back were financed by internally generated funds and held as treasury shares.

(b) Subsequent to the financial year end, the Company incorporated a new wholly-owned subsidiary in British Virgin Islands, BKB Overseas Investments Ltd, which has an issued and paid-up capital of USD2 and is currently non operational. The intended principal activity is investment holding.

(c) On 4 October 2012, the Company entered into an agreement to acquire from the Vendor, Hii Eii Sing, 1,841 ordinary shares or approximately 18% equity stake in Collingwood Plantations Pte Ltd, a company incorporated in Singapore, for a cash consideration of USD3,153,633, which shall be payable on the completion of the agreement.

43. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 30 September 2012 were authorised for issue in accordance with a resolution of the Directors on 13 December 2012.

44. SUPPLEMENTARY INFORMATION - BREAKDOWN OF RETAINED PROFITS INTO REALISED AND UNREALISED

The breakdown of the retained profits of the Group and of the Company as at 30 September 2012 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad's Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2012	2011	**2012**	2011
	RM'000	RM'000	RM'000	RM'000
Total retained profits of the Company and its subsidiaries				
- Realised	**781,811**	716,623	**509,888**	482,278
- Unrealised	**(10,017)**	(1,695)	**150**	-
	771,794	714,928	**510,038**	482,278
Total share of retained profits from associates				
- Realised	**2,319,358**	2,134,832	**-**	-
- Unrealised	**(33,222)**	8,805	**-**	-
	2,286,136	2,143,637	**-**	-
Less: Consolidation adjustments	**(40,258)**	(50,574)	**-**	-
Total retained profits as per financial statements	**3,017,672**	2,807,991	**510,038**	482,278

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

We, Dato' Lee Hau Hian and Dato' Yeoh Eng Khoon, being two of the Directors of Batu Kawan Berhad, do hereby state that in our opinion, the accompanying financial statements together with the notes thereto, are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 2012 and of their financial performance and cash flows for the year then ended.

The information set out in Note 44 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the Directors, dated 13 December 2012.

DATO' LEE HAU HIAN
(Managing Director)

DATO' YEOH ENG KHOON
(Director)

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

I, Chong See Teck, being the officer primarily responsible for the financial management of Batu Kawan Berhad, do solemnly and sincerely declare that the accompanying financial statements together with the notes thereto, are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed in Ipoh,
Perak Darul Ridzuan
on 13 December 2012.

CHONG SEE TECK

Before me,

PESURUHJAYA SUMPAH
No: A 177
Nama: GURNAM SINGH A/L PRITAM SINGH
MALAYSIA

Commissioner for Oaths,
Ipoh,
Perak Darul Ridzuan,
Malaysia.

GURNAM SINGH
Pesuruhjaya Sumpah
46B - 48B (2nd Flr.), Summit Complex,
Jalan Dato' Tahwill Azar,
30300 Ipoh, Perak.

Independent Auditors' Report to the Members

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Batu Kawan Berhad, which comprise the statements of financial position as at 30 September 2012 of the Group and of the Company, and the income statements, the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 41 to 105.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 2012 and of their financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries for which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' report of the subsidiary of which we have not acted as auditors, which is indicated in Note 19 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 44 on page 106 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

ERNST & YOUNG
AF : 0039
Chartered Accountants

LEONG CHOOI MAY
1231/03/13 (J)
Chartered Accountant

21 & 23 Jalan Hussein,
30250 Ipoh,
Perak Darul Ridzuan,
Malaysia.

13 December 2012

Shareholding Statistics

at 30 November 2012

AUTHORISED SHARE CAPITAL	- RM1,000,000,000
ISSUED & FULLY PAID-UP CAPITAL	- RM435,951,000 (including 19,891,100 treasury shares)
CLASS OF SHARES	- Shares of RM1 each fully paid
VOTING RIGHTS	- One vote per RM1 share

Breakdown of Shareholdings

Range of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital ^
1 - 99	81	1.45	2,965	0.00
100 - 1,000	1,771	31.66	1,310,381	0.32
1,001 - 10,000	2,736	48.92	10,287,327	2.47
10,001 - 100,000	809	14.46	25,566,241	6.14
100,001 - less than 5% of issued shares	194	3.47	161,768,569	38.88
5% and above of issued shares	2	0.04	217,124,417	52.19
TOTAL	5,593	100.00	416,059,900	100.00

Thirty Largest Securities Accounts Holders

Name	No. of Shares	% of Issued Share Capital ^
1. Arusha Enterprise Sdn Bhd	189,754,667	45.61
2. Lembaga Kemajuan Tanah Persekutuan (FELDA)	27,369,750	6.58
3. Yeoh Chin Hin Investments Sdn Berhad	15,300,000	3.68
4. HSBC Nominees (Tempatan) Sdn Bhd - A/C Heah Seok Yeong Realty Sdn Bhd	14,850,000	3.57
5. Lee Chan Investments Sdn Berhad	9,159,275	2.20
6. High Quest Holdings Sdn Bhd	8,262,955	1.99
7. Yeoh Meng Ghee	8,060,000	1.94
8. Leong Wan Chin	6,973,705	1.68
9. Valuecap Sdn Bhd	6,856,200	1.65
10. Yeoh Chin Hin	6,311,250	1.52
11. Teoh Guat Eng	6,132,188	1.47
12. Di-Yi Sdn Bhd	6,116,805	1.47
13. Malay-Sino Formic Acid Sdn Bhd	3,083,450	0.74
14. Malay Rubber Plantations (Malaysia) Sdn Berhad	2,792,250	0.67
15. HSBC Nominees (Tempatan) Sdn Bhd - A/C Di Yi Sdn Bhd	2,663,375	0.64
16. Citigroup Nominees (Tempatan) Sdn Bhd - A/C Employees Provident Fund Board (Nomura)	2,320,050	0.56
17. Citigroup Nominees (Asing) Sdn Bhd - A/C CBNY for DEM Value Fund	2,242,250	0.54
18. Steppe Structure Sdn Bhd	2,224,250	0.53
19. Meng Hin Holdings Sdn Bhd	1,815,750	0.44
20. Malaysia Nominees (Tempatan) Sdn Bhd - A/C Lee Rubber (Selangor) Sdn Bhd	1,620,000	0.39
21. Arusha Enterprise Sdn Bhd	1,500,000	0.36
22. Leong Wan Chin	1,500,000	0.36
23. HSBC Nominees (Tempatan) Sdn Bhd - A/C Lyne Ching Sdn Bhd	1,485,000	0.36
24. Key Development Sdn Berhad	1,134,250	0.27
25. Rengo Malay Estate Sendirian Berhad	1,057,500	0.25
26. Yeap Leong Poh	1,036,750	0.25
27. HSBC Nominees (Asing) Sdn Bhd - A/C Exempt An For HSBC Private Bank (Suisse) S.A (Spore TST ACCL)	1,035,000	0.25
28. HSBC Nominees (Asing) Sdn Bhd - A/C Exempt An For Credit Suisse (SG Br-TST-Asing)	1,002,800	0.24
29. Citigroup Nominees (Tempatan) Sdn Bhd - A/C Employees Provident Fund Board (Aberdeen)	950,000	0.23
30. Bidor Tahan Estate Sdn Bhd	882,000	0.21
TOTAL	335,491,470	80.65

^ Calculated based on 416,059,900 shares which do not include 19,891,100 treasury shares.

Substantial Shareholders

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

	Name	Holdings registered in the name of shareholder (A)	Other shareholdings in which shareholder is deemed interested (B)	% of issued share capital ^ (A+B)
1.	Wan Hin Investments Sdn Berhad	8,387	197,430,367	47.45 #
2.	Arusha Enterprise Sdn Bhd *	191,554,667	5,875,700	47.45
3.	Lembaga Kemajuan Tanah Persekutuan (FELDA)	27,369,750	-	6.58

Includes the 46.04% held directly by Arusha Enterprise Sdn Bhd and 1.41% by its other subsidiaries.

* By virtue of Section 6A of the Companies Act, 1965, all the related companies of Arusha Enterprise Sdn Bhd are also deemed substantial shareholders of the Company.

Tan Sri Dato' Seri Lee Oi Hian and Dato' Lee Hau Hian are substantial shareholders of Di-Yi Sdn Bhd and High Quest Holdings Sdn Bhd respectively, which in turn are substantial shareholders of Wan Hin Investments Sdn Berhad. Accordingly all these parties are also deemed substantial shareholders of the Company by virtue of their deemed interests.

^ Calculated based on 416,059,900 shares which do not include 19,891,100 treasury shares.

Directors' Interest in Shares

The details of Directors' interest in the shares of the Company as at 30 November 2012 appearing in the Register of Directors' Shareholdings maintained by the Company pursuant to Section 134 of the Companies Act, 1965 are as follows:

Directors	Direct No. of Shares	%	Indirect No. of Shares	%
Tan Sri Dato' Seri Lee Oi Hian	854,355	0.21	207,038,934**	49.76
Dato' Lee Hau Hian	625,230	0.15	205,842,209**	49.47
R.M. Alias	-	-	1,500*	-
Tan Sri Datuk Seri Utama Thong Yaw Hong	22,500	-	-	-
Dato' Mustafa bin Mohd Ali	-	-	-	-
Dato' Yeoh Eng Khoon	315,000	0.08	15,379,000**	3.70
Quah Chek Tin	-	-	-	-

* Indirect interest held through child pursuant to Section 134(12)(c) of the Companies Act, 1965.
** Includes indirect interest held through spouse and/or children pursuant to Section 134(12)(c) of the Companies Act, 1965.

Voting Rights of Shareholders

Every member of the Company present in person or by proxy shall have one vote on a show of hands and, in the case of a poll, shall have one vote for every share held.

Properties of the Group

at 30 September 2012

Location	Tenure	Year Lease Expiring	Titled Hectareage	Description/ Existing use	Date of Acquisition/ Revaluation *	Age of Buildings (Years)	Net Carrying Amount RM'000
MALAYSIA							
Menara KLK No. 1, Jalan PJU 7/6, Mutiara Damansara, Petaling Jaya, Selangor Darul Ehsan	Freehold	-	0.57	Office building #	24.11.2003	3	53,906
PTD 21873, Pasir Gudang Industrial Estate, Pasir Gudang, Johor Darul Takzim.	Leasehold	2039	2.3	Chemical factory	06.10.1979	27	1,625
Lot No 3558, Kawasan Perindustrian Teluk Kalung, Mukim Teluk Kalung, Kemaman, Terengganu Darul Iman.	Leasehold	2055	4.0	Chemical factory	27.12.1995	16	1,927
Lot No 2989, Kawasan Perindustrian Teluk Kalung, Mukim Teluk Kalung, Kemaman, Terengganu Darul Iman.	Leasehold	2055	7.74	Chemical factory	12.11.1995	16	1,453
Lot No 5441, Kawasan Perindustrian Teluk Kalung, Mukim Teluk Kalung, Kemaman, Terengganu Darul Iman.	Leasehold	2056	0.9	Acid pipeline	03.09.2003	-	114
Lot No 4735, Kawasan Perindustrian Teluk Kalung, Mukim Teluk Kalung, Kemaman, Terengganu Darul Iman.	Leasehold	2025	5.0	Vacant industrial land	14.12.2010*	-	810
Lot No 70810, 70811, 4.5 Miles, Jalan Lahat, Ipoh, Perak Darul Ridzuan.	Leasehold	2074	5.46	Chemical factory	11.03.1996 *	36	3,988
				Methyl Chloride factory	08.03.2011	2	943
Lot 541, Plot 7, Kg Acheh Industrial Estate, Sitiawan, Perak Darul Ridzuan.	Leasehold	2087	1.21	Industrial land with warehouse	21.03.1996 *	23	634
Lot No 3557, Kawasan Perindustrian Teluk Kalung, Mukim Teluk Kalung, Kemaman, Terengganu Darul Iman.	Leasehold	2056	6.18	Chemical factory	25.08.1996	14	6,661
Lot No 4524, Kawasan Perindustrian Teluk Kalung, Mukim Teluk Kalung, Kemaman, Terengganu Darul Iman.	Leasehold	2059	7.84	Chemical factory	23.06.1999	9	2,031
				Chemical factory	03.08.2011	1	23,662
Lot No 9878 Plot 6, Kg Acheh Industrial Estate, Sitiawan, Perak Darul Ridzuan.	Leasehold	2093	0.43	Industrial land with warehouse	21.03.1996 *	17	369
Lot No 202186, 202187, 202188, Zarib Industrial Park, Off Jalan Lahat-Simpang Pulai, Lahat, Ipoh, Perak Darul Ridzuan.	Leasehold	2092	1.44	Land with office building and workshop	21.03.1996 *	18	1,151
						Total	99,274

Investment property

Location	Tenure	Year Lease Expiring	Titled Hectareage	Description/ Existing use	Date of Acquisition/ Revaluation *	Age of Buildings (Years)	Net Carrying Amount RM'000
INDONESIA							
PLANTATION:							
Kebun Satu Sembilan Delapan, Berau, Kalimantan Timur	Leasehold	Between 2029 - 2044	5,728	Oil palm estate and oil palm mill under construction	Between 2008 - 2009	-	14,275
						Grand Total	113,549

BATU KAWAN BERHAD

(6292-U)

(Incorporated in Malaysia)

Proxy Form

I/We ....

(Block Letters)

of..

beingamemberof BATU KAWAN BERHAD hereby appoint...

....NRIC/PassportNo: ....
or failing him, THE CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at Wisma Taiko, 1, Jalan S. P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan, on Wednesday, 20 February 2013 at 2.15 p.m. or at any adjournment thereof, and to vote as indicated below:

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

Resolution	Relating to:	*For*	*Against*
1.	Approve the payment of a Final Single Tier Dividend of 50 sen per share		
2.	Re-election of Quah Chek Tin		
	Re-appointment of Directors pursuant to Section 129(6), Companies Act, 1965:		
3.	R.M. Alias		
4.	Tan Sri Datuk Seri Utama Thong Yaw Hong		
5.	Dato' Mustafa bin Mohd Ali		
6.	Approve the payment of Directors' fees		
7.	Re-appointment of Messrs. Ernst & Young as Auditors and to authorise the Directors to fix their remuneration		
8.	Proposed Authority to Buy Back its Own Shares by the Company		
9.	Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		

Date ....

No. of Shares Held ....

CDS A/C No...

....

Signature of Shareholder

Notes:

(1) Other than exempt authorised nominee who may appoint multiple proxies in respect of each Omnibus Account held, a member of the Company entitled to attend and vote at the meeting is entitled to appoint one proxy to vote in his stead. The proxy need not be a member of the Company.

(2) The instrument appointing the proxy must be deposited at the Registered Office of the Company not less than 48 hours before the time set for the meeting.

(3) Where this proxy form is executed by a corporation, it must be either under its seal or under the hand of an officer or attorney duly authorised.

(4) In the case of joint holders, the proxy form signed by the first named shareholder in the register shall be accepted to the exclusion of the other registered joint holder(s) of the shares.

(5) If neither "for" nor "against" is indicated above, the proxy will vote or abstain as he thinks fit.

-- *fold* ---

STAMP

The Company Secretaries,

Batu Kawan Berhad,

Wisma Taiko,

1, Jalan S. P. Seenivasagam,

30000 Ipoh, Perak Darul Ridzuan,

Malaysia.

-- *fold* ---

THE ISSUER

BATU KAWAN BERHAD
(Company No. 6292-U)
Wisma Taiko
1 Jalan S.P. Seenivasagam
30000 Ipoh
Perak Darul Ridzuan

JOINT LEAD ARRANGERS/JOINT LEAD MANAGERS

CIMB INVESTMENT BANK BERHAD
(Company No. 18417-M)
5th Floor, Bangunan CIMB
Jalan Semantan
Damansara Heights
50490 Kuala Lumpur

MAYBANK INVESTMENT BANK BERHAD
(Company No. 15938-H)
32nd Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur

TRUSTEE

MAYBANK TRUSTEES BERHAD
(Company No. 5004-P)
34th Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur

RATING AGENCY

RAM RATING SERVICES BERHAD
(Company No. 763588-T)
No. 19-G, The Boulevard
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

LEGAL COUNSEL TO THE JOINT LEAD ARRANGERS/JOINT LEAD MANAGERS

MESSRS. ZAID IBRAHIM & CO.
a member of ZICOlaw
Level 19 Menara Milenium
Pusat Bandar Damansara
50490 Kuala Lumpur

JOINT SHARIAH ADVISERS

CIMB ISLAMIC BANK BERHAD
(Company No. 617380-H)
Level 34, Menara Bumiputra-Commerce
11, Jalan Raja Laut
50350, Kuala Lumpur

MAYBANK ISLAMIC BERHAD
(Company No. 787435-M)
14th Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur

REPORTING ACCOUNTANT

Ernst & Young
(Firm No. AF0039)
(Chartered Accountants)
21 & 23, Jalan Hussein,
30250 Ipoh,
Perak Darul Ridzuan