

# BATU KAWAN BERHAD

196501000504 (6292-U)

ANNUAL REPORT FOR THE YEAR ENDED 30 SEPTEMBER

# 2020

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## Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Fifty-Sixth Annual General Meeting of Batu Kawan Berhad (“BKB” or “Company”) will be conducted entirely through live streaming from the broadcast venue at BKB Boardroom, Level 9, Menara KLK, No. 1, Jalan PJU 7/6, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Thursday, 18 February 2021 at 2.15 p.m. for the following purposes:

### AGENDA

#### As Ordinary Business:

1. To receive the Audited Financial Statements for the financial year ended 30 September 2020 and the Directors’ and Auditors’ Reports thereon.
2. To re-elect the following Directors who retire by rotation in accordance with the Company’s Constitution:
 

Tan Sri Dato’ Seri Lee Oi Hian	(Ordinary Resolution 1)
Tan Sri Rastam bin Mohd Isa	(Ordinary Resolution 2)
3. To approve the payment of Directors’ fees for the financial year ended 30 September 2020 amounting to RM920,000 (2019: RM962,068). (Ordinary Resolution 3)
4. To approve the payment of Directors’ benefits (other than Directors’ fees) for the period from this Fifty-Sixth Annual General Meeting to the Fifty-Seventh Annual General Meeting of the Company to be held in 2022. (Ordinary Resolution 4)
5. To re-appoint Messrs BDO PLT as Auditors of the Company for the financial year ending 30 September 2021 and to authorise the Board of Directors to fix their remuneration. (Ordinary Resolution 5)

#### As Special Business:

6. To consider and, if thought fit, pass the following resolutions:
  - (a) **PROPOSED RENEWAL OF AUTHORITY TO BUY BACK ITS OWN SHARES BY THE COMPANY** (Ordinary Resolution 6)

“THAT authority be given to the Company to buy back an aggregate number of shares in the Company (“Authority to Buy Back Shares”) as may be determined by the Directors from time to time through Bursa Malaysia Securities Berhad 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 and/or held pursuant to this resolution does not exceed ten percent (10%) of the total number of issued shares of the Company and that the maximum funds to be allocated for the Authority to Buy Back Shares shall not exceed the latest audited retained profits of the Company;

## Notice of Annual General Meeting (Continued)

THAT the shares purchased by the Company pursuant to Authority to Buy Back Shares may be dealt with by the Directors in all or any of the following manner:

- (i) distribute the shares as share dividends to the shareholders; or
- (ii) resell the shares or any of the shares on Bursa Malaysia Securities Berhad; or
- (iii) transfer the shares or any of the shares for the purposes of or under an employees' share scheme; or
- (iv) transfer the shares or any of the shares as purchase consideration; or
- (v) cancel the shares or any of the shares; or
- (vi) sell, transfer or otherwise use the shares for such other purposes as allowed by the Companies Act 2016.

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 amendments (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 of the Company following the passing of this ordinary resolution or the expiry of the period within which the next Annual General Meeting is required by law to be held (unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting) but not so as to prejudice the completion of a purchase by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the guidelines issued by Bursa Malaysia Securities Berhad or any other relevant authority."

(b) **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE** (Ordinary Resolution 7)

"THAT subject to the Companies Act 2016 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 31 December 2020 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

("Mandate").

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

- (i) the conclusion of the next Annual General Meeting of the Company following the Annual General Meeting at which such Mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or
- (ii) the expiration of the period within which the next Annual General Meeting after the date it is required to be held pursuant to Section 340(1) of the Companies Act 2016 but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016; or

## Notice of Annual General Meeting (Continued)

(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."

- (c) **PROPOSED RENEWAL OF THE AUTHORITY FOR DIRECTORS TO ALLOT AND ISSUE NEW ORDINARY SHARES IN THE COMPANY ("BKB SHARES") IN RELATION TO THE DIVIDEND REINVESTMENT PLAN THAT PROVIDES THE SHAREHOLDERS OF THE COMPANY THE OPTION TO ELECT TO REINVEST THEIR CASH DIVIDEND ENTITLEMENTS IN BKB SHARES ("DIVIDEND REINVESTMENT PLAN")** (Ordinary Resolution 8)

"THAT pursuant to the Dividend Reinvestment Plan ("DRP") approved by the shareholders at the Annual General Meeting held on 13 February 2018 and subject to the approval of the relevant authorities (if any), approval be and is hereby given to the Company to allot and issue such number of BKB Shares pursuant to the DRP until the conclusion of the next Annual General Meeting, upon such terms and conditions and to such persons as the Directors may, in their absolute discretion, deem fit and in the best interest of the Company PROVIDED THAT the issue price of the said BKB Shares shall be fixed by the Directors at not more than ten percent (10%) discount to the adjusted five (5)-day volume weighted average market price ("VWAMP") of BKB shares immediately prior to the price-fixing date, which VWAMP shall be adjusted ex-dividend before applying the aforementioned discount in fixing the issue price;

AND THAT the Directors be and are hereby authorised to do all such acts and enter into all such transactions, arrangements and documents as may be necessary or expedient in order to give full effect to the DRP with full power to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed or agreed to by any relevant authorities or consequent upon the implementation of the said conditions, modifications, variations and/or amendments, as they, in their absolute discretion, deem fit and in the best interest of the Company."

7. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016.

**FURTHER NOTICE IS HEREBY GIVEN THAT** only members whose names appear on the General Meeting Record of Depositors or Register of Members as at 10 February 2021 shall be entitled to participate at this Annual General Meeting or appoint a proxy in his/her stead or in the case of a corporation, a duly authorised representative to participate, speak and vote in his/her stead.

By Order of the Board  
**YAP MIOW KIEN**  
**GOH SWEE ENG**  
**CHIEW CINDY**  
 (Company Secretaries)

Ipoh,  
 Perak Darul Ridzuan,  
 Malaysia.

31 December 2020

## Notice of Annual General Meeting (Continued)

### NOTES:

#### (1) REMOTE PARTICIPATION AND VOTING

The Annual General Meeting ("AGM") will be conducted entirely through live streaming and online remote voting using the Remote Participation and Voting ("RPV") facilities provided by the appointed Poll Administrator for the AGM, Tricor Investor & Issuing House Services Sdn Bhd ("Tricor") on its TIIH Online website at <https://tiih.online>.

Please follow the procedures set out in the Administrative Guide for the AGM which is available on the Company's website at [www.bkawan.com.my](http://www.bkawan.com.my) to register, participate, speak (in the form of real time submission of typed texts) and vote remotely via the RPV facilities.

The Broadcast Venue of the AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairperson of the meeting to be present at the main venue of the meeting. Members/proxies/representatives are not allowed to be physically present at the Broadcast Venue on the day of the AGM. Therefore, members are strongly advised to participate and vote remotely at the AGM through the live streaming and online remote voting using the RPV facilities.

#### (2) APPOINTMENT OF PROXY

- (a) A member of the Company entitled to participate and vote at the meeting is entitled to appoint not more than two (2) proxies to exercise all or any of his/her rights to participate at the same meeting on his/her behalf. A proxy may but need not be a member of the Company. Where a member appoints two (2) proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
- (b) Where the proxy form is executed by a corporation, it must be under the hand of its officer or attorney duly authorised.
- (c) Where a member of the Company is an exempt authorised nominee, as defined under the Securities Industry (Central Depositories) Act 1991, who holds shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- (d) Where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
- (e) The appointment of proxy may be made in hardcopy form or by electronic means as specified below and must be received by the Company not less than twenty-four (24) hours before the time appointed for the taking of the poll:
  - In hardcopy form  
The original Proxy Form or the power of attorney or other authority, if any, under which it is signed or a notarially certified of that power or authority, shall be deposited to Tricor's office at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Tricor Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.
  - By Tricor Online System ("TIIH Online") **[applicable only for members who are individuals]**  
The Proxy Form can be electronically lodged with Tricor via TIIH Online at <https://tiih.online>. Please follow the procedures set out in the Administrative Guide for such lodgement.

## Notice of Annual General Meeting (Continued)

### NOTES: (Continued)

#### (3) EXPLANATORY NOTES TO ORDINARY BUSINESS

##### (a) Audited Financial Statements for financial year ended 30 September 2020

The Audited Financial Statements are laid in accordance with Section 340(1) of the Companies Act 2016 for discussion only and do not require members' approval. Hence, Agenda 1 will not be put forward for voting.

##### (b) Payment of Directors' Fees and Benefits

Section 230(1) of the Companies Act 2016 provides amongst others, that the Directors' fees and any benefits payable to the Directors of the Company and its subsidiaries shall be approved at a general meeting. In this respect, the Board agreed that the members' approval shall be sought at this Fifty-Sixth Annual General Meeting on the Directors' remuneration in two (2) separate resolutions as below:

- (i) Ordinary Resolution 3 on payment of Directors' fees to the Non-Executive Directors in respect of the financial year 2020 is as set out below:

	Board (RM per annum)	Audit and Risk Committee (RM per annum)	Other Board Committees (RM per annum)
Non-Executive Chairman	195,000	30,000	20,000
Non-Executive Directors	130,000	25,000	15,000

- (ii) Ordinary Resolution 4 on payment of Directors' benefits for the period from this Fifty-Sixth Annual General Meeting to the next Annual General Meeting in 2022. The Directors' benefits (other than the Directors' fees) comprise:

Type of Benefit/Allowance	Amount
Meeting Allowance (Board and Committees)	RM2,000 per meeting
Overseas Travelling Allowance	RM1,000 per day
Other Benefits	Business travel, medical, insurance coverage, and other claimables and reimbursables for the purpose of enabling the Directors to perform their duties.

#### (4) EXPLANATORY NOTES TO SPECIAL BUSINESS

##### (a) Proposed Renewal of Authority to Buy Back Shares

Ordinary Resolution 6 proposed under Item 6(a) of the Agenda, if passed, will empower the 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.

##### (b) Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transaction of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")

Ordinary Resolution 7 proposed under Item 6(b) of the Agenda, 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.

## Notice of Annual General Meeting (Continued)

### NOTES: (Continued)

#### (4) EXPLANATORY NOTES TO SPECIAL BUSINESS (Continued)

##### (b) **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transaction of a Revenue or Trading Nature ("Proposed Shareholders' Mandate") (Continued)**

By obtaining the approval for the Proposed Shareholders' Mandate and the renewal of the same on an annual basis, the necessity to convene separate general meetings from time to time to seek members' 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.

##### (c) **Proposed Renewal of Authority for Directors to Allot and Issue BKB Shares in relation to Dividend Reinvestment Plan**

The shareholders had, at the Fifty-Third Annual General Meeting held on 13 February 2018, approved the authority for the Directors to allot and issue BKB Shares in relation to Dividend Reinvestment Plan ("DRP") and such authority will expire at the conclusion of the forthcoming Annual General Meeting.

Ordinary Resolution 8 proposed under Item 6(c) of the Agenda, if passed, will give authority to the Directors to allot and issue BKB Shares pursuant to the DRP in respect of any dividends declared, and such authority shall expire at the conclusion of the next Annual General Meeting of the Company.

For Ordinary Resolutions 6 and 7 mentioned above, further information is set out in the Circular to Shareholders of the Company dated 31 December 2020 which is available on the Company's website, [www.bkawan.com.my](http://www.bkawan.com.my).



## Notis Mesyuarat Agung Tahunan

**NOTIS DENGAN INI DIBERIKAN** bahawa Mesyuarat Agung Tahunan Batu Kawan Berhad (“BKB” atau “Syarikat”) yang Kelima Puluh Enam akan dijalankan sepenuhnya secara siaran langsung dari tempat penyiaran di BKB Boardroom, Level 9, Menara KLK, No. 1, Jalan PJU 7/6, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan, Malaysia pada hari Khamis, 18 Februari 2021 pada pukul 2.15 petang untuk tujuan-tujuan berikut:

### AGENDA

#### Sebagai Urusan Biasa:

1. Untuk menerima Penyata Kewangan Teraudit bagi tahun berakhir 30 September 2020 berserta Laporan Pengarah dan Juruaudit yang berkaitan dengannya.
2. Untuk memilih semula para Pengarah berikut yang akan bersara mengikut giliran menurut Perlembagaan Syarikat:
 

Tan Sri Dato' Seri Lee Oi Hian	(Resolusi Biasa 1)
Tan Sri Rastam bin Mohd Isa	(Resolusi Biasa 2)
3. Untuk meluluskan bayaran fi para Pengarah berjumlah RM920,000 bagi tahun berakhir 30 September 2020 (2019: RM962,068). (Resolusi Biasa 3)
4. Untuk meluluskan bayaran faedah para Pengarah (tidak termasuk fi para Pengarah) bagi tempoh dari Mesyuarat Agung Tahunan Syarikat yang Kelima Puluh Enam sehingga Mesyuarat Agung Tahunan Syarikat yang Kelima Puluh Tujuh yang akan diadakan pada tahun 2022. (Resolusi Biasa 4)
5. Untuk melantik semula Tetuan BDO PLT sebagai Juruaudit Syarikat bagi tahun kewangan berakhir 30 September 2021 dan memberi kuasa kepada para Pengarah untuk menetapkan saraan Tetuan BDO PLT. (Resolusi Biasa 5)

#### Sebagai Urusan Khas:

6. Untuk mempertimbangkan dan sekiranya difikirkan sesuai, meluluskan resolusi-resolusi berikut:
  - (a) **CADANGAN PEMBAHARUAN KUASA UNTUK MEMBELI BALIK SYER SYARIKAT** (Resolusi Biasa 6)

“BAHAWA kuasa diberikan kepada Syarikat untuk membeli balik agregat syer Syarikat (“Cadangan Memberi Kuasa Membeli Balik Syer”) dengan jumlah syer ditentukan oleh para Pengarah dari masa ke semasa melalui Bursa Malaysia Securities Berhad berdasarkan terma dan syarat yang dianggap sesuai dan wajar oleh para Pengarah demi kepentingan Syarikat tertakluk kepada syarat bahawa pada masa pembelian, bilangan agregat syer yang boleh dibeli dan/atau dipegang oleh Syarikat melalui resolusi ini adalah tidak melebihi sepuluh peratus (10%) daripada jumlah bilangan syer terbitan Syarikat dan dana maksima yang diperuntukkan untuk Cadangan Memberi Kuasa Membeli Balik Syer tidak melebihi jumlah keuntungan terkumpul Syarikat yang terkini dan telah diaudit;

BAHAWA syer yang dibeli oleh Syarikat menurut Cadangan Memberi Kuasa Membeli Balik Syer boleh diuruskan oleh para Pengarah mengikut semua atau mana-mana cara yang berikut:

## Notis Mesyuarat Agung Tahunan (Sambungan)

- (i) membahagikan syer tersebut sebagai dividen kepada pemegang syer; atau
- (ii) menjual semula syer tersebut atau mana-mana bahagian daripada syer itu melalui Bursa Malaysia Securities Berhad; atau
- (iii) memindah milik syer tersebut atau mana-mana bahagian daripada syer itu bagi tujuan atau di bawah pelaksanaan skim syer pekerja; atau
- (iv) memindah milik syer tersebut atau mana-mana bahagian daripada syer itu sebagai balasan pembelian; atau
- (v) membatalkan syer tersebut atau mana-mana bahagian daripada syer itu; atau
- (vi) menjual, memindah milik atau selainnya menggunakan syer itu bagi lain-lain tujuan sepertimana yang dibenarkan oleh Akta Syarikat 2016.

DAN BAHAWA para Pengarah adalah dan dengan ini diberi kuasa untuk melaksanakan segala tindakan dan perkara yang berkaitan bagi memberi kesan sepenuhnya kepada Cadangan Memberi Kuasa Membeli Balik Syer untuk menyetujui dan mematuhi sebarang syarat, pengubahsuaian, penilaian semula, variasi dan/atau pindaan (jika ada) yang dikuatkuasakan oleh pihak berkuasa berkaitan; DAN BAHAWA kuasa tersebut akan bermula pada masa resolusi biasa ini diluluskan dan akan tamat pada penutupan Mesyuarat Agung Tahunan Syarikat yang berikutnya, berikutan dengan kelulusan resolusi biasa ini atau penamatan tempoh di mana Mesyuarat Agung Tahunan yang berikutnya kelulusan resolusi biasa ini atau penamatan tempoh di mana Mesyuarat Agung Tahunan yang berikutnya sepatutnya diadakan mengikut syarat undang-undang (melainkan dibatalkan atau diubah melalui resolusi biasa para pemegang syer Syarikat dalam mesyuarat agung), namun tidak menjejaskan penyempurnaan pembelian oleh Syarikat sebelum tarikh tamat yang dinyatakan dan, dalam apa jua keadaan, menurut peruntukan garis panduan yang dikeluarkan oleh Bursa Malaysia Securities Berhad atau pihak berkuasa lain yang berkenaan.”

(b) **CADANGAN PEMBAHARUAN MANDAT PARA PEMEGANG SYER UNTUK MELULUSKAN TRANSAKSI DAGANGAN SERING BERULANG DENGAN PIHAK-PIHAK YANG BERKAITAN**

(Resolusi Biasa 7)

“BAHAWA, tertakluk kepada Akta Syarikat 2016 dan Keperluan Penyenaraian Pasaran Utama Bursa Malaysia Securities Berhad, kelulusan diberikan kepada Syarikat dan/atau syarikat subsidiarinya untuk mementerai perjanjian bagi transaksi dengan pihak-pihak yang berkaitan seperti yang tertera di Appendik II dalam Surat Pekeliling Syarikat kepada para pemegang syer yang bertarikh 31 Disember 2020 yang melibatkan kepentingan para Pengarah atau pemegang syer utama atau pihak-pihak yang berkaitan dengan para Pengarah atau para pemegang syer utama (“Pihak-pihak Berkaitan”) Syarikat dan/atau subsidiari-subsidiarinya sekiranya transaksi-transaksi tersebut adalah:

- (i) sering berulang dan bersifat perdagangan;
- (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 para pemegang syer minoriti

(“Mandat”).

DAN BAHAWA, Mandat tersebut akan berkuatkuasa selepas kelulusan resolusi biasa ini dan akan berkuatkuasa sehingga:

## Notis Mesyuarat Agung Tahunan (Sambungan)

- (i) penamatan Mesyuarat Agung Tahunan Syarikat berikutnya 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 340(1) Akta Syarikat 2016 tetapi tidak dilanjutkan kepada lanjutan yang dibenarkan dibawah Seksyen 340(4) Akta Syarikat 2016 tersebut; atau
- (iii) dimansuhkan atau diubah oleh resolusi biasa baru yang diluluskan oleh para pemegang syer dalam mesyuarat agung;

yang mana lebih terdahulu.

DAN BAHAWA, para Pengarah Syarikat dengan ini diberi kuasa untuk melengkapkan dan melaksanakan apa jua (termasuk menyempurnakan dokumen yang diperlukan) untuk membolehkan Mandat tersebut dikuatkuasakan.”

- (c) **CADANGAN PEMBAHARUAN KUASA KEPADA PARA PENGARAH UNTUK MEMPERUNTUKKAN DAN MENERBITKAN SYER BIASA BARU SYARIKAT (“SYER BKB”) BERHUBUNG DENGAN PELAN PELABURAN SEMULA DIVIDEN YANG MEMBERIKAN OPSYEN KEPADA PARA PEMEGANG SYER SYARIKAT UNTUK MELABUR SEMULA DIVIDEN TUNAI KE DALAM SYER BKB (“PELAN PELABURAN SEMULA DIVIDEN”)**

(Resolusi Biasa 8)

“BAHAWA menurut Pelan Pelaburan Semula Dividen yang telah diluluskan oleh para pemegang syer pada Mesyuarat Agung Tahunan yang diadakan pada 13 Februari 2018 dan tertakluk kepada kelulusan pihak berkuasa yang berkenaan (jika ada), Syarikat dengan ini diberi kuasa untuk memperuntukkan dan menerbitkan sejumlah Syer BKB mengikut Pelan Pelaburan Semula Dividen sehingga penamatan Mesyuarat Agung Tahunan yang berikutnya, tertakluk kepada terma dan syarat sebagaimana yang para Pengarah boleh, mengikut budi bicara mutlak mereka, dianggap wajar dan demi kepentingan terbaik Syarikat DENGAN SYARAT harga terbitan Syer BKB tersebut akan ditetapkan oleh para Pengarah tidak melebihi sepuluh peratus (10%) diskaun dari nilai harga pasaran purata pasaran lima (5) hari (“NHPPW”) yang diselaraskan bagi syer BKB sejurus sebelum tarikh penetapan harga, yang mana NHPPW hendaklah diselaraskan ex-dividen sebelum menggunakan diskaun yang dinyatakan dalam penentuan harga terbitan;

DAN BAHAWA para Pengarah adalah dan dengan ini diberi kuasa untuk melakukan segala tindakan berkenaan dan melaksanakan semua urusan, pengaturan dan dokumen berkenaan sebagaimana perlu atau wajar untuk memberi kesan sepenuhnya kepada Pelan Pelaburan Semula Dividen dengan kuasa penuh untuk menerima sebarang syarat, penguahsuaian, variasi dan/atau pindaan (jika ada) sepertimana yang dikenakan atau dipersetujui oleh mana-mana pihak berkuasa yang berkaitan ataupun kesan daripada pelaksanaan syarat, pengubahsuaian, variasi dan/atau pindaan tersebut, sepertimana yang para Pengarah boleh, mengikut budi bicara mutlak mereka, dianggap wajar dan demi kepentingan terbaik Syarikat.”

- 7. Untuk melaksanakan sebarang urusan lain yang mana notis sewajarnya telah diberikan menurut Akta Syarikat 2016.

## Notis Mesyuarat Agung Tahunan (Sambungan)

**DENGAN INI JUGA DIMAKLUMKAN BAHAWA** hanya pemegang syer yang namanya terkandung di dalam Rekod Pendeposit atau Daftar Anggota pada 10 Februari 2021 adalah layak untuk mengambil bahagian di mesyuarat ini atau melantik proksi untuk mengambil bahagian dan mengundi bagi pihaknya atau dalam hal suatu perbadanan, seorang pewakilan kuasa untuk mengambil bahagian, bercakap dan mengundi bagi pihaknya.

Dengan Perintah Lembaga Pengarah

**YAP MIOW KIEN**

**GOH SWEE ENG**

**CHIEW CINDY**

(Setiausaha-setiausaha Syarikat)

Ipoh,  
Perak Darul Ridzuan,  
Malaysia.

31 Disember 2020

### NOTA:

#### (1) PENYERTAAN DAN PENGUNDIAN DARI TEMPAT BERLAINAN

Mesyuarat Agung Tahunan ("MAT") akan dijalankan sepenuhnya secara siaran langsung dan melalui pengundian dalam talian dari tempat berlainan dengan menggunakan kemudahan Penyertaan dan Pengundian Jauh ("RPV") yang disediakan oleh Pentadbir Undian yang dilantik untuk MAT ini, iaitu Tricor Investor & Issuing House Services Sdn Bhd ("Tricor") melalui laman web TIIH Online di <https://tiah.online>.

Sila ikuti prosedur yang terdapat dalam Panduan Pentadbiran ("*Administrative Guide*") bagi MAT ini yang boleh didapati di laman web Syarikat di [www.bkawan.com.my](http://www.bkawan.com.my) untuk mendaftar, mengambil bahagian dan menjalankan hak pemegang syer untuk bercakap [dalam bentuk pengemukaan teks yang ditaip secara waktu nyata (*real time*)] dan mengundi dalam MAT melalui kemudahan RPV.

Tempat Penyiaran MAT adalah khusus bagi tujuan mematuhi Seksyen 327(2) Akta Syarikat 2016, yang mewajibkan Pengerusi bagi mesyuarat hadir di tempat penyiaran utama mesyuarat. Pemegang syer/proksi/wakil tidak dibenarkan hadir secara fizikal di Tempat Penyiaran pada hari MAT. Oleh itu, para pemegang syer adalah sangat digalakkan untuk mengambil bahagian di MAT dari tempat berlainan melalui siaran langsung dan pengundian dalam talian dengan menggunakan kemudahan RPV.

#### (2) PERLANTIKAN PROKSI

- (a) Pemegang syer Syarikat yang layak untuk mengambil bahagian dan mengundi pada mesyuarat ini berhak melantik tidak lebih daripada dua (2) proksi untuk menjalankan segala atau mana-mana haknya untuk turut mengambil bahagian pada mesyuarat yang sama bagi pihaknya. Proksi tersebut boleh, tetapi tidak semestinya merupakan pemegang syer Syarikat. Sekiranya pemegang syer melantik dua (2) proksi, bahagian pegangan syer yang diwakili oleh setiap proksi hendaklah ditetapkan dalam surat cara perlantikan proksi tersebut.
- (b) Perlantikan proksi yang dilaksanakan oleh pemegang syer korporat harus ditandatangani oleh pegawai atau pewakilan kuasa.
- (c) Bagi nomini yang sah berkecualian sebagai pemegang syer Syarikat sepertimana yang didefinisikan dalam Akta Industri Sekuriti (Pendeposit Pusat), 1991, yang memegang syer biasa dalam Syarikat bagi beberapa pihak pemilik benefisial dalam satu (1) akaun sekuriti ("akaun omnibus"), tiada had proksi yang boleh dilantik bagi setiap akaun omnibus yang dipegang.

## Notis Mesyuarat Agung Tahunan (Sambungan)

### NOTA: (Sambungan)

#### (2) PERLANTIKAN PROKSI (Sambungan)

- (d) Di mana nomini yang sah berkecualian melantik dua (2) proksi atau lebih proksi, bahagian pegangan syer yang diwakili oleh setiap proksi hendaklah ditetapkan dalam surat cara pelantikan proksi tersebut.
- (e) Pelantikan proksi boleh dibuat melalui salinan cetak atau secara elektronik seperti yang dinyatakan di bawah dan hendaklah diterima oleh Syarikat dalam tempoh tidak kurang daripada dua puluh empat (24) jam sebelum masa yang ditetapkan bagi menjalankan pengundian:
- Melalui Salinan Cetak  
Salinan asal Borang Proksi atau surat kuasa wakil atau kuasa lain, sekiranya ada, yang ditandatangani atau salinan yang diperakui oleh yang diberi kuasa atau pihak berkuasa tersebut, hendaklah diserahkan ke pejabat Tricor di Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, atau secara alternatif, Pusat Khidmat Pelanggan Tricor di Unit G-3, Tingkat Bawah, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.
  - Melalui Sistem Dalam Talian Tricor ("TIIH Online") (bagi pemegang syer individu sahaja)  
Borang Proksi boleh diserahkan secara elektronik kepada Tricor melalui TIIH Online di <https://tiih.online>. Sila ikuti prosedur yang terdapat dalam Panduan Pentadbiran ("Administrative Guide") untuk tujuan serahan tersebut.

#### (3) NOTA PENJELASAN BERKENAAN URUSAN-URUSAN BIASA

##### (a) Penyata Kewangan Teraudit bagi tahun berakhir 30 September 2020

Penyata Kewangan Teraudit yang dibentangkan menurut Seksyen 340(1) Akta Syarikat 2016 hanyalah bertujuan untuk perbincangan sahaja dan tidak memerlukan kelulusan rasmi daripada para pemegang syer. Oleh itu, Agenda ini tidak akan dikemukakan untuk pengundian.

##### (b) Pembayaran Fi Pengarah dan Faedah

Menurut Seksyen 230(1) Akta Syarikat 2016, pembayaran fi pengarah dan apa-apa faedah yang kena dibayar kepada Pengarah Syarikat dan pengarah subsidiarinya hendaklah diluluskan pada suatu mesyuarat agung. Dalam hal ini, Lembaga Pengarah bersetuju untuk mendapatkan kelulusan daripada para pemegang syer bagi saraan Pengarah dalam dua (2) resolusi berasingan berikut pada Mesyuarat Agung Tahunan yang Kelima Puluh Enam:

- (i) Resolusi Biasa 3 mengenai pembayaran fi Pengarah bagi tahun kewangan 2020 kepada Pengarah Bukan Eksekutif adalah seperti berikut:

	LEMBAGA PENGARAH (RM setiap tahun)	JAWATANKUASA AUDIT DAN RISIKO (RM setiap tahun)	JAWATANKUASA LEMBAGA (LAIN-LAIN) (RM setiap tahun)
Pengerusi Bukan Eksekutif	195,000	30,000	20,000
Pengarah Bukan Eksekutif/Ahli	130,000	25,000	15,000

## Notis Mesyuarat Agung Tahunan (Sambungan)

### NOTA: (Sambungan)

#### (3) NOTA PENJELASAN BERKENAAN URUSAN-URUSAN BIASA (Sambungan)

##### (b) Pembayaran Fi Pengarah dan Faedah (Sambungan)

- (ii) Resolusi Biasa 4 mengenai pembayaran faedah Pengarah bagi tempoh dari Mesyuarat Agung Tahunan yang Kelima Puluh Enam sehingga Mesyuarat Agung Tahunan Syarikat yang akan diadakan pada tahun 2022. Faedah Pengarah (yang tidak termasuk fi Pengarah) terdiri daripada:

Jenis faedah/elaun	Amaun
Elaun Mesyuarat (Lembaga Pengarah dan Jawatankuasa lain)	RM2,000 setiap mesyuarat
Elaun Perjalanan Luar Negara	RM1,000 setiap hari
Faedah lain	Perjalanan perniagaan, perubatan, perlindungan insurans, dan segala bayaran balik dan tuntutan bagi para Pengarah semasa menjalankan tugasnya

#### (4) NOTA PENJELASAN BERKENAAN URUSAN-URUSAN KHAS:

##### (a) Cadangan Pembaharuan Kuasa Membeli Balik Syer Sendiri oleh Syarikat

Resolusi Biasa 6 yang dicadangkan di bawah Agenda 6(a), jika diluluskan, akan memberi kuasa kepada para Pengarah untuk membeli balik syer Syarikat. Kuasa ini, melainkan dibatalkan atau diubah oleh Syarikat dalam mesyuarat agung, akan tamat dalam Mesyuarat Agung Tahunan Syarikat berikutnya.

##### (b) Cadangan Pembaharuan Mandat Pemegang Syer untuk meluluskan Transaksi Dagangan Sering Berulang dengan pihak-pihak yang Berkaitan ("Cadangan Mandat Pemegang Syer")

Resolusi Biasa 7 yang dicadangkan di bawah Agenda 6(b), jika diluluskan, akan membenarkan Kumpulan Syarikat menjalankan transaksi-transaksi sering berulang bersifat hasil atau dagangan dengan pihak-pihak berkaitan untuk operasi harian Kumpulan Syarikat dengan syarat urusan niaga berkenaan dilaksanakan dalam urusan lazim perniagaan dengan terma-terma yang tidak berat sebelah berbanding dengan yang tersedia kepada pihak awam dan tidak menjejaskan para pemegang syer minoriti Syarikat.

Dengan mendapatkan kelulusan bagi Cadangan Mandat Pemegang Syer tersebut dan memperbaharui setiap tahun, keperluan untuk mengadakan mesyuarat agung yang berasingan dari masa ke semasa untuk mendapatkan kelulusan pemegang syer bila mana berlakunya transaksi demikian, akan dapat dielakkan. Dengan memperolehi mandat ini, masa pentadbiran, kesulitan dan perbelanjaan berkaitan dengan mengadakan mesyuarat akan diijmakan tanpa menjejaskan objektif korporat Kumpulan Syarikat dan peluang perniagaan yang sedia ada kepada Kumpulan Syarikat.

##### (c) Cadangan Pembaharuan Kuasa kepada para Pengarah untuk Memperuntukkan dan Menerbitkan Syer BKB berhubung dengan Pelan Pelaburan Semula Dividen

Para pemegang syer telah meluluskan dan memberi kuasa kepada para Pengarah untuk memperuntukkan dan menerbitkan Syer BKB di bawah Pelan Pelaburan Semula Dividen pada Mesyuarat Agung Tahunan yang Kelima Puluh Tiga yang telah diadakan pada 13 Februari 2018, dan kuasa tersebut akan tamat pada penutupan Mesyuarat Agung Tahunan yang akan datang.

Resolusi Biasa 8 yang dicadangkan di bawah Agenda 6(c), jika diluluskan, akan memberi kuasa kepada para Pengarah untuk memperuntukkan dan menerbitkan Syer BKB di bawah Pelan Pelaburan Semula Dividen selaras dengan mana-mana dividen yang diisytiharkan, dan kuasa tersebut akan habis tempoh pada penamatan Mesyuarat Agung Tahunan Syarikat yang akan datang.

Untuk Resolusi Biasa 6 dan 7 tersebut di atas, penerangan lanjut berkenaan dengan perkara-perkara tersebut di atas adalah terkandung di dalam Surat Pekeliling kepada Pemegang Syer Syarikat bertarikh 31 Disember 2020 yang telah boleh didapati di laman web Syarikat, [www.bkawan.com.my](http://www.bkawan.com.my).

## About Batu Kawan Berhad



**Founded in December 1965 and listed on the Main Market of the Malaysian stock exchange since October 1971, Batu Kawan Berhad (“BKB”) is an investment holding company which has its principal activities structured into four notable segments: Plantation, Manufacturing, Property Development and Investment Holding/Others.**



BKB's major investment is its 47% stake in Kuala Lumpur Kepong Berhad (“KLK”) – one of the leading palm oil producers in the region.

The Group's core business – Plantation, mainly carried out by KLK, involve the cultivation of oil palm and rubber estates, harvesting and processing the Fresh Fruit Bunches (“FFB”) into Crude Palm Oil (“CPO”) and Palm Kernel (“PK”). Aside from KLK, BKB also has two subsidiaries in West Kalimantan, Indonesia which operates oil palm estates and a palm oil mill. Besides palm cultivation and palm oil mills, the Group through its refineries and kernel crushing plants, processes its CPO and PK into higher value palm-based products which are then sold in the domestic and international markets. Through various strategic acquisitions over the years, the Group's plantation landbank now stands close to 282,000 hectares spread across Malaysia, Indonesia and Liberia.

KLK has also embarked onto resourced-based manufacturing (downstream) and is now a global producer of oleochemicals and specialty chemicals. The manufacturing operations were expanded through organic growth, joint ventures and acquisitions in Malaysia, China, Germany, the Netherlands, Switzerland, France and Belgium. In addition to oleochemicals, BKB is also involved in the manufacturing of industrial chemicals, mainly, chlor-alkali and sulphur-derivative products. The industrial chemicals arm also operates its own fleet of some 100 tankers which specialises in chemical transport. The Group, through its

subsidiary, Malay-Sino Chemical Industries Sdn Bhd, is currently the largest producer of chlor-alkali in the Malaysian market. As at 11 December 2020, BKB had acquired up to a 59.73% stake in Chemical Company of Malaysia Berhad, a leading manufacturer and supplier of chlor-alkali and polymer chemicals in Malaysia. This acquisition is strategic as it will increase BKB Group's market presence as a chlor-alkali chemicals manufacturer in Malaysia, along with existing operations of its 98%-owned subsidiary, Malay-Sino Chemical Industries Sdn Bhd.

The Group's Property Development arm has also come a long way since the 1990s as KLK capitalises on the strategic locations of its land bank in Peninsular Malaysia. Notable developments within the Bandar Seri Coalfields township include the Hampton Residences, Hemingway Residences, Ixora Residences, Senna Homes, BSC Central I, BSC Waterfront, and the Wesley Methodist School.

BKB also owns other investments, namely, its cereal and sheep farming operations in Western Australia and the commercial building (Menara KLK) in Mutiara Damansara, Petaling Jaya. In 2015, BKB ventured into property development investments in Australia through a wholly-owned subsidiary, Caruso Australia Ventures Pty Ltd. These development projects are situated in Melbourne and Perth, and are managed by established professional Australian property developers.

### CHANGES IN SHARE CAPITAL

DATE OF ALLOTMENT	NO. OF SHARES ALLOTTED	TYPE OF ISSUE/CONSIDERATION	CUMULATIVE ISSUED SHARE CAPITAL
09.12.1965	3,000	Subscriber's shares	3,000
31.08.1971 to 28.01.1972	14,409,350	Issue of shares under a scheme of reconstruction	14,412,350
26.05.1972	2,142,857	Issue of shares to Glenealy Plantations (Malaya) Berhad at RM1.00 per share as consideration for the acquisition of Glenealy and Selborne Estates	16,555,207
21.06.1976	82,776,035	Bonus issue of five (5) for one (1)	99,331,242
19.02.1979	15,000,000	Bumiputera issue at RM1.10 per share	114,331,242
23.09.1980	4,168,758	Bumiputera issue at RM2.00 per share	118,500,000
30.04.1983	11,000,000	Bumiputera issue at RM2.75 per share	129,500,000
16.12.1989	64,750,000	Bonus Issue of one (1) for two (2)	194,250,000
02.04.1996	97,125,000	Bonus Issue of one (1) for two (2)	291,375,000
08.03.2007	144,576,000	Bonus Issue of one (1) for two (2)	435,951,000
24.02.2020	7,714,894	Issue of shares under Dividend Reinvestment Plan	443,665,894
04.06.2020	(44,130,431)	Cancellation of shares bought back	399,535,463



## Corporate Information

### BOARD OF DIRECTORS

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

Non-Independent Non-Executive Chairman

#### MR. QUAH CHEK TIN

Independent Non-Executive Director

#### DATO' LEE HAU HIAN

Managing Director

#### TAN SRI RASTAM BIN MOHD ISA

Independent Non-Executive Director

#### DATO' YEOH ENG KHOON

Senior Independent Non-Executive Director

#### DR. TUNKU ALINA BINTI RAJA MUHD ALIAS

Independent Non-Executive Director

#### COMPANY SECRETARIES

Ms. Yap Miow Kien  
Mr. Goh Swee Eng  
Ms. Chiew Cindy

#### PLACE OF INCORPORATION AND DOMICILE

In Malaysia as a public limited liability company

#### REGISTERED OFFICE / PRINCIPAL PLACE OF BUSINESS

Bangunan Mayban Trust Ipoh  
Level 9  
No. 28, Jalan Tun Sambathan,  
30000 Ipoh,  
Perak Darul Ridzuan, Malaysia  
Tel : 605 - 240 8000  
Fax : 605 - 240 8117  
Email : cosec@bkawan.com.my  
Website : www.bkawan.com.my

#### STOCK EXCHANGE LISTING

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

#### AUDITORS

BDO PLT  
Chartered Accountants

#### SHARE REGISTRAR

Boardroom Share Registrars Sdn Bhd  
11<sup>th</sup> Floor, Menara Symphony,  
No. 5, Jalan Prof. Khoo Kay Kim,  
Seksyen 13,  
46200 Petaling Jaya,  
Selangor Darul Ehsan, Malaysia  
Tel : 603 - 7890 4700  
Fax : 603 - 7890 4670  
Email : bsr.helpdesk@boardroomlimited.com  
Website : www.boardroomlimited.com

#### PRINCIPAL BANKERS

Australia and New Zealand Banking Group Limited  
CIMB Bank Berhad  
HSBC Bank Malaysia Berhad  
Malayan Banking Berhad  
OCBC Al-Amin Bank (Malaysia) Berhad  
OCBC Bank (Malaysia) Berhad  
Oversea-Chinese Banking Corporation Limited  
Standard Chartered Bank Malaysia Berhad



## Profile of Directors

*from left to right*

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

**TAN SRI RASTAM BIN MOHD ISA**  
*Independent Non-Executive Director*

**TAN SRI DATO' SERI LEE OI HIAN**  
*Non-Independent Non-Executive Chairman*

**DATO' YEOH ENG KHOON**  
*Senior Independent Non-Executive Director*

**DR. TUNKU ALINA  
BINTI RAJA MUHD ALIAS**  
*Independent Non-Executive Director*

**MR. QUAH CHEK TIN**  
*Independent Non-Executive Director*



## Profile of Directors (Continued)



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

*Non-Independent Non-Executive Chairman  
Member of Nomination Committee  
Member of Remuneration Committee*

● Aged 69 ● Male ● Malaysian

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

Tan Sri Lee joined Kuala Lumpur Kepong Berhad ("KLK") in 1974 as an executive and was subsequently appointed to the KLK Board in 1985. In 1993, he was appointed as the KLK Group's Chairman/Chief Executive Officer ("CEO") and held the position until 2008, when he relinquished his role as Chairman, but remains as Executive Director and CEO of KLK Group.

Tan Sri Lee is the CEO of KLK, a company listed on the Main Market of Bursa Malaysia Securities Berhad. He also serves as a member on the Board of Trustees of the Perdana Leadership Foundation, Yayasan KLK, UTAR Education Foundation and Yayasan Wesley. He was formerly the Chairman of the Malaysian Palm Oil Council.

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



**DATO'  
LEE HAU HIAN**

*Managing Director*

● Aged 67 ● Male ● Malaysian

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

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

He is the brother of Tan Sri Lee who is the Chairman of BKB. He is deemed connected with Wan Hin Investments Sdn Berhad which is the holding company of Arusha Enterprise Sdn Bhd, both being major shareholders of BKB. He is also deemed interested in various related party transactions with the BKB Group.

## Profile of Directors (Continued)



**DATO'  
YEHO ENG KHOON**

*Senior Independent Non-Executive Director  
Chairman of Nomination Committee  
Chairman of Remuneration Committee  
Member of Audit and Risk Committee*

● Aged 73 ● Male ● Malaysian

Dato' Yeoh joined the Board on 24 February 2005.

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

He has previous work experience in banking, manufacturing and retail business.

He is also a director of KLK and See Sen as well as a member on the Board of Trustees of Yayasan KLK.

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



**MR.  
QUAH CHEK TIN**

*Independent Non-Executive Director  
Chairman of Audit and Risk Committee  
Member of Remuneration Committee*

● Aged 69 ● Male ● Malaysian

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

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

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

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

## Profile of Directors (Continued)



**TAN SRI  
RASTAM BIN  
MOHD ISA**

*Independent Non-Executive Director  
Member of Audit and Risk Committee*

● Aged 69 ● Male ● Malaysian

Tan Sri Rastam joined the Board on 20 March 2017. He holds a Bachelor of Social Science (Honours) degree from Universiti Sains Malaysia, a Master of Arts degree in International Relations and Strategic Studies from University of Lancaster and a Certificate of Diplomacy from University of Oxford.

Tan Sri Rastam retired as Secretary General of the Ministry of Foreign Affairs on 2 September 2010. Prior to that, he was High Commissioner of Malaysia to Pakistan, Ambassador of Malaysia to Bosnia-Herzegovina and the Republic of Indonesia, and Permanent Representative of Malaysia to the United Nations in New York.

He was the Chairman and Chief Executive of the Institute of Strategic and International Studies (ISIS) Malaysia, Chairman of the Malaysian National Committee for the Pacific Economic Cooperation Council and the Malaysian National Committee of the Council for Security Cooperation in the Asia Pacific (CSCAP). He was also a Malaysian member of the Asia-Pacific Economic Cooperation Business Advisory Council - ABAC. He is an Executive Committee member of the Malaysia-Japan Economic Association (MAJECA).

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



**DR. TUNKU  
ALINA BINTI RAJA  
MUHD ALIAS**

*Independent Non-Executive Director  
Member of Audit and Risk Committee  
Member of Nomination Committee*

● Aged 57 ● Female ● Malaysian

Dr. Tunku Alina was appointed to the Board on 20 April 2018. She holds a Bachelor of Laws (LL.B) degree from Universiti of Malaya, a Master in Law (LL.M) (Corporate and Commercial Law) from King's College, London and a PhD in Islamic Finance, International Centre for Education in Islamic Finance. She is an Advocate and Solicitor of the High Court of Malaya and an Associate Mediator of Singapore Mediation Centre.

Dr. Tunku Alina began her career as a Legal Assistant with Skrine & Co in February 1987. After working with Skrine & Co for five (5) years, she co-founded a legal firm, Wong Lu Peen & Tunku Alina, in April 1992 and served as the Managing Partner until December 2011. She remains a Consultant to the firm.

She sits on the Boards of IJM Corporation Berhad, Malaysian Pacific Industries Berhad, MBSB Bank Berhad and is a member on the Board of Trustees of Raja Alias Foundation.

She has no family relationship with any Director and/or major shareholder of BKB.

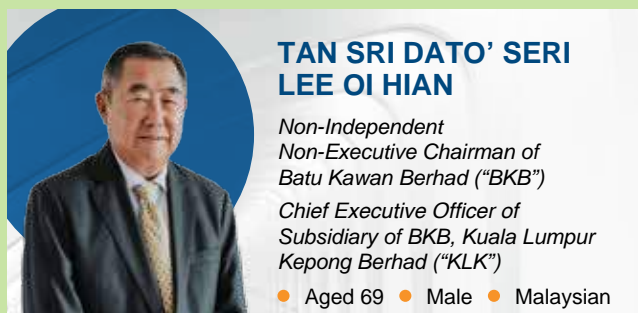
### Additional Information:

- Save as disclosed in the Profile of Directors, none of the Directors has:
  - (i) any conflict of interest with BKB; and
  - (ii) any directorship in public companies and listed issuers.

- None of the Directors of BKB has been convicted of any offence (other than traffic offences) within the past five (5) years and there was no public sanction and penalty imposed by the relevant regulatory bodies during the financial year.



## Profile of Key Senior Management



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



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



Mr. Lee Jia Zhang was appointed to the Board of KLK on 16 May 2018.

Mr. Lee holds a Master in Chemical Engineering (Hons) degree (MEng) from Imperial College, United Kingdom. He is a Chartered Accountant and a Member of the Institute of Chartered Accountants Scotland (ICAS). He has also completed the Accelerated Development Programme from the University of Chicago Booth School of Business (Executive Education).

He began his career with Ernst & Young LLP, United Kingdom from 2006 to 2009 and thereafter with KPMG, Kuala Lumpur in 2009 both in audit. He then joined KLK Group in 2010 and has since held various positions in the Oleochemical and Corporate divisions. He started his career in KLK as a Senior Manager and is currently an Executive Director within the Group overseeing corporate and business functions including mergers and acquisitions as well as managing few subsidiaries. His last role was managing director in one of the Group's oleochemical business units.

Mr. Lee is the son of Tan Sri Lee and the nephew of Dato' Lee. Both Tan Sri Lee and Dato' Lee are Directors and major shareholders of BKB.



Mr. Patrick Kee was appointed as the Group Plantations Director of KLK Group on 1 October 2017. Prior to his appointment, he was the President Director of KLK's subsidiaries in Indonesia.

He is an Associate Member of the Incorporated Society of Planters. He joined KLK on 1 February 1982 and has served KLK's subsidiaries in various capacities from Assistant, Manager, General Manager to Regional Director (both in West Malaysia and Sabah) prior to his posting to Indonesia.

He has attended the Senior Management Development Program conducted by Harvard Business School and Advance Management Program of INSEAD.

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

## Profile of Key Senior Management (Continued)



Mr. Tan is the Managing Director of BKB subsidiaries, Malay-Sino Chemical Industries Sendirian Berhad and See Sen Chemical Berhad since 2012. He possesses a Chemical Engineering degree from University of Sheffield, United Kingdom.

He has worked in the chemical, gloves and food industries for more than 22 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 has no family relationship with any Director and/or major shareholder of BKB.



Mr. Madhev holds an Honours Degree in Chemical Engineering and a Master Degree in Engineering Science from University of Malaya.

He joined KLK Group in 1990 and has been with KLK Group for the past 30 years. Prior to joining KLK Group, he was a faculty member at the Department of Chemical Engineering in University of Malaya. Mr. Madhev is a member of the Board of Engineers Malaysia.

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



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

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

He has more than 40 years of experience in the property industry with 22 years as Head of Property in IOI Group where he was also a Director of IOI Properties Berhad.

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



Mr Goh holds a Bachelor of Accountancy degree from University of Putra Malaysia. He is a fellow member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants. He joined BKB as a Chief Accountant on 16 July 2018.

Prior to joining BKB, he has more than 21 years of experience in auditing and finance functions. He began his career in PricewaterhouseCoopers, Kuala Lumpur and in later years joined the manufacturing, property development and telecommunication industries where he has held regional and senior managerial positions in finance, internal audit, corporate services and supply chain management functions.

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

### Additional Information:

- Save as disclosed above, none of the Key Senior Management has:
  - (i) any conflict of interest with BKB; and
  - (ii) any directorship in public companies and listed issuers.

- None of the above Key Senior Management of BKB has been convicted of any offence (other than traffic offences) within the past five (5) years and there was no public sanction and penalty imposed by the relevant regulatory bodies during the financial year.

## Chairman's Statement



### FINANCIAL PERFORMANCE REVIEW

For the financial year ended 30 September 2020, the BKB Group, which includes the results of our main subsidiary – Kuala Lumpur Kepong Berhad (“KLK”), reported revenue of RM16.07 billion (2019: RM16.04 billion) and a 36% higher pre-tax profit of RM1,264.66 million (2019: RM929.31 million). Last year's Group pre-tax profit included a RM145.32 million impairment charge by our main subsidiary, KLK, on an estate in Liberia, and excluding this impairment loss, your Group's pre-tax profit would have been 18% higher.

After-tax profit attributable to BKB shareholders was higher at RM417.27 million compared to RM363.49 million last year. Earnings per share (“EPS”) achieved was 105.3 sen, 15% higher than last year's 91.7 sen, helped by our share buyback programme.

Your Board has declared a final single tier dividend of 40 sen per share (“Final Dividend”) for this financial year, making a total dividend of 55 sen (2019: 60 sen) for the full year. This year's total dividends payout would be equivalent to some 52% of net earnings (2019: 65%).

For the final dividend last financial year, a Dividend Reinvestment Plan (“DRP”) was offered whereby shareholders could elect for new BKB shares in lieu of cash dividend at 3% discount to the then prevailing market share price. 72% of our shareholders elected for this option resulting in the Company, issuing and allotting 7,714,894 new shares on 24 February 2020 under the DRP. With the listing of these new BKB shares, our total enlarged number of issued shares was then increased to 443,665,894.

Under the Company's share buy-back programme, shares bought back in the open market has been held as Treasury shares. On 4 June 2020, BKB arranged to cancel 44,130,431 treasury shares with a carrying amount of RM632.70 million, thus reducing the number of issued shares to its current total of 399,535,463.

The Company has since continued its share buy-back programme and as at 30 September 2020, a further 1,646,900 (2019: 8,024,100) BKB shares were bought back at an average price of RM14.49 per share (2019: RM16.31 per share).

### DEALING WITH COVID-19

Earlier this year, the World was hit by a major global disruption with the outbreak of the novel coronavirus (“COVID-19”), which outbreak the World Health Organisation declared a global pandemic on 11 March 2020.

In Malaysia, the government imposed the Movement Control Order (“MCO”) on 18 March 2020, which at the time of writing, has still continued in its various conditional and recovery phases in several states and federal territories.

The restriction imposed by MCO did not significantly impacted our Group's operations as our main plantations, mills, oleochemical and chemical manufacturing plants were allowed to operate throughout the MCO period as they were designated as essential sectors, operating under strict guidelines set by the National Security Council, Ministry of Health and Ministry of International Trade and Industry respectively.

However, MCO and the COVID-19 pandemic did affect the operations of some of our customers, both locally and overseas, and thus our financial performance was somewhat adversely impacted but thankfully, not significantly.

Operating management have coped well and will continue to prioritise protecting our workers and their families against COVID-19 infection as well as having contingency plans to deal with the various possible scenarios arising from the pandemic.

## Chairman's Statement (Continued)

### SUBSIDIARIES' PERFORMANCE

#### MAIN SUBSIDIARY – KLK

Reflecting an improvement in overall average palm product prices realised during the year, KLK's pre-tax profit was 44% higher at RM1,185.73 million against a RM823.93 million last year, while revenues increased to RM15.59 billion (2019: RM15.53 billion). After tax profit attributable to KLK shareholders was 25% higher at RM772.60 million compared to last year's RM617.51 million, equivalent to an EPS of 72.0 sen (2019: RM58.0 sen).

Plantation pre-tax profits were 84% higher at RM725.18 million than last year's RM394.63 million, benefitted from stronger commodity prices, despite 4% lower FFB production and a somewhat lower CPO extraction rate. The processing and trading operations also achieved higher profits from improved margins.

Despite a decline in revenue from lower sales volumes, Oleochemical operations recorded a 5% higher profit of RM394.42 million (2019: RM376.35 million), mainly contributed by better margins in the Malaysian and some European oleo operations, and an unrealised fair value gain on outstanding derivative contracts.

Profit from KLK's Property segment was 14% higher at RM54.03 million (2019: RM47.36 million) due to higher profit recognition with higher margins from the various phases of Bandar Seri Coalfields township development, despite a 9% lower revenue of RM154.88 million (2019: RM170.36 million). Due to the weaker property outlook, launching of its future phases will align with the reduced property demand expected.

#### INDUSTRIAL CHEMICAL SUBSIDIARIES

Our industrial chemical and related logistics operations reported reduced pre-tax profits of RM63.72 million, some 37% lower than last year, impacted primarily by lower selling prices of products, especially caustic soda, hydrochloric acid and liquid chlorine. Furthermore, overall demand was affected as some customers faced production disruption during the MCO period and as a result of their lower demand, our production output was lower resulting in higher unit operating costs.

Several projects to improve the future performance of our chlor-alkali operations are on-going, including the replacement of some existing electrolyzers in our Malay-Sino Chemical Industries' Lahat and Kemaman plants with newer technology of better operating efficiency. Its Kemaman plant is building a co-generation power plant, due to commission at end of this year, which should result in savings in electricity costs, a major cost component.

Our sulphuric acid operations, under See Sen Chemical, and our chemical transport companies continue to operate satisfactorily. The former commissioned a new polyaluminium chloride ("PAC") plant in February 2020, thus extending its product line. PAC is used in water treatment as a substitute for aluminium hydroxide (alum) which the company also produces.

#### PLANTATION SUBSIDIARIES (NON-KLK-OWNED)

PT. Satu Sembilan Delapan, our fully matured plantation in Kalimantan with 5,384 ha oil palm and its own palm oil mill, reported a higher pre-tax profit (after inter-company loan interest) of RM12.18 million (2019: RM3.45 million *loss*) due to stronger CPO and PK prices, despite lower CPO sales volume and a lower CPO extraction rate. Another Indonesian subsidiary, PT. Tekukur Indah, has on 25 November 2020 obtained the final land titles ("Hak Guna Usaha") to its 1,500 plus hectares of land to be developed into an oil palm plantation. Thus, land preparation and planting activities will commence in 2021.

#### PROPERTY INVESTMENTS

Your Group's property development investments in Australia remains at eight (8) projects - six (6) in Melbourne and two (2) in Perth. These projects, some on-going, are expected to complete between 2024 and 2031. These investments recorded a pre-tax profit (after interest) of RM4.16 million this year (2019: RM3.56 million) mainly attributable to higher sales settlements from one joint venture project, namely, True North in Greenvale, Melbourne. Other projects which contributed to the bottom line include Botanical Estate in Mickleham, Melbourne and The Hales in Forrestfield, Perth. In the last quarter of the financial year, two (2) projects started their development, namely, New Epping in Melbourne and Clementine in Upper Swan, Perth, following their obtaining development approvals. Our remaining three (3) projects in Melbourne, namely, Donnybrook, Woodstock and Pakenham are still at the planning and development approval stage.

Your Group's sole office building, Menara KLK, in Mutiara Damansara continues to have stable average occupancy rate of 89% (2019: 83%) and pre-tax profit contribution remains at RM2.95 million (2019: RM2.95 million). During the year, 50% rental reduction and full waiver of car park fees relief was accorded to our tenants for two (2) months, as a goodwill gesture to assist them during the initial MCO period.



## Chairman's Statement (Continued)

### POST YEAR-END ACQUISITION

BKB was invited by Permodalan Nasional Berhad ("PNB") to bid for the 94,449,487 ordinary shares in Chemical Company of Malaysia Berhad ("CCM"), owned by PNB and some unit trusts managed by Amanahraya Trustees Berhad ("Sellers"). The Company's bid made after our financial year-end was successful.

Thus, on 17 November 2020, BKB had entered into a Conditional Share Purchase Agreement ("SPA") with these Sellers to acquire their combined 56.32% equity interest in CCM for a total consideration of RM292,793,409.70 or at a price of RM3.10 per CCM share ("Acquisition"). This Acquisition was completed by 11 December 2020, and including the 3.41% shareholding acquired in the open market by the Company after the SPA date, makes CCM a 59.73% subsidiary of BKB as at this date. As required by Section 218(2) of the Capital Markets and Services Act, 2007 and Paragraph 4.01(a) of the Rules on Take-Overs, Mergers and Compulsory Acquisitions, BKB is obliged to extend a mandatory take-over offer to acquire all the minority CCM shares not already owned by BKB at the same cash consideration of RM3.10 per CCM share. Therefore, the Company will make an unconditional General Offer for these CCM shares.

CCM is a public listed company on Bursa Malaysia and the CCM Group is principally involved in the manufacturing and marketing of chlor-alkali and polymer chemicals, which are largely used in glove, water treatment, oleochemical, oil and gas, and electronics and textile industries. The CCM Group is a leading supplier of these chemicals in Malaysia as well as exporting to several countries within South East Asia.

Your Board considers the Acquisition as strategic as it will increase BKB Group's market presence in the chlor-alkali industry, an industry which the BKB Group knows well through its existing chlor-alkali operations in Malay-Sino Chemical Industries. The value of CCM to BKB will accrue in future years as CCM's current financial performance needs improvement. The Acquisition provides an opportunity to unlock value through the realisation of operational efficiencies in areas such as logistics, distribution and procurement as well as from sharing of best practices.

### OUTLOOK

November 2020 CPO prices have reached RM3,500/mt level, the highest since April 2012, with expectations of a continuing upward trend. FFB production in Malaysia and Indonesia are expected to recover in mid-2021 from previous adverse effects of inclement weather. Thus, your Group's Plantation profit is expected to be much improved for the financial year 2021. For the Group's Oleochemical and Industrial Chemical sectors, the continuing uncertainties arising from the COVID-19 pandemic and its effect on economic growth both domestically and overseas, it may remain a challenging year ahead.

Nonetheless overall, your Group expects profit to be further improved for financial year 2021.

### APPRECIATION

On your behalf, I thank my fellow Directors, Management, and our Group employees for their continuing efforts during the year.

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

Chairman

11 December 2020

## Kenyataan Pengerusi

### KAJIAN PRESTASI KEWANGAN

Bagi tahun kewangan berakhir 30 September 2020, Kumpulan BKB yang turut merangkumi keputusan anak syarikat utama kita – Kuala Lumpur Kepong Berhad (“KLK”), melaporkan perolehan sebanyak RM16.07 bilion (2019: RM16.04 bilion) dan 36% lebih tinggi keuntungan sebelum cukai kepada RM1,264.66 juta (2019: RM929.31 juta). Keuntungan sebelum cukai Kumpulan pada tahun lepas termasuk RM145.32 juta kemerosotan nilai dalam pelaburan yang dibuat ke atas ladang di Liberia, oleh anak syarikat utama kita iaitu KLK dan jika tanpa kemerosotan nilai ini, keuntungan sebelum cukai Kumpulan anda sepatutnya 18% lebih tinggi.

Keuntungan selepas cukai yang boleh diagihkan kepada pemegang-pemegang saham BKB adalah lebih tinggi pada RM417.27 juta dibandingkan RM363.49 juta pada tahun lepas. Pendapatan Sesaham (“EPS”) yang dicapai adalah 105.3 sen iaitu 15% lebih tinggi daripada 91.7 sen yang dicatat tahun lepas dengan bantuan program pembelian balik saham kita.

Lembaga Pengarah anda telah mengisytiharkan dividen akhir peringkat tunggal sebanyak 40 sen sesaham (“Dividen Akhir”) bagi tahun kewangan ini, menjadikan jumlah dividen sebanyak 55 sen (2019: 60 sen) untuk sepanjang tahun. Jumlah pembayaran dividen tahun ini bersamaan dengan 52% dari pendapatan bersih (2019: 65%).

Bagi dividen akhir untuk tahun kewangan lalu, Pelan Pelaburan Semula Dividen (“PPSD”) telah ditawarkan di mana para pemegang saham boleh memilih untuk saham baru BKB sebagai ganti dividen tunai dengan potongan 3% ke atas harga pasaran yang berlaku pada masa itu. 72% daripada para pemegang saham kita telah memilih cadangan ini yang membawa kepada Syarikat menerbitkan dan mengumpul sebanyak 7,714,894 saham baru pada 24 Februari 2020 dibawah PPSD. Dengan senarai saham baru BKB, jumlah saham terbitan kita yang diperbesar kemudiannya telah meningkat menjadi 443,665,894.

Di bawah program pembelian balik saham Syarikat, saham yang telah dibeli balik di pasaran terbuka dipegang sebagai Saham Perbendaharaan. Pada 4 Jun 2020, BKB telah membatalkan 44,130,431 saham perbendaharaan dengan jumlah yang dibawa sebanyak RM632.70 juta, dengan demikian telah mengurangkan bilangan pengeluaran saham kepada jumlah semasa sebanyak 399,535,463.

Sejak itu, Syarikat telah bersambung dengan program pembelian balik sahamnya dan pada 30 September 2020, sebanyak 1,646,900 (2019: 8,024,100) saham BKB telah dibeli balik pada harga purata sebanyak RM14.49 sesaham (2019: RM16.31 sesaham).

### MENANGANI COVID-19

Pada awal tahun ini, Dunia telah dilanda oleh gangguan global yang besar dengan tercetusnya penularan wabak novel coronavirus (“COVID-19”), yang mana penularan ini menyebabkan Organisasi Kesihatan Sedunia telah mengisytiharkan sebagai wabak global pada 11 Mac 2020.

Di Malaysia, pihak kerajaan telah mengenakan Perintah Kawalan Pergerakan (“PKP”) pada 18 Mac 2020, yang semasa artikel ini ditulis, ia masih berlangsung di berbagai fasa dan keadaan di beberapa negeri dan wilayah-wilayah persekutuan.

Sekatan yang dikenakan oleh PKP tidak memberi kesan yang ketara kepada operasi Kumpulan anda kerana bidang utama kita dalam perladangan, perkilangan, oleokimia dan kilang pembuatan bahan kimia telah dibenarkan untuk beroperasi sepanjang tempoh PKP kerana operasi tersebut diletakkan di bawah sektor penting, dan beroperasi di bawah pemantauan ketat yang ditetapkan oleh Majlis Keselamatan Negara, Kementerian Kesihatan, dan Kementerian Perdagangan Antarabangsa dan Industri.

Walau bagaimanapun, PKP dan wabak COVID-19 mempengaruhi operasi sebilangan pelanggan kita baik di dalam dan luar negara dan dengan itu, prestasi kewangan kita agak terjejas tetapi nasib baik tidak begitu ketara.

Pengurusan operasi telah mengatasinya dengan baik dan akan terus mengutamakan keselamatan para pekerja kita dan ahli keluarga mereka dalam melawan penularan COVID-19 di samping mengadakan perancangan keadaan luar jangka dalam menghadapi pelbagai kemungkinan senario punca daripada penularan pandemik ini.

## Kenyataan Pengerusi (Sambungan)

### PRESTASI ANAK-ANAK SYARIKAT

#### ANAK SYARIKAT UTAMA-KLK

Mencerminkan peningkatan harga purata produk sawit yang direalisasikan sepanjang tahun, keuntungan sebelum cukai KLK lebih tinggi iaitu sebanyak 44% pada RM1,185.73 juta berbanding RM823.93 juta pada tahun lepas, sementara perolehan meningkat kepada RM15.59 bilion (2019: RM15.53 bilion). Keuntungan selepas cukai yang boleh diagihkan kepada pemegang saham KLK adalah 25% lebih tinggi pada RM772.60 juta dibandingkan pada tahun lepas iaitu RM617.51 juta, bersamaan dengan 72.0 sen EPS (2019: RM58.0 sen).

Keuntungan sebelum cukai Perladangan adalah 84% lebih tinggi pada RM725.18 juta dibandingkan dengan tahun lepas iaitu RM394.63 juta, hasil daripada harga komoditi yang kukuh walaupun 4% lebih rendah pengeluaran Buah Tandan Segar ("BTS") dan kadar pengekstrakan Minyak Sawit Mentah ("MSM") yang juga lebih rendah. Operasi pemprosesan dan perdagangan juga mencapai keuntungan yang lebih tinggi daripada margin yang bertambah baik.

Walaupun terdapat penurunan perolehan daripada jumlah jualan yang lebih rendah, operasi Oleokimia telah mencatat 5% keuntungan yang lebih tinggi sebanyak RM394.42 juta (2019: RM376.35 juta) terutamanya hasil sumbangan daripada margin yang lebih baik di Malaysia dan beberapa operasi oleo di Eropah dan keuntungan nilai saksama yang belum direalisasi pada kontrak derivatif tertunggak.

Keuntungan segmen hartanah KLK adalah 14% lebih tinggi iaitu pada RM54.03 juta (2019: RM47.36 juta) disebabkan oleh pengiktirafan keuntungan dan margin yang lebih tinggi daripada pelbagai fasa pembangunan perbandaran Bandar Seri Coalfields, walaupun 9% perolehan yang lebih rendah sebanyak RM154.88 juta (2019: RM170.36 juta). Disebabkan oleh tinjauan hartanah yang lemah, pelancaran fasa kedepan dijangka akan selaras dengan penurunan permintaan hartanah.

#### ANAK SYARIKAT INDUSTRI KIMIA

Operasi-operasi industri kimia kita serta logistik yang berkaitan melaporkan pengurangan keuntungan sebelum cukai sebanyak RM63.72 juta dan kira-kira 37% lebih rendah dari tahun lepas, disebabkan oleh harga-harga jualan produk yang rendah, khususnya soda kaustik, asid hidroklorida dan cecair klorida. Tambahan pula, permintaan keseluruhan turut terjejas disebabkan oleh sebilangan daripada pelanggan menghadapi gangguan pengeluaran semasa tempoh PKP dan akibat daripada permintaan yang rendah ini, pengeluaran output kita lebih rendah mengakibatkan kos operasi unit yang lebih tinggi.

Beberapa projek untuk ditambahbaik bagi meningkatkan prestasi masa hadapan kita pada operasi klor-alkali sedang dijalankan termasuk penggantian beberapa elektrolisis yang sedia ada di Malay-Sino Chemical Industries di Lahat dan kilang di Kemaman dengan teknologi yang lebih baru ke arah operasi yang lebih efisien. Kilang di Kemaman sedang membina penjana kuasa sendiri yang akan bermula operasi pada akhir tahun ini, yang akan menghasilkan penjimatan kos elektrik di mana ia merupakan komponen kos utama.

Operasi-operasi asid sulfurik kita, di bawah See Sen Chemical dan syarikat-syarikat pengangkutan kimia kita terus beroperasi dengan memuaskan. Pihak See Sen Chemical memulakan kilang polialuminium klorida ("PAC") baru pada Februari 2020, oleh itu perluasan barisan keluaran produknya. PAC digunakan dalam rawatan air sebagai pengganti kepada aluminium hidroksida (alum) yang turut dihasilkan oleh syarikat tersebut.

#### ANAK-ANAK SYARIKAT LADANG (BUKAN MILIKAN KLK)

PT. Satu Sembilan Delapan merupakan ladang kelapa sawit kita yang telah matang sepenuhnya di Kalimantan seluas 5,384 ha dan ia mempunyai kilang minyak kelapa sawit sendiri melaporkan peningkatan keuntungan sebelum cukai (selepas faedah pinjaman antara syarikat) sebanyak RM12.18 juta (2019: RM3.45 juta *kerugian*) disebabkan oleh harga-harga MSM dan Inti Kernel ("IK") yang kukuh, walaupun jumlah jualan dan kadar pengekstrakan MSM menurun. Satu lagi anak syarikat kita di Indonesia, PT. Tekukur Indah telah memperolehi lebih hak milik tanah ("Hak Guna Usaha") seluas 1,500 hektar lebih tanah untuk dibangunkan sebagai ladang kelapa sawit. Dengan itu, persediaan tanah dan aktiviti penanaman akan bermula pada 2021.

#### PELABURAN HARTANAH

Kumpulan pelaburan pembangunan hartanah anda di Australia kekal dengan lapan (8) projek – enam (6) di Melbourne dan dua (2) di Perth. Semua projek ini, beberapa daripada projek sedang berjalan, adalah dijangka siap antara 2024 sehingga 2031. Pelaburan ini merekodkan keuntungan sebelum cukai (selepas faedah) sebanyak RM4.16 juta pada tahun ini (2019: RM3.56 juta) terutamanya disebabkan oleh penyelesaian penjualan yang lebih tinggi dari satu projek usaha sama yang bernama True North di Greenvale, Melbourne. Antara projek lain yang turut menyumbang kepada keuntungan termasuk Botanical Estate di Mickleham, Melbourne dan The Hales di Forrestfield, Perth. Pada suku terakhir tahun kewangan, dua (2) projek telah memulakan pembangunannya setelah mendapat kelulusan iaitu New Epping di Melbourne dan Clementine di Upper Swan, Perth. Tiga (3) projek kita yang masih berbaki di Melbourne yang dinamakan sebagai Donnybrook, Woodstock dan Pakenham masih di peringkat persetujuan perancangan dan pembangunan.

## Kenyataan Pengerusi (Sambungan)

### PRESTASI ANAK-ANAK SYARIKAT (Sambungan)

#### *PELABURAN HARTANAH (Sambungan)*

Satu-satunya bangunan pejabat milik Kumpulan anda iaitu Menara KLK di Mutiara Damansara terus mempunyai kadar purata penyewa yang stabil pada 89% (2019: 83 %) dan sumbangan keuntungan sebelum cukai kekal sebanyak RM2.95 juta (2019: RM2.95 juta). Sepanjang tahun ini, sebanyak 50% pengurangan kadar sewa dan pelepasan penuh terhadap yuran tempat meletak kenderaan diberikan kepada penyewa kita selama dua (2) bulan sebagai tanda prihatin untuk membantu mereka semasa tempoh awal PKP.

### PEMEROLEHAN SELEPAS AKHIR TAHUN KEWANGAN

BKB telah dijemput oleh Permodalan Nasional Berhad ("PNB") untuk membida 94,449,487 saham biasa dalam Chemical Company of Malaysia Berhad ("CCM") yang dimiliki oleh PNB dan beberapa unit amanah yang dikelola oleh Amanahraya Trustee Berhad ("Penjual"). Syarikat telah berjaya membuat bidaan selepas akhir tahun kewangan kita.

Dengan itu, pada 17 November 2020, BKB telah mengadakan Perjanjian Pembelian Saham Bersyarat dengan Penjual bagi memperoleh 56.32% kepentingan ekuiti gabungan mereka dalam CCM merangkumi jumlah keseluruhan sebanyak RM292,793,409.70 atau pada harga RM3.10 setiap satu saham CCM ("Pemerolehan"). Proses pemerolehan telah selesai pada 11 Disember 2020 dan termasuk 3.41% pemerolehan pemegang saham di pasaran terbuka oleh Syarikat selepas tarikh perjanjian pembelian saham, membuatkan CCM sebagai 59.73% subsidiari kepada BKB pada tarikh tersebut. Seperti yang dikehendaki oleh Seksyen 218 (2) Akta Pasaran Modal dan Perkhidmatan, 2007 dan pada perenggan 4.01(a) Peraturan mengenai Pengambilalihan, Penggabungan dan Pemerolehan Wajib, BKB diwajibkan untuk memperluaskan tawaran pengambilalihan wajib untuk memperoleh semua saham minoriti CCM yang belum dimiliki oleh BKB dengan pertimbangan tunai yang sama sebanyak RM3.10 per saham CCM. Oleh itu, Syarikat akan membuat tawaran umum tanpa syarat bagi saham CCM ini.

CCM merupakan syarikat awam yang tersenarai di Bursa Malaysia dan Kumpulan CCM terlibat terutamanya dalam pembuatan dan pemasaran bahan-bahan kimia klor-alkali dan polimer yang banyak digunakan dalam sarung tangan, rawatan air, oleokimia, minyak dan gas, dan industri elektronik dan tekstil. Kumpulan CCM merupakan pembekal utama bagi bahan kimia tersebut di Malaysia dan mengeksport ke beberapa buah negara di Asia Tenggara.

Lembaga Pengarah anda menganggap pemerolehan itu strategik kerana ia akan meningkatkan pasaran Kumpulan BKB dalam industri klor-alkali yang mana industri ini merupakan sebuah industri yang diketahui oleh Kumpulan BKB melalui operasi klor-alkali yang sedia ada melalui Malay-Sino Chemical Industries. Nilai CCM kepada BKB akan bertambah pada masa depan kerana prestasi kewangan semasa CCM memerlukan peningkatan. Pemerolehan ini memberi peluang untuk peningkatan nilai melalui realisasi kecekapan operasi dalam bidang seperti logistik, pengagihan dan perolehan serta dari perkongsian cara praktik yang bagus.

### TINJAUAN

Pada November 2020, harga MSM telah mencecah paras RM3,500/mt yang merupakan peningkatan tertinggi sejak April 2012 dengan jangkaan peningkatan yang berterusan. Pengeluaran BTS di Malaysia dan di Indonesia dijangka akan pulih pada pertengahan 2021 dari kesan buruk disebabkan oleh cuaca buruk sebelum ini. Dengan itu, keuntungan Perladangan Kumpulan anda dijangka akan lebih meningkat bagi tahun kewangan 2021. Bagi sektor Oleokimia dan Industri Kimia Kumpulan, ia mungkin kekal mencabar pada tahun hadapan disebabkan oleh ketidakpastian yang timbul daripada penularan wabak COVID-19 dan kesan kepada pertumbuhan ekonomi di dalam dan luar negara.

Walau bagaimanapun, secara keseluruhannya, Kumpulan anda menjangkakan keuntungan akan bertambah baik untuk tahun kewangan 2021.

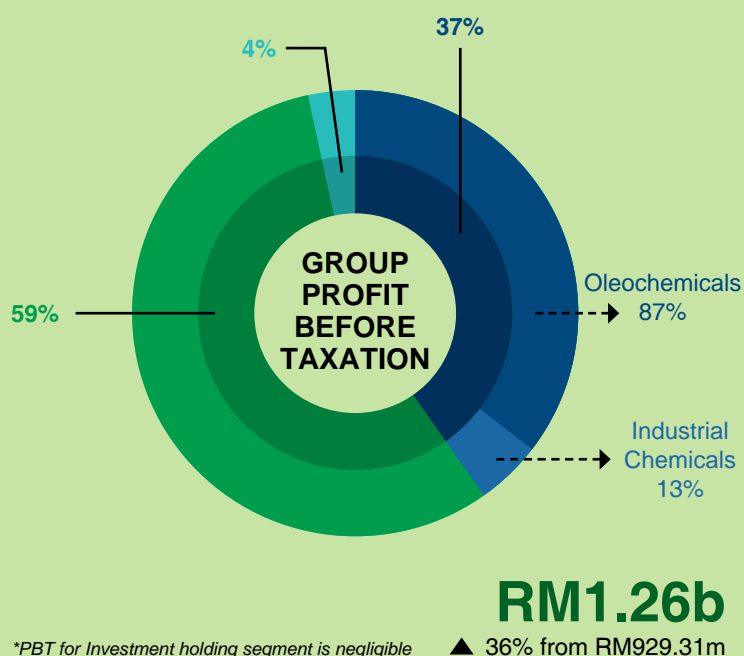
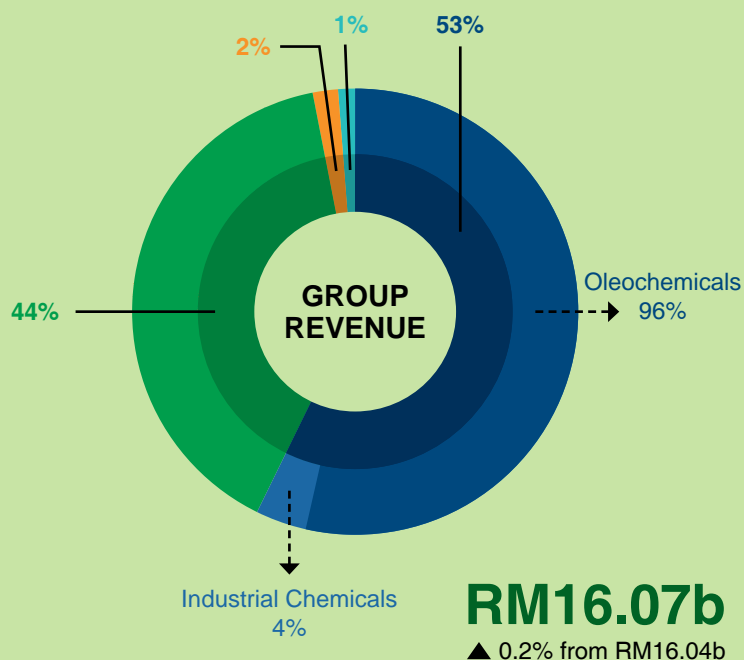
### PENGHARGAAN

Bagi pihak anda, saya ingin mengucapkan terima kasih kepada rakan Pengarah, Pengurusan dan kakitangan Kumpulan atas usaha yang berterusan sepanjang tahun ini.

Tan Sri Dato' Seri Lee Oi Hian  
Pengerusi  
11 Disember 2020

## Management Discussion and Analysis

### FINANCIAL YEAR 2020 PERFORMANCE OVERVIEW



- Plantation
- Investment Holdings/Others
- Manufacturing
- Property Development

### Profit attributable to equity holders of the company



**RM417.27m**  
▲ 15% from RM363.49m

### Earnings per share



**105.3 sen**  
▲ 15% from 91.7 sen

### Dividends per share



**55.0 sen**  
▼ 8% from 60.0 sen

### Return on shareholders' equity



**7.1%**  
▲ 11% from 6.4%

## Management Discussion and Analysis (Continued)

This year, BKB Group generated RM16.07 billion in revenue compared to RM16.04 billion in FY 2019. This was a marginal increase of 0.2% from previous year, largely attributable to stronger Crude Palm Oil (“CPO”) and Palm Kernel (“PK”) prices but was partly offset by lower manufacturing sales volume. Prices for palm oil recovered in the second half of 2020, as lockdowns across the globe began to ease and demand from major consumers including China and India picked up. However, the manufacturing segment’s performance was somewhat mixed as the pandemic saw higher demand for basic oleochemical products which are mainly ingredients for household and personal care products, but demand for downstream oleo derivatives and specialties on the other hand, were negatively impacted.

Profit Before Tax (“PBT”) for the financial year stood at RM1.26 billion, 36% higher year-on-year (FY 2019: RM929.31 million) mainly contributed by stronger CPO and PK selling prices. It is also worth noting that previous year’s profits included an impairment of RM145.32 million of Butaw Estate in Liberia, while this year’s bottom line saw some RM21.15 million surplus on deemed disposal of a subsidiary (now an associate), namely, Equatorial Palm Oil plc.

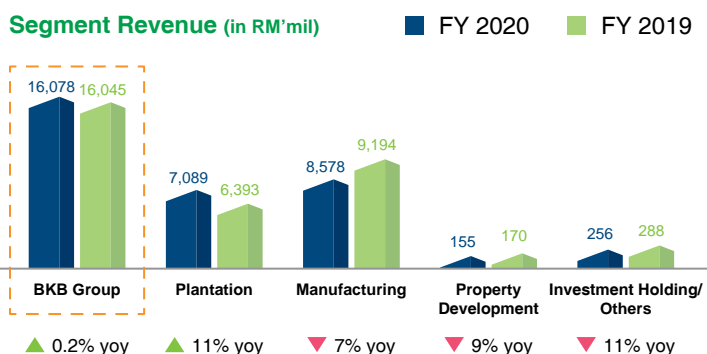
The Group’s balance sheet remains strong, with total assets standing at RM22.33 billion and shareholders’ equity of RM5.88 billion as at 30 September 2020. BKB Group’s Cash and Cash Equivalents (“C&CE”) at the end of the year remains sizeable at RM3.24 billion, as most of the Islamic Medium-Term Notes (“IMTN”) issued by its subsidiary, KLK, has yet to be utilised. The C&CE excludes RM919.99 million Short-Term Funds comprising deposits placed with licensed banks and RM173.89 million of placements in unit trust funds. In total, the Group holds RM4.33 billion of cash and liquid instruments, which is more than sufficient to cover short-term debt obligations of RM1.31 billion.

A significant portion of borrowings are IMTNs which carry an AA1/Stable rating issued by RAM Ratings. BKB Group’s Debt to Equity Ratio improved slightly to 0.55 times (FY 2019: 0.58 times), while the Group’s Net Debt to Equity Ratio stood at 0.21 times (FY 2019: 0.23 times). Net Debt is calculated based on Total Borrowings less C&CE, Short-Term Funds, and placements in Unit Trust funds.

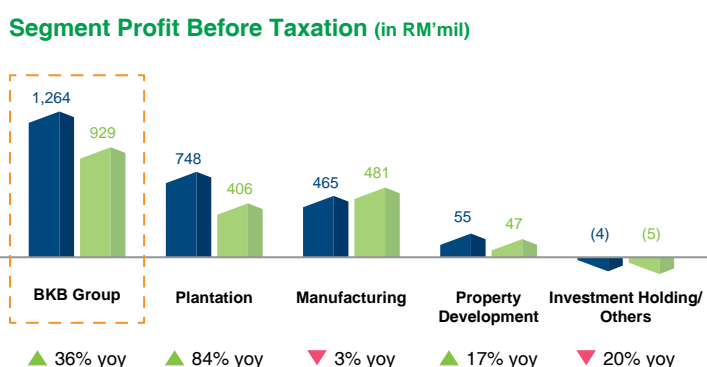
The decrease of RM205.81 million in net debt to RM2.59 billion as at 30 September 2020 was a result of strong cash inflow generated from the Group’s operations. At present, the Group’s gearing is within a comfortable range and Management is confident of servicing its debt obligations. The recent corporate exercise by BKB to acquire Chemical Company of Malaysia Berhad (“CCM”) will see the undertaking of some additional short-term debt to partly finance the Mandatory Take Over offer. However, these additional borrowings are not expected to significantly alter the Group’s debt profile.

BKB has declared a final, single-tier dividend of 40 sen per share for the current year, bringing the full-year ordinary dividend for FY 2020 to 55 sen. This represents a 52% payout ratio, which is largely in line with past years’ distribution.

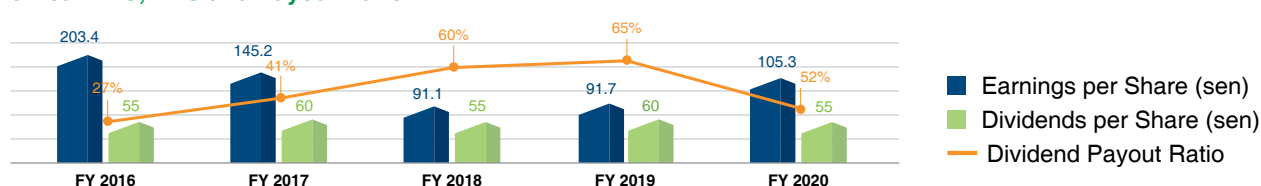
### Segment Revenue (in RM'mil)



### Segment Profit Before Taxation (in RM'mil)



### 5-Year EPS, DPS and Payout Ratio





## Management Discussion and Analysis (Continued)

### Five-Year Group Financial Statistics

	2020 RM'000 MRFS	2019 RM'000 MFRS	2018 RM'000 MFRS	2017 RM'000 MFRS	2016 RM'000 FRS
Revenue	16,078,124	16,045,591	18,953,236	21,548,322*	16,969,251
Profit before taxation	1,264,664	929,312	1,116,090	1,622,131*	1,822,586
Profit attributable to equity holders of the Company	417,275	363,499	365,682	586,646*	825,168
Total assets	22,334,826	21,824,464	20,301,174	20,864,922	19,815,216
Share capital	507,587	435,951	435,951	435,951	435,951
Treasury shares	(23,957)	(623,059)	(491,740)	(446,671)	(403,272)
Reserves	5,393,300	5,850,081	6,137,589	6,183,916	6,047,130
Total equity attributable to equity holders of the Company	5,876,930	5,662,973	6,081,800	6,173,196	6,079,809
Non-controlling interests	6,744,349	6,457,280	6,836,872	6,926,774	6,090,872
Total equity	12,621,279	12,120,253	12,918,672	13,099,970	12,170,681
Total liabilities	9,713,547	9,704,211	7,382,502	7,764,952	7,644,535
Total equity and liabilities	22,334,826	21,824,464	20,301,174	20,864,922	19,815,216
Cash & cash equivalents, Short-Term funds, and placements in Unit Trust funds	4,333,636	4,230,370	2,048,811	2,661,376	2,617,621
Total borrowings	6,921,290	7,023,835	4,783,213	4,942,764	5,040,030
Net debt	2,587,654	2,793,465	2,734,402	2,281,388	2,422,409
Basic earnings per share (sen)	105.3	91.7	91.1	145.2*	203.4
Dividend per share (sen)	55.0	60.0	55.0	60.0	55.0
Share price as at 30 September (RM)	15.06	15.68	17.00	19.12	18.18
Historical price earnings ratio (times)	14.3	17.1	18.7	13.2*	8.9
Dividend yield (%) <sup>1</sup>	3.6	3.8	3.2	3.1*	3.0
Dividend cover (times) <sup>2</sup>	1.9	1.5	1.7	2.4*	3.7
Dividend payout ratio (%) <sup>3</sup>	52.2	65.4	60.4	41.3*	27.0
Net assets per share attributable to equity holders of the Company (RM)	14.77	14.43	15.19	15.32	15.01
Return on shareholders' equity (%) <sup>4</sup>	7.1	6.4	6.0	9.5	13.6
Return on total assets (%) <sup>5</sup>	1.9	1.7	1.8	2.8	4.2
Net debt-to-equity ratio (times) <sup>6</sup>	0.21	0.23	0.21	0.17	0.20

<sup>[1]</sup> Based on Dividend per Share expressed as a percentage of BKB's Share Price as at 30 September

<sup>[2]</sup> Calculated as Basic Earnings per Share divided by Dividend per Share

<sup>[3]</sup> Based on Dividend per Share expressed as a percentage of Basic Earnings per Share

<sup>[4]</sup> Based on Profit Attributable to Equity Holders expressed as a percentage of Total Equity Attributable to Equity Holders

<sup>[5]</sup> Based on Profit Attributable to Equity Holders expressed as a percentage of Total Assets

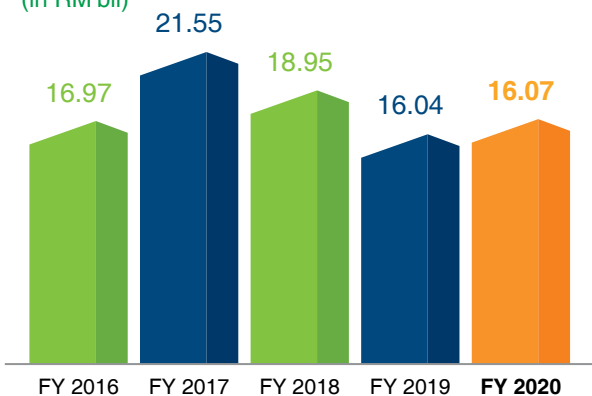
<sup>[6]</sup> Based on Net Debt (being Total Borrowings less Cash & cash equivalents, Short Term funds, and placements in Unit Trust funds) divided by Total Equity

*Note: The financial figures for FY 2017 and 2018 have been restated to reflect the financial impact on transition from Financial Reporting Standards ("FRS") framework to Malaysian Financial Reporting Standards ("MRFS") framework, except indicated otherwise as (\*).*

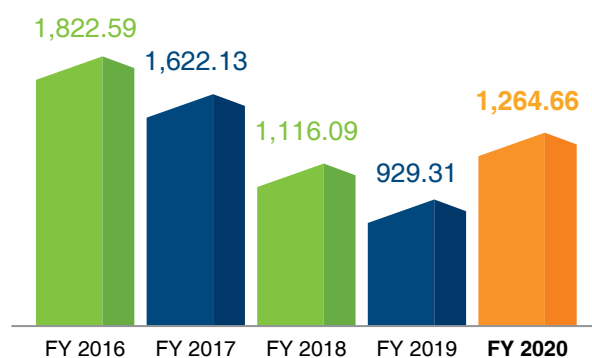
## Management Discussion and Analysis (Continued)

### Five-Year Group Financial Statistics (Continued)

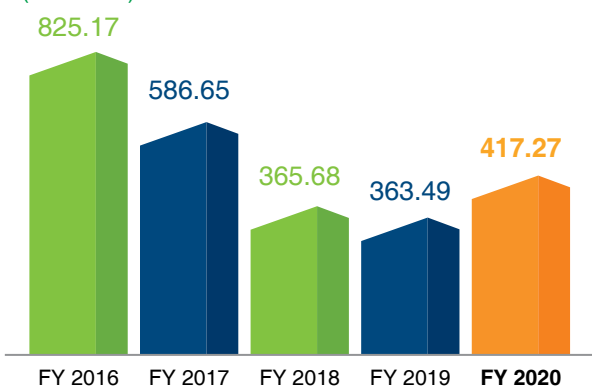
#### Revenue (in RM'bil)



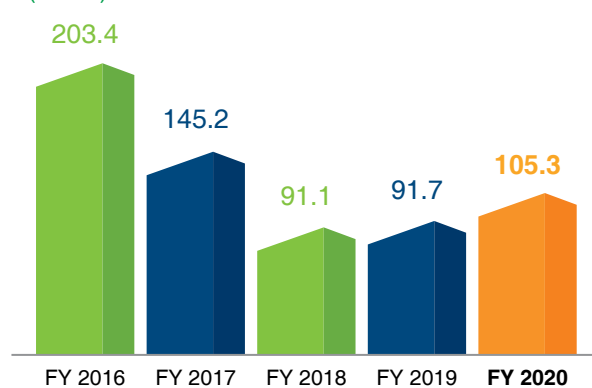
#### Profit Before Taxation (in RM'mil)



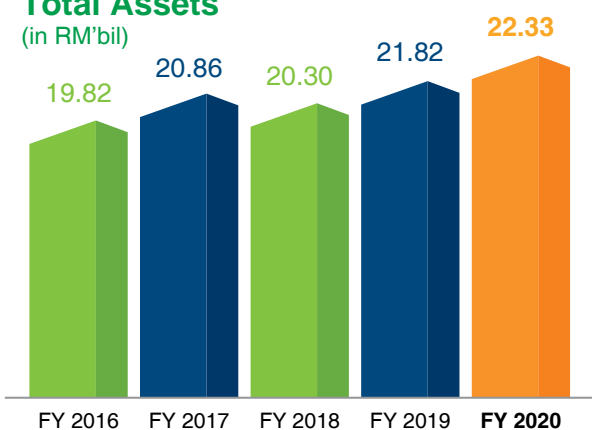
#### Profit Attributable to Equity Holders (in RM'mil)



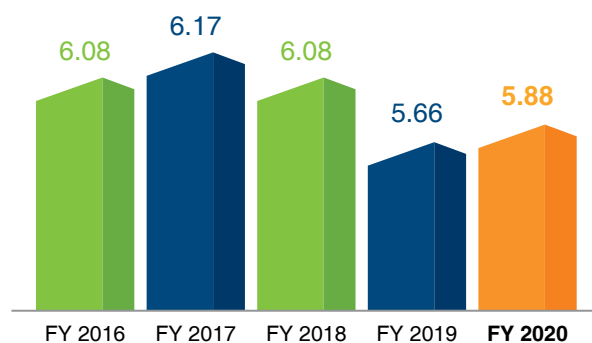
#### Earnings per Share (in sen)



#### Total Assets (in RM'bil)



#### Equity Attributable to Equity Holders (in RM'bil)



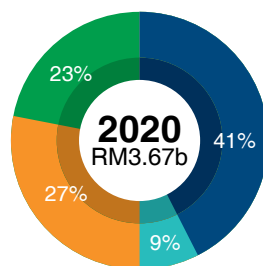
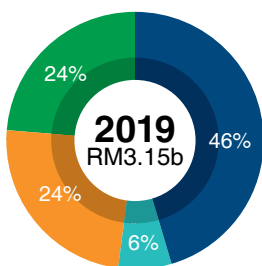


## Management Discussion and Analysis (Continued)

### Group Value-Added Statement

This is a measure of the value created by the Group and its distribution to stakeholders, with the balance retained for reinvestment and future growth.

	2020 RM'000	2019 RM'000
<b>Value Added</b>		
Revenue	16,078,124	16,045,591
Operating expenses	(12,837,281)	(13,283,991)
Value added from operations	3,240,843	2,761,600
Other operating income	398,822	376,324
Share of results of associates	29,660	15,446
Share of results of joint ventures	3,369	2,137
<b>Total Value Added</b>	<b>3,672,694</b>	<b>3,155,507</b>
<b>Value Distributed</b>		
To employees (salaries and other staff cost)	1,489,040	1,435,305
To government (income taxes)	350,229	201,871
To providers of capital:		
Dividends	236,365	217,831
Finance cost	262,401	186,009
Non-controlling interest	497,160	363,942
Retained for future reinvestment & growth:		
Depreciation and amortisation	656,589	604,881
Retained profits	180,910	145,668
	<b>3,672,694</b>	<b>3,155,507</b>
<b>Reconciliation</b>		
Profit attributable to owners of the company	417,275	363,499
Add:		
Depreciation and amortisation	656,589	604,881
Finance cost	262,401	186,009
Staff cost	1,489,040	1,435,305
Income taxes	350,229	201,871
Non-controlling interest	497,160	363,942
	<b>3,672,694</b>	<b>3,155,507</b>



#### Distribution

- To employees
- To the government
- To providers of capital
- Retained for future reinvestment and growth

Note: The Group Value-Added Statement ("VAS") is a supplement, not a substitute to the Profit & Loss statement. The same data which is recorded and processed by the Group's accounting system is used in the preparation of VAS. The basic accounting concepts and principals of accounting remain the same in the preparation of this VAS.

## Management Discussion and Analysis (Continued)

### PLANTATION

#### OPERATIONAL REVIEW AND OUTLOOK



“ The Plantation segment posted a sharp rise in profits for FY 2020 and remains the leading contributor to BKB Group’s bottom line, despite operating in a challenging year amidst the COVID-19 pandemic. ”

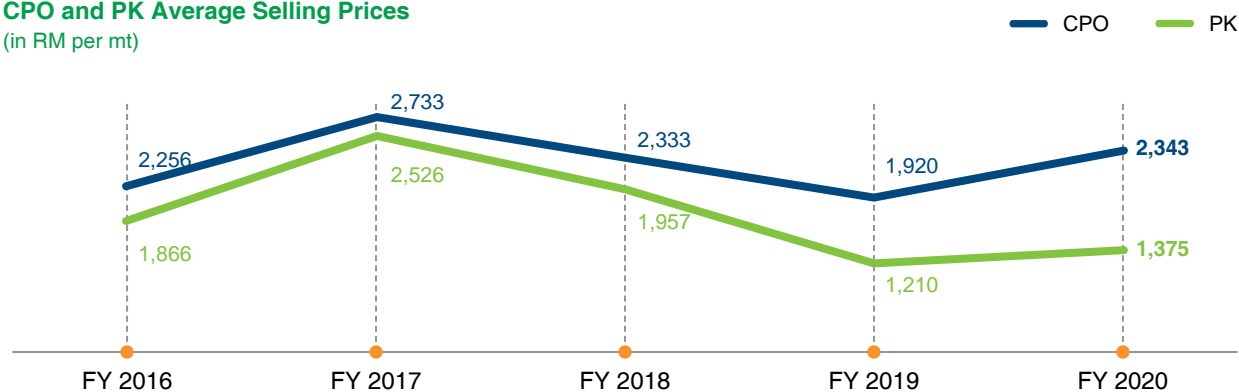
#### Overview

The Plantation operations were exempted from the Movement Control Order (“MCO”) earlier this year, and thus, was able to continue operating during the lockdown period. The segment contributed nearly 60% of the Group’s profits for FY 2020.

Despite significant volatility in CPO prices throughout the year, the Plantation segment managed to achieve a revenue of RM7.09 billion in FY 2020. This represented an 11% improvement from last year, and was largely contributed by stronger CPO and PK selling prices which averaged at RM2,343/mt and RM1,375/mt respectively.

Correspondingly, the Plantation segment’s PBT jumped 84% to RM748.42 million from RM406.33 million last year.

**CPO and PK Average Selling Prices**  
(in RM per mt)

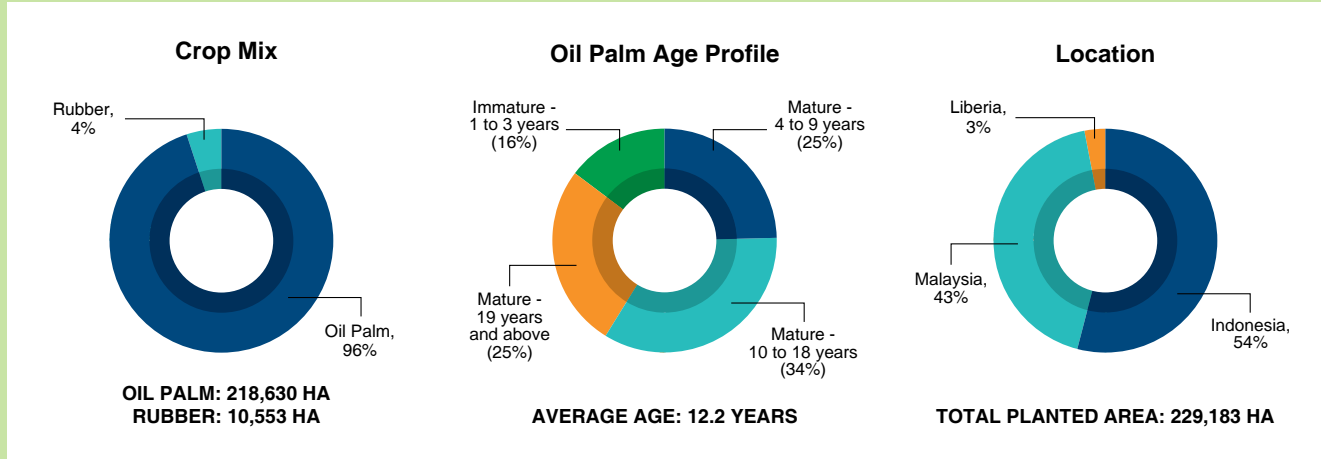


## Management Discussion and Analysis (Continued)

### Overview (Continued)

Processing and trading operations' performance improved significantly with higher profits from refineries and kernel crushing plants as their timely sourcing of raw materials coincided with a rising market.

The Plantation segment achieved an average profit per mature hectare of RM3,674/ha in FY 2020 as compared to RM1,850/ha in FY 2019. Although significantly below the RM6,700/ha levels achieved in FY 2017, it is still commendable given the challenging market conditions this year.



### Landbank and Age Profile

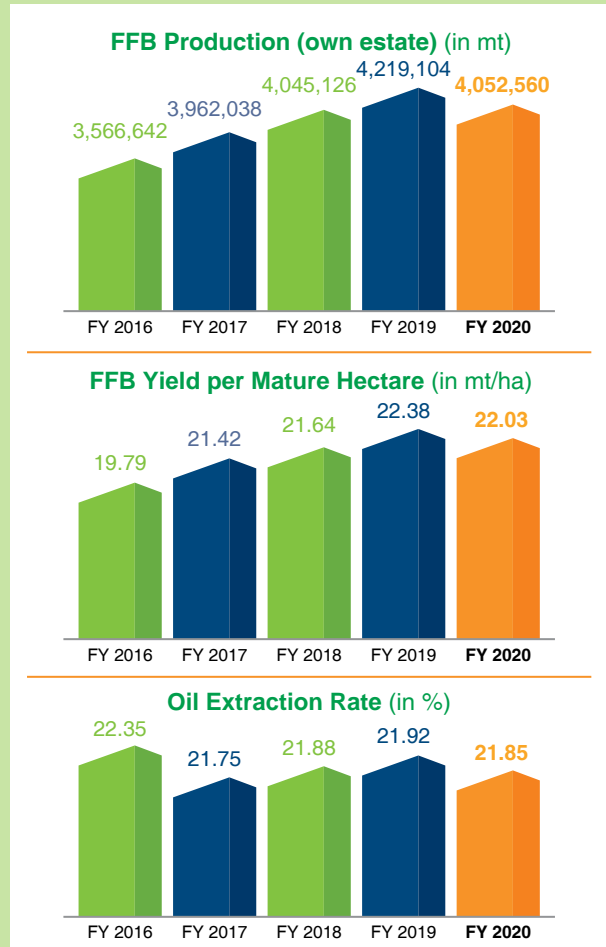
The Group owns a total landbank of 281,716 hectares in Malaysia (Peninsular and Sabah), Indonesia (Belitung Island, Sumatra, and Middle and East Kalimantan), and Liberia (Palm Bay). Management's continuous efforts in ensuring proper maintenance of the plantations have kept the weighted average age profile at 12.2 years, which is relatively young. Currently, close to 59% of planted area consists of young and prime palms, while 16% are immature palms.

### Oil Palm Performance

Total FFB production declined 4% year-on-year to some 4.05 million mt due to the dry season. In terms of productivity, the Group's FFB yield fell in tandem, to 22.03 mt/ha in FY 2020 from 22.38 mt/ha in FY 2019.

Correspondingly, CPO production volume fell 2% this year to some 1.05 million mt (FY 2019: 1.08 million mt). The average CPO yield for FY 2020 was 4.82 mt per mature hectare (FY 2019: 4.90 mt per mature hectare), while the average CPO extraction rate ("OER") was 21.85% (FY 2019: 21.92%).

Costs were maintained similar to the previous financial year despite COVID-19 challenges.



## Management Discussion and Analysis (Continued)



### Replanting and New Plantings

Approximately 12,500 hectares were replanted during the financial year, short of some 2,000 hectares as planned.

Management will continue with its replanting program in a measured approach going forward, and targets to carry out replanting for 10,500 hectares in FY 2021. This is part of the Group's long-term replanting policy aimed at maintaining a favourable age profile.

The Group commits to no-deforestation and adopts the High Carbon Stock ("HCS") Approach Toolkit through which the HCS Approach methodology is standardised and implemented, to identify areas suitable for new oil palm development.



### Rubber Performance

The Group's rubber operations reported a marginal profit of RM0.30 million this year. Yields were negatively impacted by poor weather conditions and the shortage of skilled rubber tappers. Management will continue to convert more rubber areas into oil palms to earn better returns.

### Outlook

The palm oil industry has been challenging this year, in light of uncertainties brought by the coronavirus pandemic.

Despite this, Management remains optimistic and is not anticipating any severe impact to the business in this new financial year as the worst is believed to be over. It is unlikely that countries will go back to the severe lockdowns that were implemented during the first half of 2020. Import demand from China and India picked up strongly in the second half of 2020 after a sharp drop in demand from January to April 2020. Moreover, with vaccine development on the way, further recovery in demand is expected to follow in 2021. These factors will help to keep palm oil prices supported at least for the first half of next year.

One key area which Management has been working on is to address labour shortage issues. The Group's mechanisation efforts is progressing well, particularly for the harvesting and field upkeep activities such as fertilizer application, weeding and Empty Fruit Bunch – EFB application. This is timely, given that the industry is now facing a labour constraint.

There will also be heavy focus on improving operational efficiencies in order to drive future performance. Although palm oil prices have rebounded from the low levels, it is worth noting that production costs have also risen over the years. Management will continue to push for higher yields through sustainable solutions whilst aiming to be more cost-competitive.





## Management Discussion and Analysis (Continued)

Five-Year Plantation Statistics		2020	2019	2018	2017	2016
<b>OIL PALM</b>						
<b>FFB Production</b>						
- Own estates	(mt)	<b>4,052,560</b>	4,219,104	4,045,126	3,962,038	3,566,642
- Sold	(mt)	<b>75,428</b>	143,245	140,572	86,929	58,461
- Purchased	(mt)	<b>827,710</b>	840,001	894,992	861,508	764,749
- Total processed	(mt)	<b>4,804,842</b>	4,915,860	4,799,546	4,736,617	4,272,930
<b>Weighted Average Hectareage</b>						
- Mature	(ha)	<b>183,946</b>	188,492	186,886	184,934	180,186
- Immature	(ha)	<b>45,061</b>	41,308	41,996	35,188	36,685
Total Planted	(ha)	<b>229,007</b>	229,800	228,882	220,122	216,871
<b>FFB Yield per Mature Hectare</b>	(mt/ha)	<b>22.03</b>	22.38	21.64	21.42	19.79
<b>CPO Yield per Mature Hectare</b>	(mt/ha)	<b>4.82</b>	4.90	4.73	4.65	4.42
<b>Mill Production</b>						
- CPO	(mt)	<b>1,049,890</b>	1,077,341	1,050,164	1,029,990	955,198
- PK	(mt)	<b>200,594</b>	205,201	208,339	205,241	192,995
<b>Oil Extraction Rate</b>						
- CPO	(%)	<b>21.85</b>	21.92	21.88	21.75	22.35
- PK	(%)	<b>4.17</b>	4.17	4.34	4.33	4.52
<b>Cost of Production</b>						
- FFB	(RM/mt ex-estate)	<b>261</b>	260	245	240	244
- CPO	(RM/mt ex-mill)	<b>1,467</b>	1,456	1,371	1,387	1,381
(exclude windfall profit levy and Sabah sales tax)						
<b>Average Selling Prices</b>						
- CPO	(RM/mt ex-mill)	<b>2,343</b>	1,920	2,333	2,733	2,256
- PK	(RM/mt ex-mill)	<b>1,375</b>	1,210	1,957	2,526	1,866
<b>Average Profit per Mature Hectare</b>	(RM)	<b>3,674</b>	1,850	4,603	6,793	3,977



## Management Discussion and Analysis (Continued)

Five-Year Plantation Statistics (Continued)		2020	2019	2018	2017	2016
<b>RUBBER</b>						
<b>Production</b>						
- Own estates	('000 kg)	10,354	10,786	10,807	12,975	16,007
<b>Weighted Average Hectareage</b>						
- Mature	(ha)	8,061	8,640	9,047	9,746	10,305
- Immature	(ha)	3,115	3,243	3,367	3,309	3,364
Total Planted	(ha)	11,176	11,883	12,414	13,055	13,669
<b>Yield per Mature Hectare</b>	(kg/ha)	1,284	1,248	1,194	1,331	1,553
<b>Cost of Production</b>	(sen/kg ex-estate)	476	484	467	420	382
<b>Average Selling Prices (net of cess)</b>	(sen/kg)	720	713	803	895	667
<b>Average (Loss)/Profit per Mature Hectare</b>	(RM)	(486)	(233)	(868)	3,256	974

Plantation Area Statement		FY 2020			FY2019		
	Age In Years	Hectares	% Under Crop	% of Total Planted Area	Hectares	% Under Crop	% of Total Planted Area
<b>OIL PALM</b>	4 to 9	55,605	25		53,863	25	
	10 to 18	72,874	34		74,628	34	
	19 and above	54,450	25		57,976	26	
	Mature	182,929	84	80	186,467	85	81
	Immature	35,701	16	16	32,294	15	14
	Total	218,630	100	96	218,761	100	95
<b>RUBBER</b>	6 to 10	716	7		994	9	
	11 to 15	2,348	22		2,094	19	
	16 to 20	2,076	20		2,357	21	
	21 and above	2,767	26		3,055	28	
	Mature	7,907	75	3	8,500	77	4
	Immature	2,646	25	1	2,577	23	1
	Total	10,553	100	4	11,077	100	5
<b>TOTAL PLANTED</b>		229,183		100	229,838		100
Plantable Reserves		15,266			17,929		
Conservation Areas		30,872			29,079		
Building Sites, etc		6,395			6,340		
<b>GRAND TOTAL</b>		281,716			283,186		

## Management Discussion and Analysis (Continued)

### MANUFACTURING

#### OPERATIONAL REVIEW AND OUTLOOK



Revenue for the Manufacturing segment dipped 7% in FY 2020 owing to lower sales volume across both the Oleochemical and Industrial Chemical division. This was somewhat inevitable, given the outbreak of the COVID-19 pandemic. Overall net profit for the segment also fell by a marginal 3% year-on-year.

#### Oleochemical Division

The Oleochemical Division operates 15 manufacturing sites across Malaysia, China, Europe and Indonesia with a total annual production capacity of 3.3 million mt. These facilities refine processed palm oil and palm kernel oil into basic oleochemical products such as fatty acids, glycerine, fatty alcohols and fatty esters and all the way down the spectrum to specialties such as sulphonated methyl esters, surfactants and phytonutrients. These versatile oleochemical products are used in a broad range of applications, from home & personal health care, to cosmetics, food & nutrition, flavours & fragrances, lubricants and industrial chemicals.

Despite posting a lower revenue of 6% year-on-year, profits were up 5% to RM406.09 million from RM385.62 million last year. The Malaysia and China operations continued to maintain their positive momentum from the previous year, however, the European business continues to face margin erosions and had to compete with cheap Indonesian imports which benefited from preferential tariffs under the EU's Generalised System of Preferences ("GSP").

The Malaysian basic oleochemical factories were largely able to operate during the MCO as the products are essential goods. In fact, the demand had increased for products which are used in household and personal care items. However, the downstream derivatives and specialty products were listed as non-essential and faced a moratorium on its manufacturing centers during the first wave MCO.

Meanwhile, the division's China operations experienced a very strong pick-up in sales during the second half of FY 2020, as the Chinese economic activities had returned to pre-pandemic levels.

#### Outlook

The Oleochemical Division is expected to face a challenging year ahead. Management maintains a cautious outlook for the new financial year, as high volatility in raw material price creates uncertainties in the market. The Indonesian levy and duty structure will also see the business operating at a disadvantage outside Indonesia.

Nonetheless, diversification into the specialty business will help to mitigate some of these uncertainties. Besides focusing efforts to find new businesses and enlarging its customer base, it is also crucial to manage plant efficiency in order to stay competitive.

## Management Discussion and Analysis (Continued)

### Industrial Chemicals Division

The Industrial Chemicals Division manufactures chlor-alkali products (caustic soda, hydrochloric acid, liquid chlorine, sodium hypochlorite and ferric chloride), sulphuric acid, sulphur derivatives (dilute sulphuric acid, aluminium sulphate, molten sulphur, polyaluminium chloride, and sulphur powder), sodium silicate and methyl chloride. There are a total of five (5) operating sites in Malaysia with an annual production capacity of 117,000 mt of 100% caustic soda and 28,000 mt of sulphuric acid. The Group's industrial chemicals are used in a wide variety of applications, including rubber glove manufacturing, soap & detergent, bleaches & disinfectant, pulp & paper, water treatment and petrochemicals.

Fortunately, the division's operating centers were allowed to operate during the MCO period as it supplies essential products to key industries. For instance, liquid chlorine is needed by glove makers and for water treatment plants, while caustic soda is used for soap & detergent, and sodium hypochlorite for disinfectants.

Nonetheless, overall demand was affected as many customers faced disruption during the MCO period. The division reported a lower revenue this year largely due to reduced sales volume and selling prices (mainly from caustic soda, hydrochloric acid and liquid chlorine). As a result of lower output, operating costs were higher and PBT fell 38% year-on-year to RM59.18 million from RM95.12 million last year.

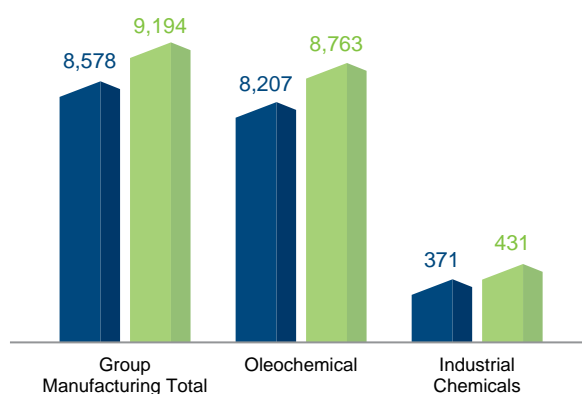
### Outlook

Management expects the Industrial Chemicals Division to achieve better profits in FY 2021 in view of improved selling prices, especially for liquid chlorine, as well as cost saving initiatives which will be coming online as planned.

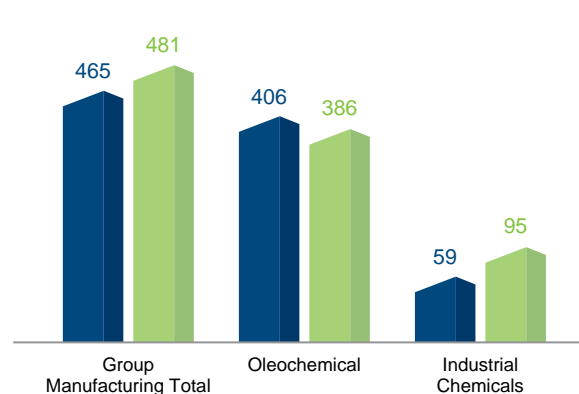
Caustic soda prices should remain at prevailing lows for now due to an increase in supply from East Asia, but met with lower demand from the alumina industry (key consumer of caustic soda). Liquid chlorine prices, however, are expected to continue its uptrend, backed by strong demand from glove manufacturers amidst the ongoing pandemic.

Meanwhile, electricity, being a major component of the division's cost of production, continues to rise over the years. Given its significance and potential impact on the division's bottom line, Management has embarked on an on-site power generation ("Co-generation") project in its Kemaman (Terengganu) chlor-alkali plant, aimed at reducing electricity consumption per unit product produced. The Co-generation plant will be more efficient in terms of energy generation and has been commissioned in end-December 2020.

**Manufacturing Division Revenue (RM'mil)**



**Manufacturing Division PBT (RM'mil)**



■ FY 2020 ■ FY 2019



## Management Discussion and Analysis (Continued)

### PROPERTY DEVELOPMENT

#### OPERATIONAL REVIEW AND OUTLOOK



The Group's Property Development arm made its first foray into property development through a joint venture to develop the gated and guarded Sierramas development in Sungai Buloh back in 1990. In 2002, the team launched its second township Desa Coalfields, a 230-acre mixed residential and commercial development, and continues to expand its property portfolio by unlocking another 1,000 acres in Sungai Buloh to develop Bandar Seri Coalfields ("BSC").

Notable developments within BSC include the Hampton Residences, Hemingway Residences, Ixora Residences, Senna Homes, BSC Central I, BSC Waterfront, and the Wesley Methodist School.

Profits improved year-on-year to RM55.06 million from RM47.36 million, despite a 9% drop in revenue to RM154.88 million this year. This was attributed to recognition of profits from projects with better margins, namely the new precincts within Hemingway and Hampton Residences.

#### Outlook

FY 2020 turned out to be challenging, with a sluggish property market and the ongoing pandemic. This situation is expected to escalate further into FY 2021. In response to tighter market conditions and new launches by competitors, greater effort is required in promotions and marketing to attract buyers.

Nonetheless for FY 2021, a range of products has been planned targeting specific market groups. The Property division is expected to benefit from the Home Ownership Campaign (HOC) which has now been extended to 31 May 2021.

In addition, there will be further enhancement in Bandar Seri Coalfields by attracting more commercial amenities to support and scale up the existing development mix and improving the parks and environment.



## Management Discussion and Analysis (Continued)

### OTHER INVESTMENTS

#### OPERATIONAL REVIEW AND OUTLOOK



#### Property Development Investments

As at the end of FY 2020, the Group's property development investment portfolio remains at eight (8) projects; six (6) in Melbourne and two (2) in Perth. BKB partners with Satterley Property Group, a reputable Australian real estate land developer to carry out most of these projects which are expected to complete between 2024 and 2031.

These investments recorded a profit before tax of RM4.16 million this year, representing a 17% increase from RM3.56 million last year. This was mainly attributable to higher sales settlement from one of the joint venture projects, namely, True North (in Greenvale, Melbourne). Other projects which helped contribute to the portfolio's bottom line include Botanical Estate (in Mickleham, Melbourne) and The Hales (in Forrestfield, Perth).

In the last quarter of FY 2020, two (2) other projects, namely New Epping (in Epping, Melbourne) and Clementine (in Upper Swan, Perth) became active projects, with Clementine going a little further by launching its sales activities for the first phase. Meanwhile, the other three (3) projects, namely Donnybrook, Woodstock, and Pakenham (all in Melbourne) remained in the planning phase.

The overall outlook for BKB's Australian property development investments remain cautiously optimistic. In general, the residential property values are holding better than anticipated, largely due to the local government's introduction of various stimulus packages and grants to spur growth. Nevertheless, it is likely that negative sentiments and price pressures will carry through 2021, until market confidence is restored.

#### Investment Property

BKB's 11-storey investment property (Menara KLK) in Mutiara Damansara (PJ) continues to record a stable average occupancy rate of 89% for FY 2020 (FY 2019: 83%).

As a goodwill gesture, Management allowed a 50% rental reduction relief and full waiver of car park fees for April and May 2020, hoping to provide some relief to all the tenants.

Management is cautiously optimistic of Menara KLK's prospects and may see less demand for office space in the short term compared to before the pandemic.





## Sustainability Statement

### SUSTAINABLE AND RESPONSIBLE INVESTOR

Batu Kawan Berhad (“BKB”) Group is an investment holding company, with investments in various businesses, and aims to have forward looking policies to act purposefully for a better and more sustainable world. BKB Group encourages its portfolio companies to adopt responsible and sustainable practices in their businesses and operations to ultimately achieve results that are sustainable for this and future generations.

We recognise the generation of sustainable returns over the long term depends on stable, well-functioning and well-governed economic, environmental and social (“EES”) systems.

#### **BKB’s Stewardship Practices**

As an owner, BKB engages and encourages its business operating companies, through their respective boards and managements, to adopt policies and practices that will safeguard and enhance long term performance, including EES-related areas critical to their businesses. Ultimately, a company’s board is accountable to its shareholders for its total performance: business growth and other economic factors, as well as economic, environmental and social matters. As an active holding company and shareholder, BKB exercises its shareholder rights fully.

#### **BKB’s Engagement with Stakeholders**

BKB advocates good governance and shares its perspectives on governance and ethics with its business operating companies. BKB believes that dialogue and robust exchanges of information, best practices and ideas between stakeholders are critical enablers of sustainable growth. BKB also monitors sustainability-related trends that may impact its investment holdings, such as climate change.

### ABOUT THIS STATEMENT

This annual Sustainability Statement (“Statement”) contains BKB Group’s sustainability initiatives and practices, community activities and non-financial information, complementing those other parts in the 2020 Annual Report which details BKB Group’s business operations and financial performance for the financial year 2020.

The objective of this Statement is to share the progress, development and improvements relating to BKB Group sustainability initiatives. The reporting period for this Statement is from 1 October 2019 to 30 September 2020, unless otherwise stated.

### THE SUSTAINABILITY SCOPE

BKB Group is an investment holding company which invested in oil palm and rubber plantations, downstream plantation-related manufacturing, property development, manufacture of industrial chemicals, chemicals transport services and investment.

Due to the different nature of BKB Group’s businesses, its major subsidiaries have their distinctive sustainability matters. This Statement is presented similar to the previous year’s statement which covers the sustainability initiatives and management approach on the sustainability performance indicators for BKB and its non-listed subsidiaries, namely 98%-owned Malay-Sino Chemical Industries Sendirian Berhad (“Malay-Sino”) Group of companies and 61%-owned See Sen Chemical Berhad (“See Sen”) (collectively referred to as “BKB Chemical Group”) and where applicable, the entire BKB Group. The BKB Chemical Group is involved in the manufacturing and supply of industrial chemicals to its customers, through its manufacturing plants and transport logistics operations.

Apart from the above covered sustainability scope, BKB Group’s main business activity is oil palm plantations which is primarily carried out by its 47%-owned main subsidiary, Kuala Lumpur Kepong Berhad (“KLK”), a listed Malaysian plantations company with plantations in Malaysia, Indonesia and Liberia. KLK has developed a comprehensive sustainability policy, in place since 2014, to guide its group-wide management in their approaches towards the environment and communities in which they operate. In fact, KLK has adopted zero-burning practice to all new plantings, replantings and other land-clearing activities for more than 25 years. This Statement does not cover KLK’s sustainability initiatives. Full details of the KLK’s Sustainability Statement and Reporting are set out in its 2020 Annual Report, which is available on KLK’s corporate website: [www.klk.com.my](http://www.klk.com.my).

## Sustainability Statement (Continued)

### BKB'S RESPONSE TO CORONAVIRUS DISEASE 2019 ("COVID-19")

Considering the unprecedented circumstances of the COVID-19 pandemic that have caused economic and social disruption, BKB Group takes this opportunity to share on how BKB Chemical Group is working to protect its stakeholders throughout this crisis.

#### Maintaining the safety of the Assets and Operations

BKB Group response to COVID-19 was immediate with the activation of BKB's Chemical Group Crisis Management Team ("CMT") a few days before the implementation of Movement Control Order ("MCO"). BKB's Chemical Group CMT, chaired by BKB Managing Director ("MD"), met initially daily via virtual meetings to monitor the developments related to the COVID-19 issue and progressively rolled out operational measures across all operating centres ("OCs") to prevent COVID-19 infections and ensure continuity of BKB Chemical Group's operations. Being deemed essential business activities, the Group's chemical manufacturing and transport logistics operations remained operating during MCO.

#### Protecting the safety of the Employees

The safety of BKB Group's employees was a priority and all OCs were quick to procure Personal Protective Equipment ("PPE") for employees as a safeguard against infection and implemented social distancing, with some 50% of BKB Chemical Group's supporting departmental workforce worked from home ("WFH") during the initial MCO. Employees deemed critical to plant operations continued to work on a rotational basis to ensure the manufacturing of essential products and supported by onsite meal deliveries to minimise their contact with public. Temperature testing, contact tracing, reducing contact activities and use of video conferencing to replace physical meetings were other measures taken.

#### Supporting the Customers

As our main chemicals are used in disinfectants and in water treatment works, classified as essential products during COVID-19 pandemic, such demand was not impacted as much as other sectors. While prioritising the safety of employees, BKB Chemical Group put in place several measures to keep up production and shipments to customers in order to ensure sufficient household water supply and disinfectant production during MCO.

#### Caring for the Community

Given the urgency and shortage of COVID-19 related medical equipment, BKB donated RM250,000 to The Edge COVID-19 Equipment Fund to purchase medical equipment, such as ventilators and personnel protective clothing to hospitals.

In addition to this financial contribution, BKB Chemical Group also supplied free of charge sodium hypochlorite ("Hypo"), a disinfectant produced by Malay-Sino's plants to Ministry of Housing and Local Government ("MHGL"), for use in their "Public Disinfection Operations" at COVID-19 hotspots within the red and orange (infection) zones nationwide, which was conducted by the Fire and Rescue Department of Malaysia in collaboration with local government authorities and solid waste management concession companies. Such operations involve disinfecting public facilities such as wet markets, mosques, bus stops, alleys, community halls, government buildings, public toilets, playgrounds and for the People's Housing Programme located in the red zones.

BKB Chemical Group has pledged to provide free sodium hypochlorite to the MHGL to supply the states of Perak, Negeri Sembilan and Terengganu. To-date, 52,000 litres Hypo have been supplied to various appointed parties, such as Bomba and local councils.

## Sustainability Statement (Continued)

### THE SUSTAINABILITY GOVERNANCE STRUCTURE

At BKB, the Board of Directors (“Board”) drives the sustainability approach by embedding sustainability matters into BKB Group’s business strategies. Guided by the Board, the Group’s Risk Management Committee is led by BKB Managing Director to oversee the overall implementation and management of sustainability initiatives under a Sustainability sub-Committee, chaired by the Chief Financial Officer.

The Sustainability sub-Committee, which is consist of the Chief Financial Officer, the BKB Chemical Group’s Managing Director, the respective OC’s General Manager and various departments, is responsible to monitor the implementation of the Board’s strategic sustainability direction and oversee the preparation of this annual Statement. The respective General Managers manage the risks and opportunities within their respective OCs and report their achievements and improvement opportunities to the BKB Chemical Group’s Managing Director on a monthly basis via a scorecard system.

BKB Group’s Sustainability Governance structure is as follows:



### THE SUSTAINABILITY FRAMEWORK

BKB Group will continue to keep Sustainability at the heart of its business.

#### Stakeholder Engagement

In order to have a clear understanding of stakeholders’ needs and interests, BKB Chemical Group’s approach to Sustainability takes into consideration the impact of its activities to stakeholders and their expectations. In financial year 2020, a wide range of key stakeholders were engaged through various channels:

Key Stakeholder Group	Engagement Approach
Government Authorities and Regulators, Industry Associations	Site visits and inspections
	Two-way dialogue through organised seminar
Investors and shareholders, Fund Managers, Bankers	Annual General Meeting and Annual Report
	Quarterly Announcements
	Corporate website
	Site visits
	Active correspondences to address queries, press release and interviews
Customers/Vendors	Meeting, interview, phone call and correspondence via email
	Customer Satisfaction Assessment
	Site visits
	Product training

## Sustainability Statement (Continued)

### THE SUSTAINABILITY FRAMEWORK (Continued)

Key Stakeholder Group	Engagement Approach
Employees and Management*	Town-hall meetings
	Workshop discussion, briefing and training
	Various operational and committee meetings
	Get-together events and sporting activities
	Annual Appraisal

Note\* - In 2020, these engagements were hampered by the COVID-19 pandemic and mass communication to employees were conducted via email and posted notices.

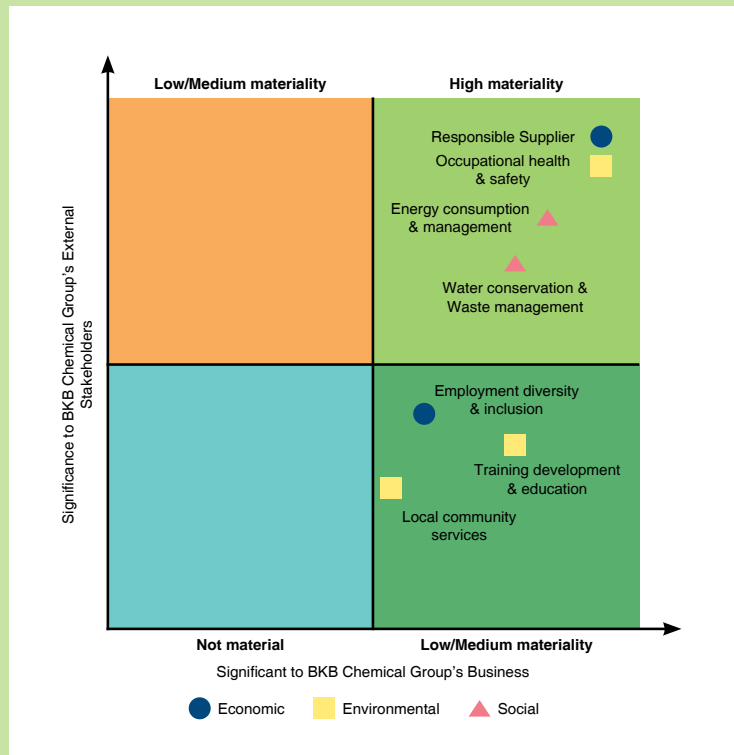
#### Materiality Matrix

This year, the BKB Chemical Group's material sustainable matters remain the same as previously-identified and prioritised sustainable matters, based on questionnaires and feedback sessions conducted in 2019. The Materiality Matrix is as illustrated.

The material sustainability matters formed the basis of an agreed set of Key Result Areas which are used to report on sustainability performance.

In the following section, the BKB Chemical Group reports on its performance in greater detail based on the environmental, economic and social impacts, risks and opportunities within the eco-system of the organisation.

Note: The Materiality matrix is derived from engagements with internal stakeholders.



### BUSINESS PERFORMANCE OF BKB CHEMICAL GROUP

#### Environmental

In December 2019, all the BKB Chemical Group manufacturing plants were accredited with ISO14001 certification for Environmental Management System to reduce environment impact from their activities, products and services through continual assessments, as well as adopting continuous improvement in waste management and waste generation ("Reduce, Reuse, Recycle") as part of their journey towards Operational Excellence ("Opx"). The BKB Chemical Group manufacturing plants are committed to making a contribution to United Nation Sustainable Development Goal ("UN SDG") No 7 on Affordable and Clean Energy and UN SDG No 12 on Responsible Consumption and Production.

## Sustainability Statement (Continued)

### BUSINESS PERFORMANCE OF BKB CHEMICAL GROUP (Continued)

#### Environmental (Continued)

##### Energy Consumption

Electricity is the major cost component in the chlor-alkali business and the BKB Chemical Group understands that tackling energy consumption is important not only to its financial bottom line through increased efficiency, but also helps conserve limited natural resources. Electricity consumption efficiency remains satisfactory in the past few years.

As part of the BKB's Chemical Group Green Initiative, its Kemaman plant is implementing an on-site 10.4 MW power generation ("Co-generation") project, for more efficient energy generation as it substantially reduces carbon footprint compared to generating steam alone and importing electric power from the Grid. This project is due for completion and commissioning in December 2020.

Another Green Initiative in the BKB Chemical Group is investing in more efficient electrolyser process technology for its chlor-alkali operations over the next twenty-four (24) months. Such new investment will enhance energy efficiency by reducing energy consumption per unit product produced.

For our transportation logistics companies, through use of fleet management and monitoring system, diesel fuel consumption is being monitored for all its trucks resulting in some recent improvements.

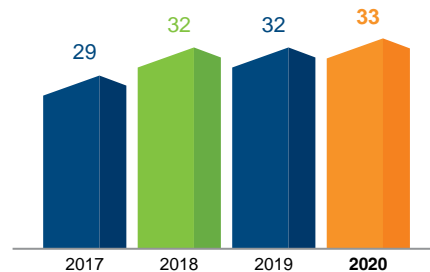
##### Water Conservation and Waste Management

Water is one of the vital components of life and is an essential ingredient for the nourishment of all life. Water conservation in the BKB Chemical Group involves the careful use and preservation of water supply and includes both the quantity and quality of water used. At the same time, BKB Chemical Group ensures all its sites operate with full compliance to the Environmental Quality Act 1974 at all times and the efficiency of water conservation is satisfactorily maintained.

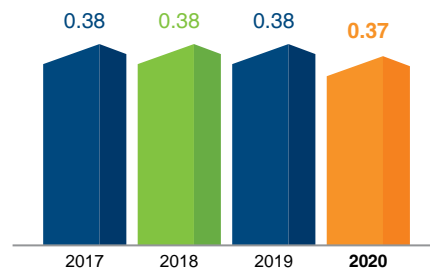
In 2020, the reprocessing and reuse of waste water back into production remains at 6%, equivalent to 74,414 cubic meters of water.

Malay-Sino Kemaman plant participated in the E-Waste Collection Campaign Week which was jointly organised by Majlis Perbandaran Kemaman and the Department of Environment. During the campaign period, several trainings were conducted to disseminate information regarding the characteristics of E-Waste as well as the proper disposal methods. Employees and contractors actively participated in the event and successfully collected a total amount of 3,570 kg of used computer parts and accessories, fused floodlight, old television sets and household appliances such as kettle, blender, vacuum cleaner, electric sewing machine and rice cooker. These contributed items were then collected by an authorised E-Waste Recycler appointed by Majlis Perbandaran Kemaman.

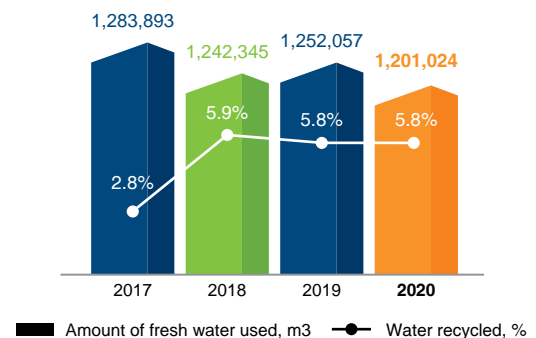
**Electricity Consumption**  
Electricity Consumed (excluding electrolyser),  
Million kWh



**Fossil Fuel Consumption**  
Diesel consumption, litre/km



**Water Conservation**





## Sustainability Statement (Continued)

### BUSINESS PERFORMANCE OF BKB CHEMICAL GROUP (Continued)

#### Economic

In the BKB Chemical Group, responsible manufacturing is a focus.

#### Responsible Supplier

Customers are important stakeholders. The BKB Chemical Group continuously strives towards improving its products and services via a motivated workforce, and work to foster long-term customer relationships while enhancing customer satisfaction. A target of at least 85% customer satisfaction rate was set and achieved in both 2019 and 2020 with number of customer complaints remaining at below 20 cases.

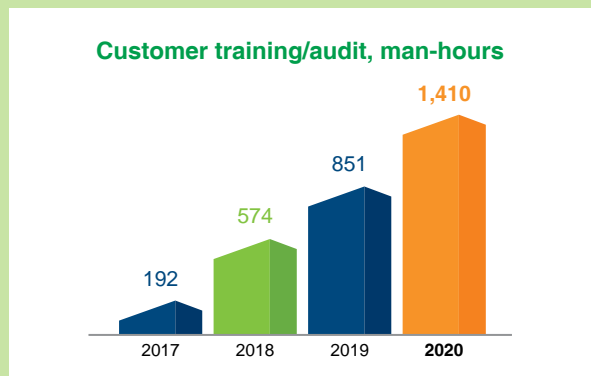
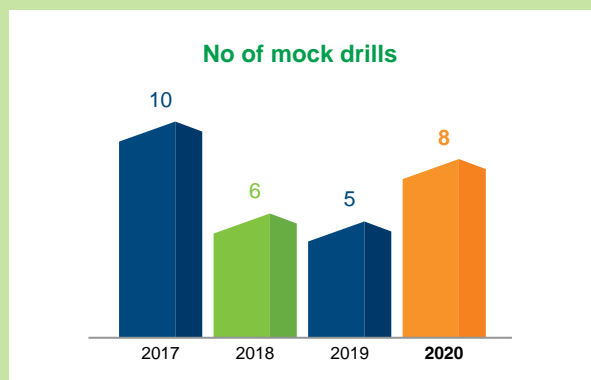
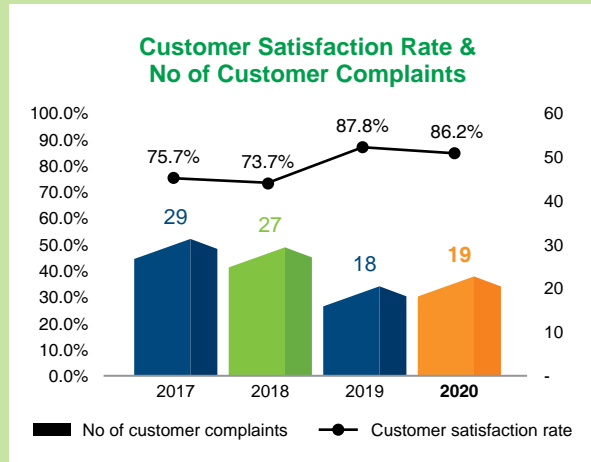
#### Customer Safety and Health Awareness

As more efforts and resources are invested in customer training to create awareness and ensure safe use of our chemical products, there has been an increase in man-hours for customer audits.

In 2020, 1,410 man-hours (2019: 851 man-hours) of training and site audits were conducted at customers' premises. In addition, there were eight (8) mock safety drills conducted at the plant premises, as more effort and resources are directed into customer safety training.

#### Employment Diversity

In 2020, the percentage of female workers in plant operations remained at 3%, the same as for the past four (4) years (2017 to 2020) while in offices, there was a slight improvement in female workers composition at 47% (2017: 42%, 2018: 43% and 2019: 44%). The BKB Chemical Group promotes diversity and encourages balanced participation of female employees in its chemical operations which is in line with UN SDG No 5 on Gender Equality. However, a common pattern in the chemical manufacturing industry is that predominantly male workers are attracted to production activities.



## Sustainability Statement (Continued)

### BUSINESS PERFORMANCE OF BKB CHEMICAL GROUP (Continued)

#### Economic (Continued)

There was a significant increase in the number of employees from local communities forming 83% of the total workforce in 2020 (2019: 67%) due to continued effort in attracting workforce talent from local communities within each State in which our chemical operations operate.

The BKB Chemical Group encourages effective communication with employees to create a stable workforce. Chemical Manufacturing has over 500 employees and communicates with them through electronic mail newsletters, bulletin boards and townhall meetings, to have two-way communication and feedback from employees to encourage improvements. In 2020, employee turnover rate was higher at 7.1% (2019: 3.2%) due mainly to eleven (11) employees retiring in Malay-Sino Lahat plant. In 2017, the relatively high turnover rate of 18.9% was due to a restructuring of the sulphuric acid business of BKB's subsidiary, See Sen, which resulted in some employees being retrenched.

Due to COVID-19 pandemic and social distancing initiatives in the plant premises, all townhall meetings have been cancelled and mass communication to employees were conducted via email and posted notices.

#### Social

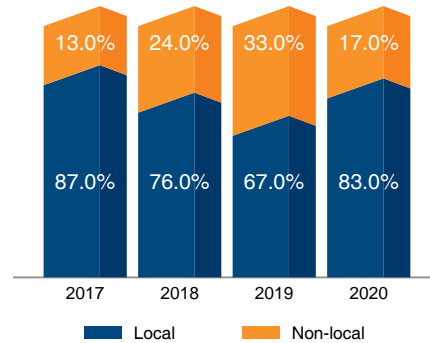
A sustainable business enriches its people and communities.

#### Occupational Health and Safety

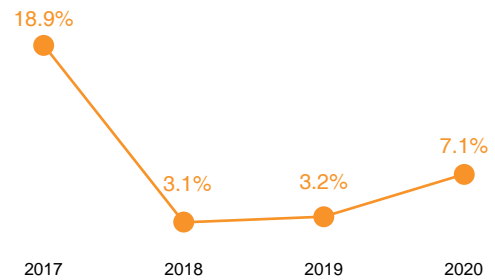
The BKB Chemical Group is committed to foster a safe and healthy workplace for all its employees and contractors, which is directly related to UN SDG No 3 on Good Health and Well-Being as well as UN SDG No 8 on Decent Work and Economic Growth. Following obtaining ISO14001 certification, all the BKB Chemical Group manufacturing plants are now embarking on obtaining certification for ISO45001:2008 on Occupational Health and Safety Management System.

An important measure of occupational health and safety is reflected in Loss Time Injuries Frequency statistics. In 2020, a subsidiary, See Sen achieved in July 2020 its 6<sup>th</sup> milestone of 2.0 million man-hours worked without Lost Time Injuries, covering the period 2017 to 2020 and involving an average of 198 direct and indirect personnel at its three (3) sites. This was a significant milestone for See Sen and the key success for this accomplishment reflects its robust safety culture and employees' commitment to uphold the highest safety and operational excellence standards. The next milestone is the target of 2.4 million man-hours worked without any Lost Time Injuries.

#### Employee Locality

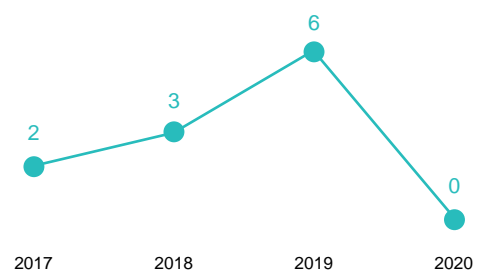


#### Employee turnover rate\*



\* For the transport logistics units, the industry norm is for truck drivers to be employed on contractual basis and therefore their data are not yet included in the above employees turnover rate.

#### No of townhall meeting



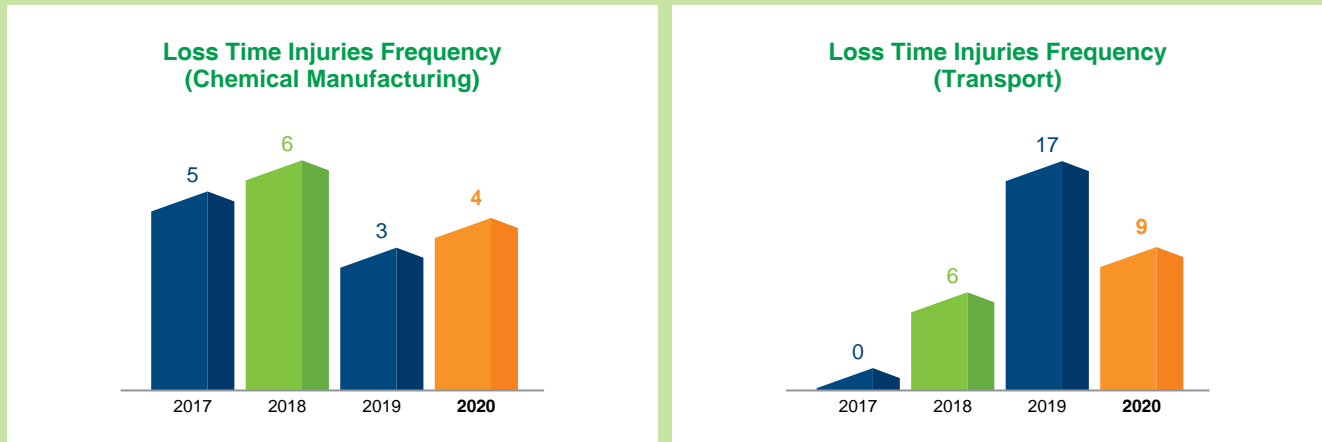
## Sustainability Statement (Continued)

### BUSINESS PERFORMANCE OF BKB CHEMICAL GROUP (Continued)

#### Social (Continued)

##### Occupational Health and Safety (Continued)

For our transport subsidiaries, Circular Agency and North South Transport, there has been a decreasing trend in Lost Time Injuries for its chemical transport logistics units, as a result of the implementation of driver fatigue management plan and imposing no vehicle movements between the high-risk accident hours (12.00am to 6.00am). These subsidiaries are also in the midst of implementing driver journey management plan to better manage trip scheduling and rostering, thus ensuring drivers having sufficient rest before their despatching.



\* Note – Loss Time Injuries Frequency Rate (LTIFR) refers to the number of lost time injuries within a stipulated accounting period, relative to the number of hours worked. Numbers shown are **NOT** the actual cases recorded.

##### Training and Professional Development

Employees are encouraged to develop their life-long careers with the BKB Chemical Group with the aim to bring forth their full potential and enabling a satisfying career for each of them. In 2020, the same average of fifteen (15) training hours per employee was set and achieved, with employees receiving a total of 23.4 training hours per employee (2019: 36.1 training hours/employee) of which 62% (2019: 42%) was related to Safety.

Employee performance reviews are conducted annually and are linked to their performance-based bonuses and incentives, which are assessed on key performance indicators/scorecards such as operation performance, health and safety records, and other corporate and individual objectives.

## Sustainability Statement (Continued)

### BUSINESS PERFORMANCE OF BKB CHEMICAL GROUP (Continued)

#### Social (Continued)

##### Local Community Services

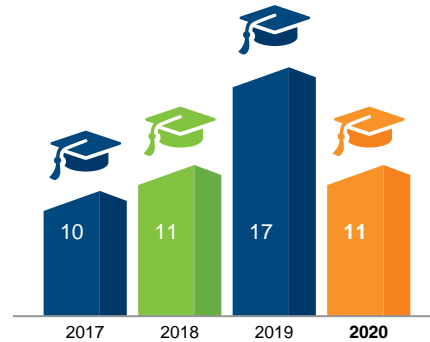
BKB Group is focusing on supporting educational programmes as part of its Corporate Social Responsibility (“CSR”) initiatives, which is in line with UN SDG No 4 on achieving Quality Education.

The BKB Chemical Group is investing in millennials and cultivating the next generation of workforce via our undergraduate internship programmes, which has the aim to expose and better prepare them for the working world when they graduate. Under these programmes, eleven (11) undergraduates were accepted in 2020 from different universities, a number lower than the seventeen (17) undergraduates interning in 2019 due to MCO.

A collaboration was formed between Sekolah Menengah Binjai Kemaman (“SMK Binjai”) and Malay-Sino Kemaman plant (“MSCIK”) under a school adoption programme since 2018, with the aim to create an avenue for school students to learn about career paths to motivate them in their studies and pursue their dreams. In 2020, due to restrictions related to the COVID-19 pandemic, the focus was shifted towards assisting SMK Binjai to set up counseling and computer training rooms. Painting resources and infrastructure, such as partitions and lightings, were donated and installed by MSCIK personnel. The OC also donated computer tables, chairs and five (5) units computers. In 2020, MSCIK employees contributed ninety (90) volunteer hours to carry out these activities at SMK Binjai.

In February 2020, our Malay-Sino Lahat plant had an outreach educational programme with nearby SJKC Bukit Merah through cash sponsorships of ten (10) selected underprivileged students. In addition to educational programmes, as a caring corporation, the BKB Chemical Group also reaches out to the society via its philanthropic activities, aimed at the less fortunate where it can make a difference and its employees can participate voluntarily to give back and enrich themselves in the process. However in 2020, these activities were hampered by the COVID-19 pandemic.

Undergraduate internship/year



## Corporate Governance Overview Statement

The Board of Directors (“Board”) of **Batu Kawan Berhad** (“BKB” or “Company”) recognises corporate governance as a form of self-regulation intended to ensure that the operations and objectives within the Group are implemented and conducted with a view towards enhancing corporate accountability, sustainability and long-term business prosperity to safeguard the interests of stakeholders. The Board takes further steps to strengthen the corporate governance and internal controls of the Group to ensure that a higher standard of corporate governance is adopted throughout the Group.

The Board is pleased to present this overview of the Group’s state of corporate governance practices during the financial year ended 30 September 2020. This overview statement explains how BKB Group has applied the three (3) principles set out in the Malaysian Code on Corporate Governance 2017 (“MCCG”):

- (a) Board leadership and effectiveness;
- (b) Effective audit and risk management; and
- (c) Integrity in corporate reporting and meaningful relationship with stakeholders.

This statement should be read together with the Corporate Governance Report of the Company which is available on the Company’s website, [www.bkawan.com.my](http://www.bkawan.com.my).

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

#### I. Board Leadership

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

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

#### Responsibilities and Key Duties of the Board

The roles and responsibilities of the Board as set out in the Board Charter include, but are not limited to the following:

- (a) overseeing the development and implementation of corporate strategies and control systems of the Group;
- (b) ensuring corporate accountability to the shareholders by maintaining effective shareholders communications strategy;
- (c) ensuring effective risk management, compliance and control systems (including legal compliance) are in place;
- (d) ensuring the integrity of the financial and non-financial reporting of the Group;
- (e) annual review of succession planning for business continuity;
- (f) delegation of day-to-day management of the business to the Managing Director and Management;
- (g) embedding sustainability and corporate responsibility practices as part of Group strategy; and
- (h) promoting good corporate governance culture within the Company based on the principles of transparency, objectivity and integrity.



## Corporate Governance Overview Statement (Continued)

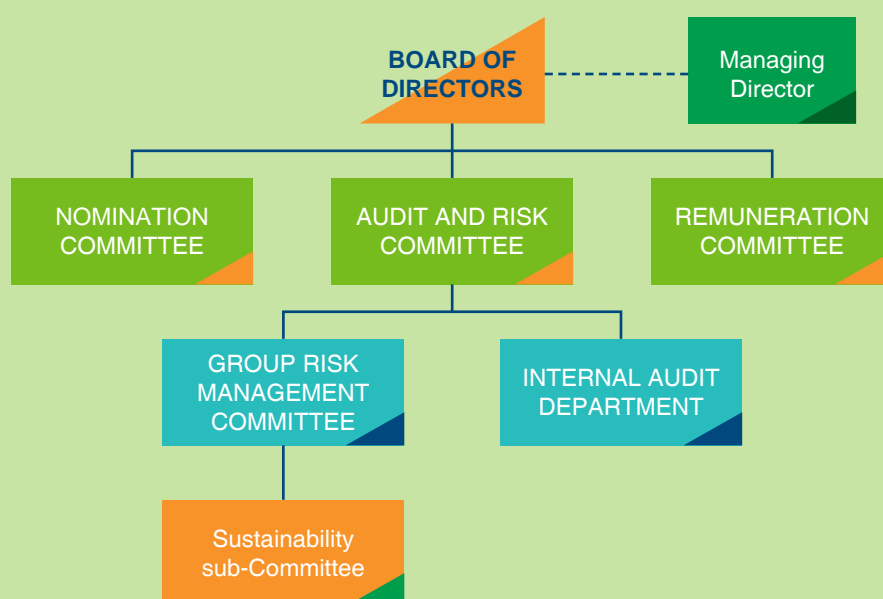
### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Continued)

#### I. Board Leadership (Continued)

##### Responsibilities and Key Duties of the Board (Continued)

The Board delegates certain of its governance responsibilities to Board Committees, i.e. the Audit and Risk Committee, Nomination Committee and Remuneration Committee, which operate under their clearly defined terms of reference. The Chairmen of the respective Committees report to the Board the outcome of deliberations of the Committee meetings for final decisions.

The governance structure of the Board is illustrated below:



The Board meets at least four (4) times a year, with additional meetings convened as and when necessary. During the financial year ended 30 September 2020, a total of four (4) Board meetings were held. The details of attendance of each Director at the Board meetings are as follows:

Name of Directors	Number of Meetings	
	Held	Attended
Tan Sri Dato' Seri Lee Oi Hian	4	4
Dato' Lee Hau Hian	4	4
Dato' Yeoh Eng Khoon	4	4
Mr. Quah Chek Tin	4	4
Tan Sri Rastam Bin Mohd Isa	4	4
Dr. Tunku Alina Binti Raja Muhd Alias	4	4

The Board is satisfied with the level of commitment given by the Directors in carrying out their responsibilities which is evidenced by the attendance record of the Directors above.

None of the Directors hold more than five (5) directorships each in listed corporation which ensures that they devote sufficient time to their duties as Directors.



## Corporate Governance Overview Statement (Continued)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Continued)

#### I. Board Leadership (Continued)

##### Code of Conduct for Directors and Code of Conduct and Ethics ("Codes")

The Board has formalised Code of Conduct for the Directors and Code of Conduct and Ethics for the Company which govern the underlying core ethical values and commitment to high standards of integrity, transparency, accountability and corporate social responsibility as well as to promote good business conduct and to maintain a healthy corporate culture that engenders integrity, transparency and fairness in BKB. These Codes provide commitment to ethical values through the key requirements relating to conflict of interest, public representation, insider trading, confidentiality of information and compliance with law and regulations.

The Codes are made available on the Company's website, [www.bkawan.com.my](http://www.bkawan.com.my).

##### Roles of Chairman and Managing Director

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

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

##### Company Secretaries

The Board is supported by in-house suitably qualified and competent Company Secretaries. One (1) of them is a member of Malaysian Institute of Accountants whilst the other two (2) are members of the Malaysian Institute of Chartered Secretaries & Administration. All Directors have access to the advices and services of the Company Secretaries. The Company Secretaries are responsible for ensuring the Group's adherence and compliance with the relevant statutory and regulatory requirements. They ensure that deliberations at Board and Board Committees are properly documented and subsequently communicated to the relevant Management for their further actions.

##### Supply of and Access to Information and Advice

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

All Directors are provided with an agenda and a set of Board papers to Board meetings at least seven (7) days prior to the meetings. This would give sufficient time to the Directors to obtain further explanation/clarification, where necessary, in order to be properly briefed before the meeting. The Board papers include, amongst 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;
- minutes of meetings of all Board Committees; and
- minutes of previous Board meetings.

Monthly reports on the financial performance of the Company and the Group are also provided to the Directors for their information. All proceedings of meetings which include all material deliberations and recommendations are properly minuted and filed in the statutory records of the Company, which is accessible by the Directors at all times. Notices on the closed periods for dealings in the shares of the Company are circulated to all Directors and principal officers of the Company in order for them to make necessary disclosure to the Company in advance of whenever the closed period is applicable.

## Corporate Governance Overview Statement (Continued)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Continued)

#### I. Board Leadership (Continued)

##### Supply of and Access to Information and Advice (Continued)

In recognising the importance of sound and timely information flow to Board effectiveness, all announcements made to Bursa Malaysia Securities Berhad ("Bursa Malaysia") will be circulated to all Directors on the day the announcements are released. Copies of Director's notices on changes of Director's interests and other directorships will also be given to the other Directors of the Company within the timeframe prescribed by the regulations. Senior Management is requested to attend Board meetings to present and provide additional information on matters being discussed and to respond to any queries that the Directors may have.

##### Group Anti-Corruption Policy

The Group is committed to fostering an anti-corruption culture and to ensuring that its activities and business transactions are open, transparent and are conducted in compliance with policies and laws which govern its operations in every country in which it operates. During the year, the Group has formalised the Group Anti-Corruption Policy and its Standard Operating Procedures ("SOP") which set out the Group's stance on corruption and bribery, and to guide the Group's employees and associated persons to act professionally, fairly and with integrity in all business dealings and relationships.

The Group Anti-Corruption Policy and SOP which are guided by the Guidelines on Adequate Procedures issued pursuant to Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018, applies to all directors, officers, trustees, partners, employees and persons associated with the Group. Details of the Group Anti-Corruption Policy are available on the Company's website, [www.bkawan.com.my](http://www.bkawan.com.my).

##### Group Whistleblowing Policy

The Company has adopted a Group Whistleblowing Policy whereby the whistleblowers can raise concerns in confidence, and to ensure proportionate and independent investigation is duly conducted and follow-up action is taken. The whistleblowing channel has been created to help stakeholders raise their concern, without fear of retaliation and provide protection from reprisals and victimisation in respect of whistleblowing done in good faith. Stakeholders can also raise or report concerns about any issue or suspicion of unethical conduct and corporate misdemeanours of corrupt practices and bribery. All concerns should be addressed to the immediate superior or BKB Managing Director, or to the Audit and Risk Committee Chairman for concerns which cannot be resolved through normal channels of the immediate superior or BKB Managing Director. The policy is made available on the Company's website, [www.bkawan.com.my](http://www.bkawan.com.my).

##### Directors' Training

The Board acknowledges that continuous education is essential for the Directors to keep abreast with the dynamic environment in which the Group operates. The Directors are mindful that they should continue to update their skills and knowledge to maximise their effectiveness as Directors during their tenure.

## Corporate Governance Overview Statement (Continued)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Continued)

#### I. Board Leadership (Continued)

##### Directors' Training (Continued)

For the financial year 2020, the Directors have attended various seminars, courses and training to keep abreast with the developments on a variety of areas relevant to the Group's business. These seminars and training programmes range across many areas, which include leadership management, corporate governance, risk management and internal control, financial reporting, tax, strategic planning, developments in the palm oil industry, finance and economic outlook, and emerging technology. To keep the Directors and Senior Management apprised of the implications of Corporate Liability provision of the Malaysian Anti-Corruption Commission (Amendment) Act 2018, the Company had invited Deloitte Risk Advisory Sdn Bhd to conduct in-house training for both its Directors and Senior Management on this subject. The conferences, seminars and training programmes attended by Directors were as follows:

Conference/Seminar/Workshop	Presenter/Organiser
Briefing on Enterprise Risk Management	BDO PLT (In-house)
Briefing on Section 17A of the Malaysian Anti-Corruption Commission Amendment Act 2018	Deloitte Risk Advisory Sdn Bhd (In-house)
Palm Oil Supply & Demand Outlook Conference	Council of Palm Oil Producing Countries
Permodalan Nasional Berhad Corporate Summit 2019	Permodalan Nasional Berhad
CGS – CIMB 12th Annual Malaysia Corporate Day	CGS – CIMB Securities Sdn Bhd
Pakistan Edible Oil Conference	Pakistan Vanaspati Manufacturers Association
LSE Recode Tech Conference	LSE Alumni Society of Malaysia and Bank Negara Malaysia
"Optimism on the Past, Pessimism in the Future" by Dame Minouche Shafik	Sunway University
Dialogue with Finance Minister of Malaysia: Re-inventing the Malaysian Business Landscape Post-MCO	Kuala Lumpur Business Club
Dialogue with Finance Minister of Malaysia: Fiscal Priorities & Policy Response under a COVID-19 Economic Landscape	Maybank Investment Bank
Corporate Liability Provision (Section 17A) of the Malaysian Anti-Corruption Commission Act 2009	Bursa Malaysia Berhad
Resetting the Trust Compass	Institute of Corporate Directors Malaysia
Sustainable Palm Oil in Food & Health	Malaysian Palm Oil Council & School of Pharmacy, Monash University Malaysia
Sustainability Development Goals Summit	United Nations
MPI MS 370001 & S17A of the Malaysian Anti-Corruption Commission Act 2009	SIRIM
The Age of Regenerative Economy	Aichmi Group Sdn Bhd
Governance 4.0 and Digital Transformation Era for Corporate Leadership	Institute of Corporate Directors Malaysia
How to be a better Non-Executive Directors	Institute of Corporate Directors Malaysia
The Role of the Remuneration Committee/Defining KPIs for the E in ESG	Fidelio Partners and Chapter Zero
Women in Leadership 2020: Current Affairs Roundtable Sustainability and Leadership	Leadwomen
Digital Plantations & Optimisation for High Yields	Malaysian Oils Scientists & Technologists Association
Risks: A Fresh Look from the Board's Perspective	Sir Howard Davies – FIDE Forum

## Corporate Governance Overview Statement (Continued)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Continued)

#### I. Board Leadership (Continued)

##### Directors' Training (Continued)

Conference/Seminar/Workshop	Presenter/Organiser
Challenges of Investing in Asia during the COVID-19 crisis	Asia Business School – SEACEN
Board and Executive Pay During and Post COVID-19	ICLIF-Asia Business School
Tax Implications for Debt Restructuring	Boardroom Corporate Services
Challenging Times: What Role must the Board play?	FIDE Forum
Market Outlook: Navigating the COVID-19 Crisis	Stashaway Academy
The Epidemiology and Economics of Coronavirus	Sustainable Development Solutions Network
Audit Oversight Board – Conversation with Audit Committees	Securities Commission Malaysia
2020 Budget Seminar	Deloitte Tax Services Sdn Bhd
New Era of Corporate Liability under Malaysia Anti-Bribery Laws	Chew Kherk Ying, Wong & Partners
2 <sup>nd</sup> Malaysian Anti-Corruption Forum	International Strategy Institute

##### Board Charter

The Board Charter sets out the roles and responsibilities of the Board and Board Committees and the processes and procedures for their meetings. It further elaborates the division of responsibilities for the Board, Board Committees, Management, Chairman, Managing Director as well as the Independent Directors. The Board Charter is reviewed periodically and the last review was carried out in August 2020 to ensure it complies with legislation and best practices, and remains relevant and effective for good governance policies and processes.

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

##### Sustainability Strategies

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

A Sustainability sub-Committee was established in March 2019 and reports to the Group Risk Management Committee ("GRMC") chairman and other operating centres' General Managers will be co-opted as and when required.

The Sustainability Statement of the Group is disclosed on pages 41 to 49 of this Annual Report.

#### II. Board Composition

The Board currently has six (6) members, comprising five (5) Non-Executive Directors (including the Chairman) and one (1) Executive Director. With four (4) of the six (6) Directors being Independent Directors, the Main Market Listing Requirements ("Main LR") of Bursa Malaysia of at least one-third (1/3) of the Board being independent has been met. 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.

In accordance with the Company's Constitution, 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 Constitution, one-third (1/3) of the Directors, including the Managing Director, is required to submit themselves for re-election by rotation at each Annual General Meeting. All the Directors are subject to retirement at an interval of at least once in every three (3) years. The Directors who are standing for re-election and re-appointment at the forthcoming Annual General Meeting are disclosed in the notice of Annual General Meeting.

## Corporate Governance Overview Statement (Continued)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Continued)

#### II. Board Composition (Continued)

##### Independent Directors

The Board recognises the importance of independence and objectivity in the decision-making process. The Board comprises four (4) Independent Directors, one (1) of whom the Board had designated as the Senior Independent Director.

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

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

The Nomination Committee and the Board have determined that Dato' Yeoh Eng Khoon and Mr Quah Chek Tin, who have served on the Board as Independent Directors, exceeding a cumulative term of nine (9) years, remain unbiased, objective and independent in expressing their opinions and in participating in decision-making of the Board. The length of their service on the Board has not in any way interfered with their objective and independent judgement in carrying out their roles as members of the Board and Board Committees. Furthermore, their pertinent expertise, skills and detailed knowledge of the Group's businesses and operations enable them to make significant contributions actively and effectively to the Company's decision-making during deliberations or discussions.

In this respect, the Board has approved the continuation of Dato' Yeoh Eng Khoon and Mr Quah Chek Tin as Independent Directors of the Company. The Board is of the view that it is in the best position to identify, evaluate and determine whether any Independent Director can continue acting in the best interest of the Company and bringing independent and professional judgement to board deliberations.

##### Nomination Committee

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

Dato' Yeoh Eng Khoon (Chairman) – Senior Independent Non-Executive Director  
 Tan Sri Dato' Seri Lee Oi Hian – Non-Independent Non-Executive Director  
 Dr. Tunku Alina Binti Raja Muhd Alias – Independent Non-Executive Director

The Nomination Committee's key function is to establish formal and transparent policies and procedures to recruit, retain, train and develop the best available directors, and manage board renewal and succession effectively. The Nomination Committee has its own written terms of reference which deals with its authority and duties.

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

Name of Directors	Number of Meeting	
	Held	Attended
Dato' Yeoh Eng Khoon	1	1
Tan Sri Dato' Seri Lee Oi Hian	1	1
Dr. Tunku Alina Binti Raja Muhd Alias	1	1

## Corporate Governance Overview Statement (Continued)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Continued)

#### II. Board Composition (Continued)

##### Nomination Committee (Continued)

A summary of the activities of Nomination Committee in discharging its duties during the year under review is as follows:

- (1) Reviewed and assessed the performance, and made recommendations to the Board for its approval in relation to the re-election of Directors at the forthcoming Annual General Meeting ("AGM");
- (2) Reviewed the composition of the Board based on its required mix of skills, experience and other qualities which are considered important by the Board;
- (3) Reviewed the changes to the composition of the subsidiaries' boards;
- (4) Reviewed and assessed the Board and Board Committees balance of its size, structure and composition on their compliances with the provisions of the relevant guidelines and regulations;
- (5) Assessed the individual Director, overall Board and its Board Committees' performance and effectiveness as a whole;
- (6) Reviewed and assessed the independence of Independent Directors and their tenure of services;
- (7) Reviewed the succession plans of the Board and Senior Management;
- (8) Assessed Directors' training needs to ensure all Directors receive appropriate continuous development programmes; and
- (9) Reviewed and assessed the term of office and performance, and duties carried out by the Audit and Risk Committee and each of its member.

##### Board Diversity

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

The Board will strive to encourage a dynamic and diverse composition of the Board by nurturing suitable and potential candidates equipped with the competency, skills, experience, character, time commitment, integrity and other qualities in meeting the future needs of the Company. The appointment of Dr. Tunku Alina Binti Raja Muhd Alias has widen the gender diversity of the Board. The Board continues to source for suitable qualified women candidates for appointment to the Board.

##### Recruitment Process and Annual Assessment of Directors

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

The Nomination Committee continually reviews and evaluates its requirements for an appropriate mix of skills and experience to ensure the Board's composition remains relevant and optimal. The Board through the Nomination Committee, had conducted the annual assessment to evaluate the performance of the Board, its Board Committees and each individual Director through a series of questionnaires. In order to encourage open and frank evaluations, the evaluation process was managed by the Company Secretaries, who had forwarded the questionnaire to each Director, as well as collated the duly completed forms from each Director and referred the same to the Chairman of Nomination Committee on a no-name basis. Based on the findings from the Board evaluation, the Board and Board Committees, as well as the individual Directors have discharged their roles and responsibilities in accordance with their respective charters and terms of reference. The Nomination Committee further confirms that the present size and composition of the Board has the requisite competencies and capacity to effectively oversee the overall businesses and handle all matters pertaining to the Group.



## Corporate Governance Overview Statement (Continued)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Continued)

#### II. Board Composition (Continued)

##### Recruitment Process and Annual Assessment of Directors (Continued)

The Nomination Committee practices a clear and transparent nomination process which includes the identification of candidates, evaluation of suitability of candidates, meeting up with candidates, deliberation by Nomination Committee and recommendation to the Board.

The Nomination Committee also provides an orientation and education programme including plant visits guided by Management, for new recruits to the Board as an integral element of the process of appointing new Directors.

#### III. Remuneration

##### Remuneration Policy for Directors and Senior Management

The Board has put in place a formal Remuneration Policy to determine the remuneration of Directors and Senior Management, which takes into account the demands, complexities and performance of the Company as well as skills and experience required. The objective of this policy is to help attract, recruit, retain and reward high performing, experienced and qualified Directors and Senior Management by providing remuneration commensurate with the responsibilities of their positions and their contributions, be competitive in the industry, and encourage value creation for the Company by aligning the interests of Directors with the long-term interests of shareholders. The Remuneration Policy of the Company is made available at the Company's website, [www.bkawan.com.my](http://www.bkawan.com.my).

##### Remuneration Committee

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

Dato' Yeoh Eng Khoon (Chairman) – Senior Independent Non-Executive Director  
 Tan Sri Dato' Seri Lee Oi Hian – Non-Independent Non-Executive Director  
 Mr. Quah Chek Tin – Independent Non-Executive Director

The Remuneration Committee is responsible for setting the policy framework and for making recommendations to the Board on remuneration and other terms of employment for the Board and Senior Management. The Remuneration Committee has a terms of reference which deals with its authority and duties. The terms of reference was reviewed and revised in the year under review.

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

Name of Directors	Number of Meeting	
	Held	Attended
Dato' Yeoh Eng Khoon	1	1
Tan Sri Dato' Seri Lee Oi Hian	1	1
Mr. Quah Chek Tin	1	1

## Corporate Governance Overview Statement (Continued)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Continued)

#### III. Remuneration (Continued)

##### Remuneration Committee (Continued)

The Remuneration Committee carries out the function established by the Board to have formal and transparent remuneration policies and procedures in order to retain Directors. In the case of the Executive Director, the various components of the remuneration are structured so as to link rewards to corporate and individual performance. The Remuneration Committee's remuneration package for the Managing Director is subject to the approval of the Board. In the case of Non-Executive Directors, the level of remuneration reflects the expertise, experience and level of responsibilities undertaken by a particular Non-Executive Director concerned. The Non-Executive Directors are paid a meeting allowance for each Board meeting they attend. Similarly, members to Board Committees are also paid a meeting allowance for each Committee meeting they attend. The Directors are also reimbursed reasonable expenses incurred by them in the course of carrying out their duties on behalf of the Company.

Details of Directors' remuneration (including benefits-in-kind) and the aggregate remuneration of Directors at the Company and Group levels during the financial year are as follows:

Category	Fees (RM'000)	Salaries (RM'000)	Incentive (RM'000)	Other Emoluments^ (RM'000)
<b>Company</b>				
<i>Executive Director</i>				
- Dato' Lee Hau Hian	-	2,940	2,750	1,115
<i>Non-Executive Directors</i>				
- Tan Sri Dato' Seri Lee Oi Hian	225	-	-	12
- Dato' Yeoh Eng Khoon	195	-	-	22
- Mr. Quah Chek Tin	175	-	-	20
- Tan Sri Rastam Bin Mohd Isa	155	-	-	18
- Dr. Tunku Alina Binti Raja Muhd Alias	170	-	-	20
<b>Group</b>				
<i>Executive Director</i>				
- Dato' Lee Hau Hian	282	2,940	2,750	1,135
<i>Non-Executive Directors</i>				
- Tan Sri Dato' Seri Lee Oi Hian	225	4,710	4,710	1,750
- Dato' Yeoh Eng Khoon	490	-	-	55
- Mr. Quah Chek Tin	175	-	-	20
- Tan Sri Rastam Bin Mohd Isa	155	-	-	18
- Dr. Tunku Alina Binti Raja Muhd Alias	170	-	-	20

^ Other emoluments include meeting allowance, overseas travelling allowance, business travel, medical, insurance claim and other claimables and reimbursables for the purpose of enabling the Directors to perform their duties.

The Board has endorsed that the Directors' fees would be held constant for three (3) years. However, to ensure that the Directors' fees align with appropriate peer groups and are measured against profits and other targets set in accordance with the Company's annual budget and plans, the Remuneration Committee reviews the Directors' fees annually.

## Corporate Governance Overview Statement (Continued)

### PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

#### I. Audit and Risk Committee

The Audit and Risk Committee of the Company comprises of four (4) Independent Non-Executive Directors. All appointments to the Audit and Risk Committee were made by the Board on the recommendation of the Nomination Committee. In determining the composition and membership of the Audit and Risk Committee, the Board takes into account factors such as size, independence and desired skills and qualities of the members. The key function of the Audit and Risk Committee is to assist the Board to assess the risks and control environment, oversee the financial reporting process, evaluate the internal and external audit process, and review any conflict of interest situations and related party transactions. The role and responsibilities of the Audit and Risk Committee are governed in its terms of reference which is approved and adopted by the Board.

The terms of reference is assessed, reviewed and updated periodically by the Audit and Risk Committee or as and when there are changes to the regulatory requirements and changes to the direction or strategies of the Company that may affect the Audit and Risk Committee's role. Upon review, the Audit and Risk Committee will recommend the changes to the Board for the latter's approval. The term of office and performance of the Audit and Risk Committee and each of its members are reviewed annually by the Nomination Committee and recommended to the Board, to ensure the Audit and Risk Committee and members have carried out their duties in accordance with their terms of reference.

#### Assessment of Suitability and Independence of External Auditors

In the third quarter of 2020, the Company's External Auditors, Messrs BDO PLT ("BDO") presented for the Audit and Risk Committee's review its 2020 Audit Planning Memorandum which outlined its engagement team, audit timeline and the areas of audit emphasis. This formed part of the Audit and Risk Committee's assessment of the suitability, objectivity and independence of BDO on an annual basis. Having regard to the outcome of the annual assessment of BDO, the Audit and Risk Committee recommended to the Board for approval to re-appoint BDO as External Auditors of the Company for the financial year ending 30 September 2021 at the forthcoming Annual General Meeting in 2021.

#### Internal Audit Function

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

The Board is of the view that the current system of internal controls in place throughout the Group is sufficient to safeguard the Group's interests. Details of the Company's internal control system and framework are set out in the Statement on Risk Management and Internal Control and Audit and Risk Committee Report of this Annual Report.

#### Corporate Ethics and Integrity

Taking cognisance of the introduction of corporate liability by the Malaysian Anti-Corruption Commission (Amendment) Act 2018, the Group has taken various proactive actions to strengthen the Group's internal processes and practices during the financial year under review in order to ensure that it has adequate procedures in place to prevent persons associated with the Group from undertaking corrupt conduct. In addition, the Internal Audit Department has also conducted a corruption risk assessment review to assessed and identified vulnerable processes and risk factors that may require mitigation controls to address potential bribery and corruption practices. Respective Operating Centre's Human Resource personnel conducted anti-corruption training to all level of employees in order to create awareness of the policies and procedures set out in the newly formalised Group Anti-Corruption Policy and SOP.

The Group believes that robust risk management is an important element to mitigate bribery and corruption risks. Effective risk management enables the identification of emerging sustainability risks and the execution of action plans to minimise any identified risks. To this end, the Group will review the Group's anti-bribery and corruption programme every three (3) years to assess the performance, efficiency and effectiveness of the Group's anti-bribery and corruption processes and risk management system.

## Corporate Governance Overview Statement (Continued)

### PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (Continued)

#### II. Risk Management Framework

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

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

- (a) Group's risk registers and risk consequence rating parameters for the financial year 2020;
- (b) Group's significant risk and Management actions;
- (c) Group's risks profile summary;
- (d) Top 20 operational risks by the operating centres;
- (e) Group's headline risks and risk changes;
- (f) Chemical Group Graphical Risk Profile Matrix, and High and Significant Risks updates;
- (g) Corruption Risk Profile for year 2020;
- (h) Chemical Group Business Continuity Plan for COVID-19;
- (i) Sustainability reporting; and
- (j) Group's HSE performance and notable incidents.

### PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

#### I. Board's responsibilities to stakeholders

Shareholders represent an important group of stakeholders of the Company as they have a direct financial interest in the Company and they delegate the responsibility of managing the Company to the Directors of the Company. The Company also realises that the sustainable running of the Company is not only achieved by maximisation of the shareholders' value but also by the value the Company brings to all its other stakeholders (e.g. employees, customers, business partners, regulators, etc.). It is the Board's responsibility to develop and implement a communication policy which effectively articulates the operations of the Company to its stakeholders.

##### Effective Dissemination of Information

Announcements and release of financial results on a quarterly basis are posted on the Company's website, which will provide the shareholders and the investing public with an overview of the Group's performance and operations. The Company's website is freely accessible to the public at [www.bkawan.com.my](http://www.bkawan.com.my) and the Directors welcome feedback channelled through the website.

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

##### Compliance with Applicable Financial Reporting Standards

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

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

## Corporate Governance Overview Statement (Continued)

### PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (Continued)

#### I. Board's responsibilities to stakeholders (Continued)

##### Compliance with Applicable Financial Reporting Standards (Continued)

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 applicable financial reporting standards in Malaysia which the Audit and Risk Committee has discussed and agreed with the External Auditors to be applicable have been followed, subject to any explanations disclosed in the notes to the financial statements.

##### Corporate Disclosure Policy and Procedures

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

The Corporate Disclosure Policy and Procedures is available on the Company's website, [www.bkawan.com.my](http://www.bkawan.com.my).

#### II. Conduct of General Meetings

##### Shareholders' Participation at AGM

The AGM which is held in February each year, provides a means of communication with shareholders. The Company despatches its Annual Report to shareholders at least twenty-one (21) days before the meeting. This allows the shareholders to thoroughly review the Annual Report as well as make necessary arrangements to attend the meeting and participate in person or by corporate representative, proxy or attorney. Shareholders who are unable to attend are allowed to appoint a proxy to attend and vote on their behalf. Members of the Board as well as the Auditors of the Company are present to answer questions raised at the meeting.

The Board strives to ensure that shareholders are able to participate effectively at the Company's AGMs. In circumstances where there are movement controls and travel restrictions imposed by the Government, the Company has the option to conduct its General Meetings online through live streaming and remote voting using the Remote Participation and Voting Facilities. This is so provided by the Constitution of the Company which allows for General Meetings of the Company to be held using any technology or electronic means.

To strengthen transparency and efficiency in the voting process and in line with the Main LR, the Company adopted electronic poll voting at its AGM. An independent external party was appointed as scrutineers for the electronic poll voting process. The Chairman announced the voting results of all the resolutions tabled before the closure of the AGM and the outcome of the AGM is released to Bursa Malaysia on the same meeting day. The summary of the AGM proceedings is available on the Company's website, [www.bkawan.com.my](http://www.bkawan.com.my).

##### Effective Communication and Proactive Engagements

At the Fifty-Fifth AGM of the Company held on 18 February 2020, all six (6) Directors were present in person to engage directly with the shareholders at the meeting. The proceedings of the meeting included the Questions and Answers sessions during the meeting which invite shareholders to raise questions pertaining to the Company's Financial Statements and other items for adoption at the meeting. The Directors, Management and External Auditors responded to the shareholders' queries. The shareholders were also provided with the Company's responses to questions submitted in advance of the meeting by the Minority Shareholder Watchdog Group before the commencement of the meeting to ensure transparency.

## Statement on Risk Management and Internal Control

### INTRODUCTION

The Board of Directors ("Board") of Batu Kawan Berhad ("BKB" or "Company"), in compliance with Paragraph 15.26(b) of Bursa Malaysia Securities Berhad's ("Bursa Malaysia") Main Market Listing Requirements, is pleased to provide the following Statement on Risk Management and Internal Control ("Statement"). Preparation of the Statement, which outlines the nature and scope of risk management and internal control of the Group during the year, is guided by 'Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers' as required by Bursa Malaysia.

### BOARD RESPONSIBILITY

The Board affirms its overall responsibility in maintaining a sound risk management and internal control system at BKB to safeguard the interests of shareholders, customers, employees and the Group's assets. The Board also recognizes that such systems are designed to manage the Group's risks within an acceptable level, rather than eliminate the risk of failure to achieve the policies, goals and objectives of the Group. It can therefore only provide reasonable, rather than absolute assurance of effectiveness against material misstatement of management and financial information, financial losses, fraud and breaches of laws or regulations. This statement does not cover associate companies and joint ventures where risk management and internal control are managed by the respective management teams.

Whilst the Board remains responsible over risk management and internal controls, the task of scrutinizing the framework is taken up by the Audit and Risk Committee ("ARC").

### CONTROL ENVIRONMENT & ACTIVITIES

#### • Risk Management Framework

A formal risk management framework has been established with the aim of setting clear guidelines in relation to the level of risks acceptable to the Group. The framework is also designed to ensure proper management of the risks that may impede the achievement of the Group's goals and objectives.

The Group has in place an ongoing process for identifying, evaluating and managing the principal risks that affect the attainment of the Group's business objectives and goals for the year under review and up to the date of approval of this statement for inclusion in the Annual report.

The ARC is supported by the Group Risk Management Committee ("GRMC"), headed by the Managing Director in overseeing the risk management efforts within the Group, and ensuring the effectiveness of the risk management policies and processes. The risk management process includes identifying principal business risks in critical areas, assessing the likelihood and impact of material exposures, determining the corresponding risk mitigation and treatment measures, ensuring appropriate mitigating actions have been implemented, and presenting key matters to the ARC for review and deliberation. Minutes of the ARC meetings which recorded these deliberations were presented to the Board for approval and notation.

These ongoing processes are co-ordinated by the Internal Audit Department in conjunction with all the business heads within the Group and periodic reporting to the GRMC.

The Group's risks relating to the Plantation sector are managed by its main subsidiary, Kuala Lumpur Kepong Berhad's own Group RMC. The principal Plantation sector risks include sustainability risks, regulatory risks, market and commodity prices risks and operational risks. These principal risks for the year ended 30 September 2020 ("FY 2020") have been reviewed by Kuala Lumpur Kepong Berhad's Board.



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

### CONTROL ENVIRONMENT & ACTIVITIES (Continued)

#### • Risk Management Framework (Continued)

The principal risks for FY 2020 have been reviewed by the Board as follows:

##### (a) Business and Operation Risks

The Group's daily business activities may be disrupted by plant breakdowns, IT systems failure, cyber-attacks and fire. To mitigate risks that may cause interruption to critical business functions, appropriate systems with adequate capacity, security arrangements, facilities and resources have been put in place, and the Emergency Response Team is properly trained to contain and control leakages or fire. The Group adhered strictly to the safety and sustainability policies which consider the changing risk landscape to manage industrial risks. To mitigate the financial impact, these plants are adequately insured.

##### (b) Regulatory Risks

The Group businesses are governed by relevant laws, regulations and standards. Each business unit adhered strictly to the legislative requirements and, as and when needed, assesses the impact of new laws and regulations affecting its businesses to ensure its processes and infrastructure setting are able to operate under new requirements.

##### (c) Financial and Credit Risks

The Group is exposed to foreign currency exchange, interest rate, credit, price and liquidity risks. With the objective of optimising value creation for shareholders, the strategies adopted to manage these risks were mostly to minimise potential adverse impact to the financial performance of the Group. These include entering into forward foreign currency exchange contracts, adherence to the guidelines on authorisation levels and approval limits, credit evaluation and controls, and financial risk management policies. There is also a constant review of economic conditions and commodity pricing to mitigate adverse implications to business operations.

##### (d) Investment Risk

The Group has embarked on various projects and investments which include spending on capital expenditures for its business units, plants and machineries, and financial market. These activities are managed through careful planning, feasibility study, thorough financial analysis, market survey, capital expenditure approvals and close monitoring by the project management team to ensure the investments are viable and meet their objectives.

##### (e) Marketing Risk

Selling prices and demand for products remain volatile and leading to greater market fluctuations, driven by the global and highly inter-connected business environment. To mitigate risks of destabilised prices of products and commodities, the Management continues to optimise supplies, to preserve product quality and to attain low production cost so that our products remain competitive in the market.

##### (f) Cyber Security Risk

The Group is exposed to the risk of malware, ransomware, unauthorised access, corruption and/or loss of its information assets. To manage these risks, controls have been put in place to manage and protect the confidentiality, integrity and availability of data and critical infrastructure. Among others, adequate IT Industrial standard network security layer equipment, encryption protocols, virus scanning tools and application are in place to protect and secure the accessibility to the Group's IT environment. Any notifications and alerts received for suspicious network traffic were investigated. Continuous security awareness trainings are provided to the employees to ensure IT security protocols are adhered to. Disaster Recovery Plan (DRP) has been implemented to recover and protect the business IT infrastructure in adverse events.

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

### CONTROL ENVIRONMENT & ACTIVITIES (Continued)

#### • Risk Management Framework (Continued)

In view of the rapidly evolving situation surrounding the COVID-19 pandemic, the Board and the Group's Management are closely monitoring and pro-actively managing this situation and its corresponding impact to business and operations.

Operationally, the Group had implemented various safety and health measures such as work-from-home during the government-imposed Movement Control Order ("MCO") period, distribution of face masks and sanitisers, travel advisory, staff communication on health awareness, temperature screening. In respect of business continuity, the Group had formulated its business continuity plan and initiated alternate work site arrangement with staggered working hours schedule for staff. Post MCO, the Group emphasises in practicing social distancing at workplace, compliance to daily temperature screening of staff and regular sanitisation for office working areas.

#### • Board Meetings

The Board meets at least quarterly and has a formal agenda on matters for discussion. The Managing Director leads the presentation of board papers and provides explanations on pertinent issues. In arriving at any decision, on recommendation by the Management, a thorough deliberation and discussion by the Board is a prerequisite. In addition, the Board is kept updated on the Group's activities and operations on a timely and regular basis.

Internal control and risk-related matters which required the review and approval of the Board were recommended by the ARC, and approval and matters or decisions made within the ARC's purview were escalated to the Board for its notation.

#### • Organisational Structures with Formally Defined Responsibility Lines and Delegation of Authority

Organisational structures with formally defined responsibility lines and authorities are in place to facilitate quick response to changes in the evolving business environment, effective supervision of day-to-day business conduct and accountability for operational performance. Capital and non-capital expenditures and acquisition and disposal of investments are subject to appropriate approval processes.

#### • Performance Management Framework

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

The Group has in place a well-defined budgeting process that supports the performance management framework.

#### • Operational Policies And Procedures

Documented policies and procedures form an integral part of the internal control systems to safeguard shareholders' investment and Group's assets against material losses and ensure complete and accurate financial information. The documents consist of circulars, the standard operating manuals and the standard policy and procedures that are continuously being revised and updated to meet operational needs.

#### • Group Whistleblowing Policy

A Group Whistleblowing Policy ("Policy") has been established to provide clarity of oversight of the whistleblowing process, protection and the confidentiality provided to whistleblowers. The Policy provides a protocol to employees and stakeholders to raise genuine possibilities of improprieties, malpractices and misconduct within the Group for remedial action. This policy is available on the Company's website at [www.bkawan.com.my](http://www.bkawan.com.my).

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

### CONTROL ENVIRONMENT & ACTIVITIES (Continued)

#### • Integrity and Anti-Corruption

As a responsible corporation, the Group has always been committed to doing business with integrity. The Group will continue to foster an anti-corruption culture and adhere to the anti-corruption laws and regulations in countries in which it operates.

In line with the Government's effort to combat corrupt acts and promote better corporate governance culture, the Group conducted an Anti-Bribery and Anti-Corruption Adequate Procedures Review (the "Review") during the financial year 2020. Amongst others, the Review entails a corruption risk assessment and gap analysis to identify any gaps as well as analyse, assess and prioritise corruption risks within the Group, as well as relevant training and awareness programmes for the Directors and employees.

The Board is kept abreast of the Group's anti-corruption initiatives and compliance programmes via periodic reporting. Where applicable, the requirements of the Group's existing policies, systems and procedures in relation to anti-bribery and anti-corruption are extended to the Group's agents, counterparties and business partners to ensure that anti-corruption and anti-bribery initiatives are applied throughout the Group's supply chain.

As part of the Group's ongoing commitment, the Group Anti-Corruption Policy had also been formalised to outline the Group's approach in combating bribery and corruption in order to guide the Group's employees and associated persons to act professionally, fairly and with integrity in all business dealings and relationships. The Group's stance in combating corruption is publicly available on the Company's website at [www.bkawan.com.my](http://www.bkawan.com.my), via the Group Anti-Corruption Policy together with the Group's Codes of Conduct and Ethics and other relevant policies and procedures.

#### • Group Internal Audit

The Internal Audit Department, which reports directly to the ARC, conducts reviews on the system of internal controls and the effectiveness of the processes that are in place to identify, manage and report risks. Their Internal Audit personnel are free from any conflict of interest with the Company. Their audit practices follow the Professional Internal Auditing Standards as prescribed by the Institute of Internal Auditors, Malaysia. Routine reviews are being conducted on operating centres under the Group's business segments. Root-cause analysis are conducted with appropriate recommendations made to address the issues and weaknesses highlighted and they are subsequently followed up upon to ensure proper implementation.

The Internal Audit Department is governed by the internal audit charter which states the purpose and scope of work, independence, responsibility and the authority accorded to the internal audit department.

### REVIEW OF STATEMENT BY EXTERNAL AUDITORS

The External Auditors have reviewed this Statement to the scope set out in the *Audit and Assurance Practice Guide ("AAPG") 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* issued by the Malaysian Institute of Accountants for inclusion in the Annual Report of the Group for FY 2020, and reported to the ARC that nothing has come to their attention that causes them to believe that the Statement intended to be included in the Annual Report of the Group, in all material respects:

- (a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on *Risk Management and Internal Control: Guidelines for Directors of Listed Issuers*; or
- (b) is factually inaccurate.

AAPG 3 does not require the External Auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board and Management thereon. The External Auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the Annual Report will, in fact, remedy the problems.

**Statement on Risk Management and Internal Control** (Continued)**ADEQUACY AND EFFECTIVENESS OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM**

The Board has reviewed the adequacy and effectiveness of the Group's risk management and internal system for the year under review and up to the date of approval of this Statement for inclusion in the Annual Report, and is of the view that the risk management and internal control system is operating satisfactorily and no material losses were incurred as a result of internal control weaknesses or adverse compliance events.

The Managing Director and Chief Financial Officer have provided assurance to the Board that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects. The Management will continue to review and take measures to ensure the on-going effectiveness and adequacy of the system of risk management and internal controls, so as to safeguard shareholders' investments and the Group's assets.

This Statement was approved by the Board of Directors on 10 December 2020.

## Audit and Risk Committee Report

The Board is pleased to present the report of the Audit and Risk Committee for the financial year ended 30 September 2020.

The Audit Committee of Batu Kawan Berhad ("BKB") was established in 1993. In 2018, the Audit Committee was renamed the 'Audit and Risk Committee', to align with the expanded functions of the Audit Committee to include risk oversight responsibilities. The terms of reference of the Audit and Risk Committee was also revised and expanded to include the additional roles and functions conducted by the Audit and Risk Committee. The Audit and Risk Committee will assist the Board of Directors of BKB ("Board") in carrying out, amongst others, the responsibility of overseeing the BKB Group's operating, audit, strategic and compliance risk.

### COMPOSITION AND MEETINGS

The Audit and Risk Committee comprises four (4) members, all of whom are Independent Non-Executive Directors and were appointed by the Board. The Audit and Risk Committee carried out their duties in accordance with their terms of reference.

The Audit and Risk Committee convened five (5) meetings during the financial year ended 30 September 2020. The members of the Audit and Risk Committee and their attendance at the meetings, are as follows:

Name of Directors	Number of Meetings	
	Held	Attended
Mr. Quah Chek Tin (Chairman) - Independent Non-Executive Director	5	5
Dato' Yeoh Eng Khoon - Senior Independent Non-Executive Director	5	5
Tan Sri Rastam bin Mohd Isa - Independent Non-Executive Director	5	5
Dr Tunku Alina binti Raja Muhd Alias - Independent Non-Executive Director	5	5

The Audit and Risk Committee meets regularly and the Chief Financial Officer, the Internal Auditors and occasionally, representatives of the External Auditors, normally attend these meetings. Other members of the Board may attend the meetings upon the invitation of the Audit and Risk Committee. During the year under review, the total number of meetings held included the meeting between the members of the Audit and Risk Committee and representatives of the External Auditors without the presence of Management.

The Company Secretaries are the Secretaries of the Audit and Risk Committee. The Secretaries shall maintain minutes of the proceedings of the meetings of the Audit and Risk Committee and distribute such minutes to each member of the Audit and Risk Committee and the Board.

### SUMMARY OF ACTIVITIES OF THE AUDIT AND RISK COMMITTEE

In line with the key functions in its terms of reference of the Audit and Risk Committee, the following activities were carried out by the Audit and Risk Committee during the financial year ended 30 September 2020 in the discharge of its functions and duties:

- 1) Financial Reporting
  - (a) Reviewed and reported to the Board the Group's quarterly results and year-end financial statements prior to the approval by the Board.
  - (b) Reviewed the audit reports for the Group and the Company prepared by the External and Internal Auditors and considered the major findings by the auditors and Management's response thereto.
  - (c) Reviewed the audit plans for the Group and the Company for the year which were prepared by both the External and Internal Auditors.



## Audit and Risk Committee Report (Continued)

### SUMMARY OF ACTIVITIES OF THE AUDIT AND RISK COMMITTEE (Continued)

#### 2) Risk Management and Internal Control

- (a) Reviewed the Group's procedures on internal controls and ensure that appropriate arrangements are in place for matters relating to financial reporting and financial control.
- (b) Reviewed and assessed the scope and effectiveness of the systems established by Management to identify, assess, manage and monitor financial and non-financial risks.
- (c) Reviewed the Group Risk Management Committee's meeting minutes and reports, and deliberated on the principal risks highlighted and the controls to mitigate these risks.
- (d) Reviewed the annual Statement on Risk Management and Internal Control and Internal Audit Function to be published in the Annual Report for Board's approval.

#### 3) Internal Audit

- (a) Reviewed the adequacy of the scope, functions, competency and resources of the internal audit function and ensure that it has the necessary authority to carry out its responsibilities.
- (b) Reviewed the internal audit programme and processes, the results of the internal audit programmes and processes as well as measures undertaken and ensure that where appropriate, action is taken on the recommendations of the internal audit function.
- (c) Reviewed the risk-based annual internal audit plan and its progress updates to ensure adequate scope and coverage on its activities.
- (d) Reviewed the Group's Corruption Risk Assessment exercise which assessed and identified vulnerable processes and risk factors that may require mitigation controls to address potential bribery and corruption practices.
- (e) Reviewed the formalised Group Anti-Corruption policy and procedures.

#### 4) External Audit

- (a) Reviewed the annual performance assessment, including the suitability and independence of the External Auditors. Factors taken into consideration of the assessment include:
  - (i) seeking reassurance that the auditors and their staff have no family, financial, employment, investment or business relationship with the Group (other than in the ordinary course of business); and
  - (ii) seeking from the audit firm, on an annual basis, information about policies and processes for maintaining their independence and monitoring compliance with relevant requirements, including requirements regarding rotation of audit partners and staff.
- (b) Reviewed with the External Auditors their audit plan, the nature and scope of the audit, prior to the commencement of audit and to ensure coordination with the audit firms of subsidiaries.
- (c) In the fourth quarter of 2020, BDO PLT presented for the ARC's review its 2020 Audit Planning Memorandum which outlined its engagement team, audit timeline and the areas of audit emphasis. This formed part of the ARC's assessment of the suitability, objectivity and independence of BDO PLT on an annual basis. Having regard to the outcome of the annual assessment of BDO PLT, the ARC recommended to the Board for approval to re-appoint BDO PLT as External Auditors of the Company for the financial year ending 30 September 2021 at the forthcoming AGM in 2021.
- (d) Met with the External Auditors once without the presence of the Management to exchange free and honest views and opinions on audit issues.
- (e) Reviewed with the External Auditors on the following and reported the same to the Board:
  - (i) audit report, including the key audit matters which arose during the course of the audit and subsequently have been resolved and those issues that have been left unresolved;
  - (ii) External Auditors' management letter and Management's response thereto;
  - (iii) evaluations of the system of internal controls;
  - (iv) audit approach, including coordination of audit efforts with internal auditors and assistance given by the employees to the External Auditors; and
  - (v) key significant audit findings reported by the External Auditors.

## Audit and Risk Committee Report (Continued)

### SUMMARY OF ACTIVITIES OF THE AUDIT AND RISK COMMITTEE (Continued)

- 5) Reviewed related party transactions entered into by the Group, including the review and monitoring of recurrent related party transactions for which shareholders' mandate has been granted, to ensure that:
  - (a) such transactions were carried out on normal commercial terms and were not prejudicial to the interest of the Company or its minority shareholders;
  - (b) adequate oversight over the internal control procedures with regard to such transactions; and
  - (c) compliance with the BKB Policy on Related Party Transactions.
- 6) Reviewed the Audit and Risk Committee Report before submitting for Board's approval for inclusion in the Annual Report.

### INTERNAL AUDIT FUNCTION

The Company has an independent in-house Internal Audit Department which comprises two (2) personnel whose principal responsibility is to independently assess and report to the Board, through the Audit and Risk Committee, the systems of internal control of the Company. Its main audit scope covers the operating centres under the industrial chemicals subsidiaries and other investments. The Company's Internal Audit Department is also supported by the Internal Audit Division of its subsidiary, Kuala Lumpur Kepong Berhad, which has 62 experienced audit personnel based in Malaysia and Indonesia whose audit coverage includes its operating centres in plantations, oleochemicals and property development.

The main responsibilities of the Internal Auditors are to:

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

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

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

- (i) Undertook internal audit based on the audit plan that had been reviewed and approved by the Audit and Risk Committee which includes the review of operational compliance with established internal control procedures and reliability of financial records.
- (ii) Attended budget review meetings held twice annually by the Group's Senior Management to keep abreast of strategic and operational planning issues. Discussions relating to principal and significant business risks are recorded and forwarded to the Audit and Risk Committee.
- (iii) Conducted investigations with regards to specific areas of concern as directed by the Audit and Risk Committee and the Management.
- (iv) Assessed key business risks at each business unit and performed continuous monitoring of those risks via risk validation procedures and reviewing supporting documentations.
- (v) Issued and presented quarterly internal audit report summaries to the Audit and Risk Committee during the year, on the Group's operating centres with appropriate audit recommendations.
- (vi) Conducted a Group's Corruption Risk Assessment exercise which assessed and identified vulnerable processes and risk factors that may require mitigation controls to address potential bribery and corruption practices.

Great importance is placed on effective and fair communication with auditees and other stakeholders. Open channels of communications are maintained to facilitate this. In striving for continuous improvement, the Internal Audit Department will endeavour to put in place appropriate action plans and carry out necessary assignments to further enhance the Group's systems of internal control. Its resources and manpower requirements are reviewed on a regular basis to ensure the function can carry out its duties effectively. The costs incurred for the Group Internal Audit function for the financial year ended 30 September 2020 were RM5,383,000.

## Additional Compliance Information

### UTILISATION OF PROCEEDS

There were no proceeds raised from any corporate proposals during the financial year.

### AUDIT AND NON-AUDIT FEES

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

	Group RM'000	Company RM'000
Audit Fees	2,107	130
Non-Audit Fees	141	5

### 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 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the aggregate value of the recurrent transactions of a revenue or trading nature conducted for the financial year under review between the Company and/or its subsidiaries [excluding Kuala Lumpur Kepong Berhad ("KLK") and its subsidiaries where such information is disclosed in KLK's Annual Report) with related parties is set out below, except for types of transaction with nil aggregate value:

Company	Type of Transactions	Related Party and nature of relationship	Transactions Aggregate Value RM'000
Malay-Sino Chemical Industries Sendirian Berhad ("Malay-Sino") Group	Sale and purchase of finished goods, raw materials, other products and services including transportation services	Taiko Marketing Sdn. Bhd. ("TMK") Group  <u>Interested Directors *</u> Tan Sri Dato' Seri Lee Oi Hian ("LOH") Dato' Lee Hau Hian ("LHH")  <u>Interested Major Shareholders #</u>	164,133
See Sen Chemical Berhad ("See Sen")	Purchase of raw materials, finished goods, other products and services  Sale of finished goods and other products and services	TMK Group  <u>Interested Directors *</u> LOH, LHH  <u>Interested Major Shareholders #</u>	5,584  49,068
Batu Kawan Berhad ("BKB") Group	TMK Group	TOTAL	218,785

## Additional Compliance Information (Continued)

### RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE (Continued)

Company	Type of Transactions	Related Party and nature of relationship	Transactions Aggregate Value RM'000
Malay-Sino Group	Purchase and sale of products and services which relate to core chemical business	Taiko Marketing (Singapore) Pte Ltd ["TMK(S)"]  <u>Interested Directors *</u> LOH, LHH  <u>Interested Major Shareholders #</u>	8,606
See Sen	Purchase of raw materials, finished goods, other products and services	TMK(S)  <u>Interested Directors *</u> LOH, LHH  <u>Interested Major Shareholders #</u>	-
<b>BKB Group</b>	<b>TMK(S)</b>	<b>TOTAL</b>	<b>8,606</b>
Malay-Sino Group	Sale and purchase of raw materials, finished goods, other products and services including transportation services	Chlor-Al Chemical Pte Ltd ("CAC")  <u>Interested Directors *</u> LOH, LHH  <u>Interested Major Shareholders #</u>	5,977
See Sen	Purchase and sale of products and services	CAC  <u>Interested Directors *</u> LOH, LHH  <u>Interested Major Shareholders #</u>	2,700
<b>BKB Group</b>	<b>CAC</b>	<b>TOTAL</b>	<b>8,677</b>
See Sen	Purchase and sale of products and services	Taiko Chemical Industries Sdn. Bhd. ("TCI") Group  <u>Interested Directors *</u> LOH, LHH  <u>Interested Major Shareholders #</u>	8,250
<b>BKB Group</b>	<b>TCI Group</b>	<b>TOTAL</b>	<b>8,250</b>
See Sen	Sale of electricity and provision of other chemical-based products and services	BASF See Sen Sdn Bhd ("BASF See Sen")  <u>Interested Directors *</u> LOH, LHH  <u>Interested Major Shareholders #</u>	9,753
<b>BKB Group</b>	<b>BASF See Sen</b>	<b>TOTAL</b>	<b>9,753</b>

## Additional Compliance Information (Continued)

### RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE (Continued)

Company	Type of Transactions	Related Party and nature of relationship	Transactions Aggregate Value RM'000
PT. Satu Sembilan Delapan ("PT SSD")	Sale of fresh fruit bunches ("FFB") and palm products	Kuala Lumpur Kepong Berhad ("KLK") Group	29,870
	Purchase of FFB and palm products	<u>Interested Directors *</u> LOH, LHH  <u>Interested Major Shareholders #</u>	13,199
Malay-Sino Group	Sale of finished goods and other products and services	KLK Group	-
		<u>Interested Directors *</u> LOH, LHH  <u>Interested Major Shareholders #</u>	
<b>BKB Group</b>	<b>KLK Group</b>	<b>TOTAL</b>	<b>43,069</b>

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

#### Note:

- \* Persons connected to the Interested Directors are also deemed interested in the Recurrent Related Party Transactions.
- # Grateful Blessings Foundation ("Foundation") (who holds the entire issued and paid-up capital of Grateful Blessings Inc) was founded by Tan Sri Dato' Seri Lee Oi Hian who has a deemed interest by virtue of Section 8(4) of the Companies Act 2016. However, he does not have any economic or beneficial interest in the shares of the Company as his deemed interest is held via the interest of his family members who are discretionary beneficiaries of the Foundation and whose interest is held subject to the discretion of the Foundation Council. Grateful Blessings Inc is a substantial shareholder of Di-Yi Sdn Bhd. Cubic Crystal Corporation [whose entire issued and paid-up capital is held by High Quest Anstalt (founded by Dato' Lee Hau Hian)] is a substantial shareholder of High Quest Holdings Sdn Bhd. Di-Yi Sdn Bhd and High Quest Holdings Sdn Bhd are substantial shareholders of Wan Hin Investments Sdn Berhad ("WHI") and Arusha Enterprise Sdn Bhd, major shareholders of the Company. Accordingly, all these parties are major shareholders by virtue of their deemed interests and have interest in the related recurrent party transactions.



## Additional Compliance Information (Continued)

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

### 1. See Sen

- (a) See Sen is a 61% subsidiary of BKB.
- (b) Certain BKB Directors, LHH, who is a Major Shareholder of BKB, together with Dato' Yeoh Eng Khoon (with no shareholding in See Sen), are directors of this company.
- (c) WHI, a company in which LOH and LHH have interests, is a substantial shareholder of See Sen. WHI is also a major shareholder of BKB.

### 2. TCI Group

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

### 3. TMK(S) / CAC

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

### 4. TMK Group

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

### 5. Malay-Sino Group

- (a) Malay-Sino is a 98% subsidiary of BKB.
- (b) A BKB Director, LHH is director of Malay-Sino.

### 6. BASF See Sen

BASF See Sen is a 30% associate of See Sen.

### 7. KLK Group

- (a) KLK is 47% subsidiary of BKB, following the adoption of FRS 10 *Consolidated Financial Statements* in financial year 2014.
- (b) Certain BKB Directors, LOH and LHH are major shareholders and directors of KLK.
- (c) A BKB Director and substantial shareholder, Dato' Yeoh Eng Khoon is also a director of KLK.
- (d) WHI is a major shareholder of KLK.

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## 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 2020.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries, associates and joint ventures are as disclosed in Note 42 to the financial statements.

### SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The details of the Company's subsidiaries, associates and joint ventures are as disclosed in Note 42 to the financial statements.

### SUMMARY OF RESULTS

	Group RM'000	Company RM'000
Profit before taxation	1,264,664	280,383
Taxation	(350,229)	(834)
Profit for the year	<u>914,435</u>	<u>279,549</u>
Attributable to:		
Equity holders of the Company	417,275	279,549
Non-controlling interests	<u>497,160</u>	<u>-</u>
	<u>914,435</u>	<u>279,549</u>

### DIVIDENDS

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

- a final single tier dividend of 45 sen per share amounting to RM176,560,000 in respect of the year ended 30 September 2019 was paid on 24 February 2020. The amount of RM127,681,000 was satisfied by the issuance of 7,714,894 new shares of the Company at the issue price of RM16.55 per share pursuant to Dividend Reinvestment Plan ("DRP") and the balance via cash payment of RM48,879,000; and
- an interim single tier dividend of 15 sen per share amounting to RM59,805,000 in respect of the financial year ended 30 September 2020 was paid by cash on 6 August 2020.

On 9 December 2020, the Directors declared the payment of a final single tier dividend of 40 sen per share amounting to RM158,568,000 for the year ended 30 September 2020 which will be paid on 4 March 2021. The entitlement date for the dividend shall be 22 February 2021.

### RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year except as disclosed in the statements of changes in equity, Notes 33 and 35 to the financial statements.

### ISSUED AND PAID-UP CAPITAL

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM435,951,000 to RM563,632,000 by way of issuance of 7,714,894 ordinary shares at the issue price of RM16.55 per share arising from the DRP pertaining to the final single tier dividend of 45 sen per share in respect of the financial year ended 30 September 2019.

The new ordinary shares issued rank *pari passu* in all respects with the existing ordinary shares of the Company.

## Report of the Directors (Continued)

### TREASURY SHARES

During the financial year, the Company bought back a total of 2,373,500 of its issued shares from the open market for a total cost of RM33,600,000. 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'000
October 2019	191,200	15.84	15.58	15.65	3,005
March 2020	274,600	14.78	11.00	12.73	3,508
April 2020	386,000	12.88	11.80	12.09	4,684
May 2020	108,400	14.10	12.70	13.93	1,516
June 2020	595,400	14.52	13.90	14.31	8,552
July 2020	112,200	15.08	14.60	15.06	1,696
August 2020	234,900	15.10	14.76	14.85	3,504
September 2020	470,800	15.20	15.02	15.10	7,135
	<u>2,373,500</u>				<u>33,600</u>

On 4 June 2020, the Company cancelled all its accumulated 44,130,431 treasury shares as at 15 April 2020 with carrying amount of RM632,703,000. The share capital cancelled was transferred to retained earnings in accordance with the requirements of Section 127(13) and (14) of the Companies Act 2016 in Malaysia. The Company has not made any other share cancellation nor resold its treasury shares thereafter in financial year ended 30 September 2020. As at 30 September 2020, the Company retained as treasury shares a total of 1,646,900 of its reduced issued share capital of 399,535,463. Such treasury shares are held at a carrying amount of RM23,957,000 and further details are disclosed in Note 32 to the financial statements.

The mandate given by the shareholders at the Annual General Meeting ("AGM") held on 18 February 2020 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 names of the Directors of the Company in office since the beginning of the financial year to the date of this report are:

Tan Sri Dato' Seri Lee Oi Hian  
Dato' Lee Hau Hian  
Dato' Yeoh Eng Khoon  
Mr. Quah Chek Tin  
Tan Sri Rastam Bin Mohd Isa  
Dr. Tunku Alina Binti Raja Muhd Alias

### DIRECTORS OF SUBSIDIARIES

The names of Directors of subsidiaries are set out in the respective subsidiaries' financial statements and the said information is deemed incorporated herein by such reference and made a part hereof.

## Report of the Directors (Continued)

### DIRECTORS' SHAREHOLDINGS

According to the Register of Directors' Shareholdings, the interests of the Directors who held office at the end of the financial year in the Company and its subsidiaries were as follows:

	Balance as at 1 October 2019	Additions (Disposals) Number of shares	Balance as at 30 September 2020	
<b>Company:</b>				
<b>Batu Kawan Berhad</b>				
<b>Direct interest</b>				
Tan Sri Dato' Seri Lee Oi Hian	970,355	637,973	-	1,608,328
Dato' Lee Hau Hian	1,541,530	41,914	-	1,583,444
Dato' Yeoh Eng Khoon	315,000	8,564	-	323,564
<b>Deemed interest</b>				
Tan Sri Dato' Seri Lee Oi Hian	210,335,705	6,890,719	-	217,226,424
Dato' Lee Hau Hian	209,138,980	5,915,553	-	215,054,533
Dato' Yeoh Eng Khoon	21,802,250	303,224	-	22,105,474
<b>Subsidiary:</b>				
<b>Kuala Lumpur Kepong Berhad</b>				
<b>Direct interest</b>				
Tan Sri Dato' Seri Lee Oi Hian	72,000	1,112	-	73,112
Dato' Lee Hau Hian	83,250	1,286	-	84,536
Dato' Yeoh Eng Khoon	335,000	5,176	-	340,176
Dr. Tunku Alina Binti Raja Muhd Alias	1,000	-	-	1,000
<b>Deemed interest</b>				
Tan Sri Dato' Seri Lee Oi Hian	501,372,027	7,747,469	-	509,119,496
Dato' Lee Hau Hian	501,372,027	7,747,469	-	509,119,496
Dato' Yeoh Eng Khoon	4,764,850	73,626	-	4,838,476

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 all the subsidiaries of the Company to the extent of the Company's interest in the respective subsidiaries as disclosed in Note 42 to the financial statements.

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

### DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefits (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the Group's financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except for any deemed benefits that may accrue to certain Directors by virtue of the normal trading transactions by the Group and the Company with related parties as disclosed in Note 39 to the financial statements.

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



## Report of the Directors (Continued)

### INDEMNITY AND INSURANCE COSTS

During the financial year, Directors and Officers of the Group are covered under the Directors' and Officers' Liability Insurance Policy ("the Policy") in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and Officers of the Group subject to the terms of the Policy. The total amount of directors' and officers' liability insurance effected for the Directors and Officers of the Group was RM18 million.

### OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

### OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps to ascertain that:

- (a) all known bad debts have been written off and adequate provision made for doubtful debts; and
- (b) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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

- (a) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent; or
- (b) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

- (a) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person; or
- (b) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year except as disclosed in Note 41 to the financial statements.

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 30 September 2020 have not been substantially affected by any item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

### SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Significant event during the financial year is disclosed in Note 46 to the financial statements.

## Report of the Directors (Continued)

### EVENTS SUBSEQUENT TO REPORTING DATE

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

### AUDITORS

The auditors, BDO PLT (LLP0018825-LCA & AF 0206), have expressed their willingness to continue in office.

The details of auditors' remuneration of the Company and its subsidiaries for the financial year ended 30 September 2020 are disclosed in Note 5 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors, dated 10 December 2020.

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

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

## Statements of Profit or Loss

For The Year Ended 30 September 2020

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue	4	16,078,124	16,045,591	301,403	362,743
Cost of sales		(13,890,204)	(14,223,392)	-	-
Gross profit		2,187,920	1,822,199	301,403	362,743
Other operating income		398,822	376,324	45,260	19,042
Distribution costs		(266,446)	(259,117)	-	-
Administrative expenses		(516,919)	(524,627)	(10,129)	(9,621)
Other operating expenses		(309,341)	(317,041)	(35,845)	(25,386)
Operating profit	5	1,494,036	1,097,738	300,689	346,778
Finance costs	6	(262,401)	(186,009)	(20,306)	(20,250)
Share of profits of equity accounted associates, net of tax		29,660	15,446	-	-
Share of profits of equity accounted joint ventures, net of tax		3,369	2,137	-	-
Profit before taxation		1,264,664	929,312	280,383	326,528
Taxation	9	(350,229)	(201,871)	(834)	(777)
Profit for the year		914,435	727,441	279,549	325,751
Attributable to:					
Equity holders of the Company		417,275	363,499	279,549	325,751
Non-controlling interests		497,160	363,942	-	-
		914,435	727,441	279,549	325,751
		Sen	Sen	Sen	Sen
Basic/Diluted earnings per share	10	105.3	91.7	70.5	82.1

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

## Statements of Other Comprehensive Income

For The Year Ended 30 September 2020

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Profit for the year</b>	<b>914,435</b>	<b>727,441</b>	<b>279,549</b>	<b>325,751</b>
<b>Other comprehensive (loss)/income that will be reclassified subsequently to profit or loss, net of tax</b>				
Currency translation differences	(26,087)	42,396	-	-
Share of other comprehensive income in associates	5,813	-	-	-
	(20,274)	42,396	-	-
<b>Other comprehensive (loss)/income that will not be reclassified subsequently to profit or loss, net of tax</b>				
Net change in fair value of equity instruments	(27,130)	(858,288)	(1,033)	1,877
Share of other comprehensive loss in associates	(25,038)	-	-	-
Remeasurement of defined benefit plans (Note 35)	10,583	(46,258)	-	-
	(41,585)	(904,546)	(1,033)	1,877
<b>Total other comprehensive (loss)/income for the year</b>	<b>(61,859)</b>	<b>(862,150)</b>	<b>(1,033)</b>	<b>1,877</b>
<b>Total comprehensive income/(loss) for the year</b>	<b>852,576</b>	<b>(134,709)</b>	<b>278,516</b>	<b>327,628</b>
Attributable to:				
Equity holders of the Company	389,942	(38,827)	278,516	327,628
Non-controlling interests	462,634	(95,882)	-	-
	852,576	(134,709)	278,516	327,628

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

## Statements of Financial Position

As At 30 September 2020

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Assets</b>					
Property, plant and equipment	12	7,975,054	8,066,866	476	564
Right-of-use assets	13	874,561	-	-	-
Investment property	14	46,531	47,463	-	-
Prepaid lease payments	15	-	351,082	-	-
Inventories	16	1,096,046	1,108,296	-	-
Goodwill on consolidation	17	354,637	345,127	-	-
Intangible assets	18	22,324	22,081	-	-
Investments in subsidiaries	19	-	-	1,101,107	942,886
Investments in associates	20	1,569,081	1,516,482	-	-
Investments in joint ventures	21	279,190	267,307	-	-
Other investments	22	622,439	568,733	98,896	67,562
Other receivable	23	235,671	247,772	-	-
Amounts owing by subsidiaries	19	-	-	171,704	138,346
Deferred tax assets	24	378,389	450,299	-	-
Total non-current assets		13,453,923	12,991,508	1,372,183	1,149,358
Inventories	16	2,022,895	2,188,303	-	-
Biological assets	25	129,052	99,829	-	-
Trade receivables	26	1,328,694	1,301,888	-	-
Other receivables, deposits and prepayments	27	896,745	849,579	100	47
Amounts owing by subsidiaries	19	-	-	4,861	3,731
Contract assets	28	10,276	14,867	-	-
Tax recoverable		61,296	114,107	10	13
Other investments	22	173,886	253,695	6,081	79,138
Derivative financial assets	29	98,309	34,013	-	-
Short-term funds	30	919,994	1,659,207	37	36
Cash and cash equivalents	31	3,239,756	2,317,468	168,604	183,217
Total current assets		8,880,903	8,832,956	179,693	266,182
<b>Total assets</b>		22,334,826	21,824,464	1,551,876	1,415,540
<b>Equity</b>					
Share capital	32	507,587	435,951	507,587	435,951
Reserves	33	5,393,300	5,850,081	557,367	1,091,874
		5,900,887	6,286,032	1,064,954	1,527,825
Less: Cost of treasury shares	32	(23,957)	(623,059)	(23,957)	(623,059)
Total equity attributable to equity holders of the Company		5,876,930	5,662,973	1,040,997	904,766
Non-controlling interests		6,744,349	6,457,280	-	-
<b>Total equity</b>		12,621,279	12,120,253	1,040,997	904,766
<b>Liabilities</b>					
Other payables	38	15	383	-	-
Deferred tax liabilities	24	470,666	444,586	-	-
Lease liabilities	13	128,317	-	-	-
Deferred income	34	106,564	110,320	-	-
Provision for retirement benefits	35	558,270	550,153	120	103
Borrowings	36	5,610,442	5,669,833	500,000	500,000
Total non-current liabilities		6,874,274	6,775,275	500,120	500,103
Trade payables	37	506,138	532,242	-	-
Other payables	38	758,251	879,761	10,759	10,671
Contract liabilities	28	87,821	93,010	-	-
Deferred income	34	8,419	8,196	-	-
Lease liabilities	13	29,682	-	-	-
Borrowings	36	1,310,848	1,354,002	-	-
Tax payable		40,479	41,167	-	-
Derivative financial liabilities	29	97,635	20,558	-	-
Total current liabilities		2,839,273	2,928,936	10,759	10,671
<b>Total liabilities</b>		9,713,547	9,704,211	510,879	510,774
<b>Total equity and liabilities</b>		22,334,826	21,824,464	1,551,876	1,415,540

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



## Consolidated Statement of Changes in Equity

For The Year Ended 30 September 2020

	Attributable to the equity holders of the Company								
	Share Capital RM'000	Treasury Shares RM'000	Capital Reserve RM'000	Exchange Fluctuation Reserve RM'000	Fair Value Reserve RM'000	Retained Earnings RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
At 1 October 2018	435,951	(491,740)	652,645	(42,577)	936,191	4,591,330	6,081,800	6,836,872	12,918,672
Net change in fair value of equity instruments	-	-	-	-	(398,565)	-	(398,565)	(459,723)	(858,288)
Realisation on fair value of equity instruments	-	-	-	-	2,545	(2,545)	-	-	-
Transfer of reserves	-	-	(4,988)	(181)	-	5,073	(96)	96	-
Remeasurement of defined benefit plans (Note 35)	-	-	-	-	-	(21,827)	(21,827)	(24,431)	(46,258)
Currency translation differences	-	-	68	18,094	-	-	18,162	24,234	42,396
Total other comprehensive (loss)/income for the year	-	-	(4,920)	17,913	(396,020)	(19,299)	(402,326)	(459,824)	(862,150)
Profit for the year	-	-	-	-	-	363,499	363,499	363,942	727,441
Total comprehensive (loss)/income for the year	-	-	(4,920)	17,913	(396,020)	344,200	(38,827)	(95,882)	(134,709)
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	37,663	37,663
Redemption of redeemable preference shares	-	-	10,821	-	-	(10,800)	21	(21)	-
Effect of changes in shareholdings in subsidiaries	-	-	-	-	-	(30,871)	(30,871)	(14,072)	(44,943)
Shares buy back	-	(131,319)	-	-	-	-	(131,319)	-	(131,319)
Dividends paid - 2018 final	-	-	-	-	-	(158,548)	(158,548)	-	(158,548)
- 2019 interim	-	-	-	-	-	(59,283)	(59,283)	-	(59,283)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(307,280)	(307,280)
Total transactions with owners of the Company	-	(131,319)	10,821	-	-	(259,502)	(380,000)	(283,710)	(663,710)
At 30 September 2019	435,951	(623,059)	658,546	(24,664)	540,171	4,676,028	5,662,973	6,457,280	12,120,253
Net change in fair value of equity instruments	-	-	-	-	(15,535)	-	(15,535)	(11,595)	(27,130)
Realisation on fair value of equity instruments	-	-	-	-	(446)	446	-	-	-
Transfer of reserves	-	-	(998)	-	-	998	-	-	-
Share of comprehensive income/(loss) in associates	-	-	-	2,742	-	(11,809)	(9,067)	(10,158)	(19,225)
Remeasurement of defined benefit plans (Note 35)	-	-	-	-	-	5,179	5,179	5,404	10,583
Currency translation differences	-	-	(3)	(7,907)	-	-	(7,910)	(18,177)	(26,087)
Total other comprehensive loss for the year	-	-	(1,001)	(5,165)	(15,981)	(5,186)	(27,333)	(34,526)	(61,859)
Profit for the year	-	-	-	-	-	417,275	417,275	497,160	914,435
Total comprehensive (loss)/income for the year	-	-	(1,001)	(5,165)	(15,981)	412,089	389,942	462,634	852,576
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	14,896	14,896
Redemption of redeemable preference shares	-	-	112,411	-	-	(112,411)	-	-	-
Shares buy back	-	(33,601)	-	-	-	-	(33,601)	-	(33,601)
Cancellation of treasury shares	(56,045)	632,703	-	-	-	(576,658)	-	-	-
Effect of deemed disposal of shares in a sub-subsidiary	-	-	-	1,725	-	-	1,725	(25,596)	(23,871)
Effect of deemed acquisition of shares in a subsidiary	-	-	1,461	12	877	(20,574)	(18,224)	18,224	-
Effect of changes in shareholdings in a subsidiary	-	-	-	2,649	-	(19,850)	(17,201)	17,201	-
FY2019 final dividend paid by way of:									
- issuance of new shares pursuant to DRP	127,681	-	-	-	-	(127,681)	-	-	-
- cash	-	-	-	-	-	(48,879)	(48,879)	-	(48,879)
FY2020 interim dividend paid by way of cash	-	-	-	-	-	(59,805)	(59,805)	-	(59,805)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(200,290)	(200,290)
Total transactions with owners of the Company	71,636	599,102	113,872	4,386	877	(965,858)	(175,985)	(175,565)	(351,550)
At 30 September 2020	507,587	(23,957)	771,417	(25,443)	525,067	4,122,259	5,876,930	6,744,349	12,621,279
	← Note 32 →			← Note 33 →					

← Note 32 →

← Note 33 →

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

## Statement of Changes in Equity of the Company

For The Year Ended 30 September 2020

	Share Capital RM'000	Treasury Shares RM'000	Fair Value Reserve RM'000	Capital Reserve RM'000	Retained Earnings RM'000	Total RM'000
At 1 October 2018	435,951	(491,740)	47,887	32,555	901,635	926,288
Net change in fair value of equity instruments	-	-	1,877	-	-	1,877
Total other comprehensive income for the year	-	-	1,877	-	-	1,877
Profit for the year	-	-	-	-	325,751	325,751
Total comprehensive income for the year	-	-	1,877	-	325,751	327,628
Shares buy back	-	(131,319)	-	-	-	(131,319)
Dividends paid - 2018 final	-	-	-	-	(158,548)	(158,548)
- 2019 interim	-	-	-	-	(59,283)	(59,283)
Total transactions with owners of the Company	-	(131,319)	-	-	(217,831)	(349,150)
At 30 September 2019	<b>435,951</b>	<b>(623,059)</b>	<b>49,764</b>	<b>32,555</b>	<b>1,009,555</b>	<b>904,766</b>
Net change in fair value of equity instruments	-	-	(1,033)	-	-	(1,033)
Total other comprehensive loss for the year	-	-	(1,033)	-	-	(1,033)
Profit for the year	-	-	-	-	279,549	279,549
Total comprehensive (loss)/income for the year	-	-	(1,033)	-	279,549	278,516
Shares buy back	-	(33,601)	-	-	-	(33,601)
Cancellation of treasury shares	(56,045)	632,703	-	-	(576,658)	-
FY2019 final dividend paid by way of:						
- issuance of new shares pursuant to DRP	127,681	-	-	-	(127,681)	-
- cash	-	-	-	-	(48,879)	(48,879)
FY2020 interim dividend paid by way of cash	-	-	-	-	(59,805)	(59,805)
Total transactions with owners of the Company	<b>71,636</b>	<b>599,102</b>	<b>-</b>	<b>-</b>	<b>(813,023)</b>	<b>(142,285)</b>
At 30 September 2020	<b>507,587</b>	<b>(23,957)</b>	<b>48,731</b>	<b>32,555</b>	<b>476,081</b>	<b>1,040,997</b>

← Note 32 →      ← Note 33 →

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

**Consolidated Statement of Cash Flows**

For The Year Ended 30 September 2020

	2020 RM'000	2019 RM'000
<b>Cash flows from operating activities</b>		
Profit before taxation	1,264,664	929,312
Adjustments for:		
Depreciation of property, plant and equipment	606,871	587,796
Depreciation of right-of-use assets	44,932	-
Amortisation of prepaid lease payments	-	12,635
Depreciation of investment property	950	946
Amortisation of intangible assets	3,836	3,504
Amortisation of deferred income	(8,182)	(8,188)
Impairment of property, plant and equipment	476	99,419
Impairment of prepaid lease payments	-	32,235
Impairment of investment in an associate	-	123
Impairment of other investments	309	-
Property, plant and equipment written off	15,284	2,474
Prepaid lease payments written off	-	6,025
Deferred income written off	-	(1,019)
Gain on disposal of property, plant and equipment	(1,893)	(2,090)
Surplus on government acquisition of land	(1,058)	(91,209)
Surplus on disposal of land	(83,655)	(2,513)
Surplus on deemed disposal of a sub-subsidiary	(21,147)	(210)
(Gain)/Loss on disposal of other investments	(642)	1,079
Provision for retirement benefits	51,200	49,652
Impairment of trade receivables	7,403	7,527
Trade receivables written off	-	123
Reversal of impairment of trade receivables	(5,489)	(6,766)
Impairment of other receivables	1,011	1,814
Other receivables written off	4,169	335
Impairment of plasma project receivables	10,489	-
Plasma project receivables written off	1,569	-
Write down of inventories to net realisable value	37,572	62,117
Write back of slow moving inventories	(2,800)	(3,000)
Write back of inventories previously written down to net realisable value	(13,156)	(7,624)
Finance costs	257,004	186,009
Lease interest expense (Note C)	5,397	-
Dividend income	(41,984)	(66,053)
Interest income	(122,294)	(76,551)
Exchange loss/(gain)	31,678	(17,377)
Net change in fair value of derivatives	13,519	(8,158)
Net change on fair value of biological assets	(32,138)	2,523
Net change in fair value of debt instruments	527	(1,467)
Net change in fair value of rental deposit received	49	(21)
Share of profits of equity accounted associates, net of tax	(29,660)	(15,446)
Share of profits of equity accounted joint ventures, net of tax	(3,369)	(2,137)
Operating profit before working capital changes	1,991,442	1,675,819
Working capital changes:		
Inventories	210,969	86,238
Biological assets	2,754	638
Trade and other receivables	(88,827)	(117,478)
Contract assets	4,591	33,870
Trade and other payables	(162,980)	19,612
Contract liabilities	(5,308)	36,397
Deferred income	4,500	907
Cash generated from operations	1,957,141	1,736,003
Interests received	6,418	6,072
Interests paid	(271,673)	(193,304)
Tax paid	(224,571)	(275,574)
Retirement benefits paid	(44,062)	(32,537)
Net cash generated from operating activities	1,423,253	1,240,660

## Consolidated Statement of Cash Flows (Continued)

For The Year Ended 30 September 2020

	2020 RM'000	2019 RM'000
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(726,354)	(655,381)
Net adjustments to property, plant and equipment	-	(910)
Purchase of right-of-use assets	(199,881)	-
Addition to investment property	(18)	(16)
Payments of prepaid lease	-	(9,078)
Property development expenditure	(21,545)	(7,889)
Subscription of shares in an associate	-	(7,500)
Purchase of additional shares in an associate	(41,484)	-
Subscription of shares in joint ventures	(6,936)	(7,008)
Purchase of shares from non-controlling interests	-	(46,429)
Purchase of other investments	(143,178)	(885,471)
Purchase of intangible assets	(2,689)	(3,405)
Proceeds from disposal of property, plant and equipment	5,765	34,065
Compensation from government on land acquired	1,508	92,578
Proceeds from disposal of land	84,055	-
Proceeds from deemed disposal of a sub-subsidiary, net of cash disposed (Note B)	(3,441)	-
Proceeds from disposal of shares in subsidiaries	-	2,673
Proceed from distribution by associate in liquidation	-	793
Proceeds from disposal of other investments	179,843	678,027
Decrease/(Increase) in short-term funds	735,075	(1,462,321)
Decrease/(Increase) in other receivable	1,660	(1,520)
Dividends received from associates	27,590	10,288
Dividends received from joint ventures	12,508	12,263
Dividends received from investments	41,693	79,746
Interests received	92,486	51,538
Repayment from associates	1,144	2,920
Advances to joint ventures	(10,716)	(14,015)
Advances to investee companies	(18,586)	(5,906)
Net cash generated from/(used in) investing activities	<u>8,499</u>	<u>(2,141,958)</u>
<b>Cash flows from financing activities</b>		
Term loans received (Note C)	7,284	245,468
Issuance of Islamic medium term notes (Note C)	-	2,000,000
Repayment of term loans (Note C)	(135,070)	(175,642)
Net (repayment)/drawdown of short-term borrowings (Note C)	(21,690)	160,560
Payments of lease liabilities (Note C)	(29,882)	-
Payments of lease interest (Note C)	(5,646)	-
Dividends paid to shareholders of the Company	(108,684)	(217,831)
Dividends paid to non-controlling interests	(200,290)	(307,280)
Issuance of shares to non-controlling interests	14,896	37,663
Shares buy back	(33,601)	(131,319)
Net cash (used in)/generated from financing activities	<u>(512,683)</u>	<u>1,611,619</u>
Net increase in cash and cash equivalents	919,069	710,321
Effects of exchange rate changes	(5,129)	13,338
Cash and cash equivalents at beginning of year	2,196,611	1,472,952
Cash and cash equivalents at end of year (Note A)	<u>3,110,551</u>	<u>2,196,611</u>
<b>Notes to the consolidated statement of cash flows</b>		
<b>A. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Deposits with licensed banks (Note 31)	1,623,587	1,277,741
Fixed income trust funds (Note 31)	1,010,498	328,811
Cash and bank balances (Note 31)	605,671	710,916
Cash and cash equivalents (Note 31)	<u>3,239,756</u>	<u>2,317,468</u>
Bank overdrafts (Note 36)	(129,205)	(120,857)
	<u>3,110,551</u>	<u>2,196,611</u>

## Consolidated Statement of Cash Flows (Continued)

For The Year Ended 30 September 2020

	2020 RM'000	2019 RM'000			
<b>B. Analysis of deemed disposal of shares in a sub-subsidiary</b>					
Property, plant and equipment	8	-			
Net current assets	2,716	-			
Non-controlling interests	(25,596)	-			
Exchange fluctuation difference	1,725	-			
Total assets and liabilities of a subsidiary disposed	(21,147)	-			
Surplus on deemed disposal of shares in a sub-subsidiary	21,147	-			
Total sale consideration	-	-			
Less: Cash and cash equivalents of subsidiaries acquired	(3,441)	-			
Net cash outflow on deemed disposal of shares in a sub-subsidiary	(3,441)	-			
<b>C. Reconciliation of liabilities from financing activities to the statements of financial position and statements of cash flows</b>					
	<b>Lease Liabilities RM'000</b>	<b>Term Loans RM'000</b>	<b>Short-Term Borrowings RM'000</b>	<b>Islamic Medium Term Notes RM'000</b>	<b>Total RM'000</b>
At 1 October 2018	-	647,736	946,443	3,100,000	4,694,179
Cash flows					
Term loans received	-	245,468	-	-	245,468
Repayment of term loans	-	(175,642)	-	-	(175,642)
Issuance of Islamic medium term notes	-	-	-	2,000,000	2,000,000
Net drawdown of short-term borrowings	-	-	160,560	-	160,560
Non-cash flows					
Currency translation differences	-	(21,115)	(472)	-	(21,587)
At 30 September 2019	-	696,447	1,106,531	5,100,000	6,902,978
Effect on adoption of MFRS 16	178,979	-	-	-	178,979
At 1 October 2019 (Restated)	178,979	696,447	1,106,531	5,100,000	7,081,957
Cash flows					
Term loans received	-	7,284	-	-	7,284
Repayment of term loans	-	(135,070)	-	-	(135,070)
Net repayment of short-term borrowings	-	-	(21,690)	-	(21,690)
Payments of lease liabilities	(29,882)	-	-	-	(29,882)
Payments of lease interest	(5,646)	-	-	-	(5,646)
Non-cash flows					
Addition of new lease	12,870	-	-	-	12,870
Lease interest expense	5,397	-	-	-	5,397
Currency translation differences	(3,719)	24,846	13,737	-	34,864
At 30 September 2020	157,999	593,507	1,098,578	5,100,000	6,950,084

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

## Statement of Cash Flows of the Company

For The Year Ended 30 September 2020

	2020 RM'000	2019 RM'000
<b>Cash flows from operating activities</b>		
Profit before taxation	280,383	326,528
Adjustments for:		
Depreciation of property, plant and equipment	102	121
Provision for retirement benefits	17	72
Impairment of investment in an associate	-	108
Exchange (gain)/loss	(8,699)	6,829
Finance costs	20,306	20,250
Dividend income	(292,144)	(352,805)
Interest income	(9,259)	(9,938)
Impairment on amount owing by a subsidiary	-	75
Loss on disposal of property, plant and equipment	-	9
Net fair value loss/(gain) on other investments	171	(186)
(Gain)/Loss on disposal of other investments	(6)	313
Operating loss before working capital changes	(9,129)	(8,624)
Working capital changes:		
Other receivables	30	42
Amount owing by subsidiaries	5,052	6,229
Other payables	(776)	(497)
Cash used in operations	(4,823)	(2,850)
Interests received	2,557	3,145
Interests paid	(20,250)	(20,305)
Tax paid	(44)	(74)
Net cash used in operating activities	(22,560)	(20,084)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(14)	(199)
Purchase of other investments	(54,382)	(300,534)
Proceeds from disposal of other investments	94,908	334,117
Proceeds from disposal of property, plant and equipment	-	171
Increase in investment in short-term funds	(1)	(36)
Dividends received	116,755	352,818
Proceed from distribution by an associate in liquidation	-	793
Loan to subsidiaries	(33,338)	(33,872)
Repayment from subsidiaries	542	634
Net cash generated from investing activities	124,470	353,892
<b>Cash flows from financing activities</b>		
Redemption of redeemable preference shares	26,200	15,300
Dividends paid to shareholders of the Company	(108,684)	(217,831)
Shares buy back	(33,601)	(131,319)
Net cash used in financing activities	(116,085)	(333,850)
Net decrease in cash and cash equivalents	(14,175)	(42)
Effects of exchange rate changes	(438)	605
Cash and cash equivalents at beginning of year	183,217	182,654
Cash and cash equivalents at end of year (Note A)	168,604	183,217
<b>Note to the statement of cash flows</b>		
<b>A. Cash and cash equivalents</b> (Note 31)		
Cash and cash equivalents consist of:		
Cash and bank balances	11,115	183,217
Deposits with licensed banks	157,489	-
	168,604	183,217

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



## Notes to the Financial Statements

### 1. CORPORATE INFORMATION

Batu Kawan Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of the Bursa Malaysia Securities Berhad. The registered office and principal place of business is located at Bangunan Mayban Trust Ipoh, Level 9, No. 28, Jalan Tun Sambanthan, 30000 Ipoh, Perak Darul Ridzuan.

The consolidated financial statements as at and for the year ended 30 September 2020 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in associates and joint ventures.

The principal activity of the Company is investment holding while the principal activities of the Group entities are shown in Note 42.

### 2. BASIS OF PREPARATION

#### 2.1 Statement of compliance

The financial statements of the Group have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRS during the financial year. The following new MFRSs, Amendments to the MFRSs and IC Interpretation issued by the Malaysian Accounting Standards Board ("MASB") and effective for annual periods beginning on or after 1 January 2019 were adopted by the Group during the financial year:

- MFRS 16 *Leases*
- IC Interpretation 23 *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 9 *Prepayment Features with Negative Compensation*
- Amendments to MFRS 119 *Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 128 *Long-term Interests in Associates and Joint Ventures*
- Amendments to MFRS 3, MFRS 11, MFRS 112 and MFRS 123 *Annual Improvements to MFRS Standards 2015 – 2017 Cycle*

The Group had early adopted Amendment to MFRS 16 *Covid-19-Related Rent Concessions* on 1 June 2020 and elected to apply the practical expedient to all rent concession relating to leases with similar characteristics and similar circumstances.

Adoption of the above accounting standards did not have any material effect on the financial performance or position of the Group except for the adoption of MFRS 16 as disclosed in Note 48.

The following are accounting standards and amendments that have been issued by the MASB but have not been applied by the Group.

#### Amendments to MFRSs effective for annual periods beginning on or after 1 January 2020

- Amendments to References to the Conceptual Framework in MFRS Standards
- Amendments to MFRS 3 *Definition of a Business*
- Amendments to MFRS 101 and MFRS 108 *Definition of Material*
- Amendments to MFRS 9, MFRS 139 and MFRS 7 *Interest Rate Benchmark Reform*

#### Amendments to MFRS effective for annual periods beginning on or after 17 August 2020

- Amendments to MFRS 4 *Insurance Contract - Extension of the Temporary Exemption from Applying MFRS 9*

## Notes to the Financial Statements (Continued)

### Amendments to MFRSs effective for annual periods beginning on or after 1 January 2021

- Interest Rate Benchmark Reform - Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)

### Amendments to MFRSs effective for annual periods beginning on or after 1 January 2022

- Annual Improvements to MFRS Standards 2018 - 2020
- Amendments to MFRS 3 *Reference to the Conceptual Framework*
- Amendments to MFRS 116 *Property, Plant and Equipment - Proceeds before Intended Use*
- Amendments to MFRS 137 *Onerous Contracts - Cost of Fulfilling a Contract*

### MFRS and Amendments to MFRSs effective for annual periods beginning on or after 1 January 2023

- MFRS 17 *Insurance Contracts*
- Amendments to MFRS 17 *Insurance Contracts*
- Amendments to MFRS 101 *Classification of Liabilities as Current or Non-current*

### Amendments to MFRSs effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group does not expect the adoption of the above standards and amendments to have a significant impact on the financial statements.

#### 2.2 Basis of measurement

The financial statements have been prepared under the historical cost basis other than as disclosed in Note 3.

#### 2.3 Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

#### 2.4 Use of estimates and judgements

The preparation of financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in Notes 12, 13 and 17 for measurement of the recoverable amounts of goodwill on consolidation, property, plant and equipment and right-of-use assets.

## Notes to the Financial Statements (Continued)

### 3. SIGNIFICANT ACCOUNTING POLICIES

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

#### 3.1 Basis of consolidation

##### (a) Subsidiaries

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

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

Investments in subsidiaries, which are eliminated on consolidation, are measured in the Company's statement of financial position at cost less any impairment losses, unless the investments are classified as held for sale or distribution.

##### (b) Business combinations

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

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

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

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

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

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

##### (c) Transactions with non-controlling interests

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

## Notes to the Financial Statements (Continued)

### (d) Goodwill

Goodwill arising from business combinations is measured at cost less any accumulated impairment losses.

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

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

### (e) Loss of control

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

### (f) Associates

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

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

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

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

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

## Notes to the Financial Statements (Continued)

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

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

### (g) Joint ventures

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

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

### (h) Non-controlling interests

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

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

### (i) Transactions eliminated on consolidation

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

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

## 3.2 Foreign currencies

### (a) Foreign currency transactions

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

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

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

## Notes to the Financial Statements (Continued)

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

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

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

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

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

### 3.3 Property, plant and equipment

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

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

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

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

Bearer plants are living plants that are used in the production or supply of agricultural produce, which are expected to bear produce for more than one period and have remote likelihood of being sold as agricultural produce, except for incidental scrap sales. Costs include plantation expenditures incurred from the stage of land clearing up to the stage of maturity. New planting expenditure and replanting expenditure are recognised as bearer plants and measured at cost less accumulated amortisation and accumulated impairment losses, if any.



## Notes to the Financial Statements (Continued)

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

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Bearer plants are amortised using the straight-line method over the estimated productive years. Freehold land has unlimited useful life and is not amortised. Immature bearer plants and capital work-in-progress are not amortised or depreciated. Amortisation or depreciation commences when the bearer plants mature or when the capital work-in-progress assets are ready for their intended use.

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

Bearer plants	5% per annum
Buildings	2% to 40% per annum
Plant and machinery	2% to 100% per annum
Vehicles	6.7% to 25% per annum
Equipment, fittings, etc.	2½% to 50% per annum

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

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

### 3.4 Leases

#### (a) Operating leases

Leases were classified as operating leases when the Group does not assume substantially all the risks and rewards of the ownership and the leased assets were not recognised on the statements of financial position in the previous years.

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

#### (b) Prepaid lease payments

Leases of land which in substance were an operating lease, short-term leasehold land and land use rights were classified as prepaid lease payments which were amortised over the lease period ranging from 14 to 88 years for the previous periods.

#### (c) Right-of-use assets and lease liabilities

The Group accounts for a contract, or a portion of a contract, as a lease when it conveys the right-of-use to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

- (i) there is an identified asset;
- (ii) the Group obtains substantially all the economic benefits from use of the asset; and
- (iii) the Group has the right to direct use of the asset.

The Group considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease.

In determining whether the Group obtains substantially all the economic benefits from use of the asset, the Group considers only the economic benefits that result from the use of the asset.

## Notes to the Financial Statements (Continued)

In determining whether the Group has the right to direct use of the asset, the Group considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are predetermined due to the nature of the asset, the Group considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Group applies other applicable MFRSs rather than MFRS 16.

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group reassesses the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in the lease term results in a remeasurement of lease liabilities.

All leases are accounted for by recognising right-of-use assets and lease liabilities except for:

- (i) leases of low-value assets; and
- (ii) leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate implicit in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- (i) amounts expected to be payable under any residual value guarantee;
- (ii) the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to exercise that option; and
- (iii) any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liabilities, reduced for any lease incentives received, and increased for:

- (i) lease payments made at or before commencement of the lease;
- (ii) initial direct costs incurred; and
- (iii) the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

## Notes to the Financial Statements (Continued)

When the Group revises its estimate of the term of any lease (because, for example, it reassesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the revised discount rate which is the interest rate implicit in the lease for the remaining lease term, if the rate can be readily determined, or the lessee's incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined. The carrying value of the lease liability is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining revised lease term.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- (i) if the renegotiation results in one or more additional assets being leased for an amount that commensurate with the standalone price for the additional right-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- (ii) in all other cases where the renegotiation increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount; and
- (iii) if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect partial of the full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the Group to use an identified asset and require services to be provided to the Group by the lessor, the Group has elected to account for the entire contract as a lease, i.e. it does not allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

Right-of-use assets are amortised on a straight-line basis over the shorter of the lease terms and their useful life.

Depreciation periods for the current and comparative periods are as follows:

Leasehold land	2 to 931 years
Land use rights	2 to 46 years
Buildings	1 to 30 years
Plant and machinery	2 to 10 years
Others	1 to 5 years

### 3.5 Investment property

Investment property, which is property held to earn rentals or for capital appreciation or both, is initially measured at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at cost less accumulated depreciation and any accumulated impairment losses.

## Notes to the Financial Statements (Continued)

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

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

Buildings are depreciated on a straight-line basis to write down the cost of each building to its residual value over its estimated useful life. The principal annual depreciation rates are at the range of 2% - 20%. Freehold land has unlimited useful life and is not depreciated.

### 3.6 Biological assets

#### (a) Agriculture produce

The agriculture produce growing on bearer plants of the Group comprises fresh fruit bunches ("FFB") prior to harvest and are measured at fair value less costs to sell under biological assets. Any gains or losses arising from changes in fair value less costs to sell of the produce are recognised within cost of sales in profit or loss.

Management has deliberated on the oil content of such unharvested FFB and concluded that since the oil content of unharvested FFB accrues exponentially only from 15 days prior to harvest, such unharvested FFB more than 15 days prior to harvest are excluded from valuation as their fair values are considered negligible. Therefore, quantity of unharvested FFB up to 15 days prior to harvest is used for valuation purpose. The fair value of unharvested FFB is determined based on market approach, which takes into consideration the market prices of FFB and crude palm oil, where appropriate, adjusted to the estimated oil content of unharvested FFB, less harvesting, transport and other costs to sell.

#### (b) Growing crops and livestock

Growing crops are measured at fair value which is based on the costs incurred to the end of the reporting period for these crops. As at the end of the reporting period, the yield of the crops and the future economic benefits which will flow from the crops are not fully determinable and costs incurred in relation to the crops are considered to be reasonable approximation of fair value at the date.

Livestock is measured at fair value less point-of-sale cost, with any change therein recognised in profit or loss. Fair value is based on the market price of livestock of similar age, breed and genetic make-up. Point-of-sale costs include all costs that would be necessary to sell the livestock.

### 3.7 Financial assets

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

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

The Group categorises financial assets as follows:

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

Fair value through profit or loss category comprises financial assets that are held for trading and unit trust funds, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination or financial assets that are specifically designated into this category upon initial recognition.

## Notes to the Financial Statements (Continued)

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

Investments in unit trust funds are retail investment funds which the Group and the Company do not have control over its investment directions. As such, the risk of significant change in the value of the investments is uncertain.

**(b) Financial assets at fair value through other comprehensive income (“FVOCI”)**

Financial assets at FVOCI category comprises investments in equity securities instruments that are not held for trading.

Financial assets measured at FVOCI are subsequently measured at fair values with the gain or loss recognised in other comprehensive income. On derecognition, the cumulative gain or loss recognised in other comprehensive income is not subsequently transferred to profit or loss.

**(c) Financial assets at amortised cost**

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

All financial assets, except for those measured at fair value through profit or loss and those measured at FVOCI, are subject to review for impairment (Note 3.13(a)).

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the market place concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

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

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

### 3.8 Embedded derivatives

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

### 3.9 Intangible assets

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

## Notes to the Financial Statements (Continued)

Intangible assets are amortised from the date that they are available for use. Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

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

Trade marks	-	5 to 15 years
Patents	-	7 to 20 years

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

### 3.10 Inventories

#### (a) Land held for property development

Land held for property development shall be classified as non-current asset where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle.

The change in the classification of land held for property development to current assets shall be at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

Costs associated with the acquisition of land include the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies.

Land held for property development is measured at the lower of cost and net realisable value.

#### (b) Property development costs

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

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

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

#### (c) Other inventories

Inventories of developed properties held for sale, which are held for sale, are stated at the lower of costs and net realisable value. Costs consist of costs associated with the acquisition of land, direct costs and appropriate proportions of common costs attributable to developing the properties to completion.

Inventories of produce, stores and materials are measured at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes expenditure incurred in acquiring these inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Inventories of nursery consist of seedlings remaining in the nursery for eventual field planting and are stated at the lower of costs and net realisable value. Cost of seeds and seedlings includes the cost of treatment and cultivation.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.



## Notes to the Financial Statements (Continued)

### 3.11 Short-term funds

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

### 3.12 Cash and cash equivalents

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

### 3.13 Impairment

#### (a) Financial assets

The Group recognises an allowance for expected credit loss ("ECL") for all debt financial assets not held at fair value through profit or loss. ECL is based on the difference between the contractual cash flows due in accordance with the contracts and all the cash flows that the Group expects to receive. The estimate of expected cash shortfall shall reflect the cash flows expected from collateral and other credit enhancements that are part of the contractual terms. The shortfall is then discounted at an approximation to the original effective interest rate of the assets.

Impairment losses for trade receivables and contract assets that do not contain a significant financing component are recognised based on the simplified approach within MFRS 9 using the lifetime ECL. During this process, the probability of non-payment by the trade receivables is adjusted by forward-looking information and multiplied by the amount of the expected loss arising from default to determine the lifetime ECL for the trade receivables.

The Group considers available, reasonable and supportive forward-looking information which includes the following indicators:

- Internal credit rating/assessment
- External credit rating/assessment (where available)
- Actual or expected significant changes in the operating results of the debtor (where available)
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligation
- Significant increase in credit risk on other financial instruments of the same debtor
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the Group and changes in the operating results of the debtor

Impairment for other receivables, financial guarantee contracts, amounts owing by subsidiaries, associates, joint ventures and investee companies are recognised based on the general approach within MFRS 9 using ECL model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. At the end of the reporting period, the Group and the Company assess whether there has been a significant increase in credit risk for financial assets by comparing the risk of default occurring over the expected life with the risk of default since initial recognition. For those in which credit risk has not increased significantly since initial recognition of the financial asset, 12-month ECL along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime ECL along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime ECL along with interest income on a net basis are recognised.

## Notes to the Financial Statements (Continued)

The Group defined significant increase in credit risk based on operating performance of the receivables, changes to contractual terms, payment delays more than 30 days past due in making contractual payments and past due information.

The probabilities of non-payments by other receivables, financial guarantee contracts, amounts owing by subsidiaries, associates, joint ventures and investee companies are adjusted by forward-looking information and multiplied by the amounts of the expected losses arising from defaults to determine the 12-month or lifetime ECL for the other receivables, financial guarantee contracts, amounts owing by subsidiaries, associates, joint ventures and investee companies.

It requires management to exercise significant judgement in determining the probabilities of default by other receivables, financial guarantee contracts, amounts owing by subsidiaries, associates, joint ventures and investee companies, appropriate forward-looking information and significant increase in credit risk.

### (b) Other assets

The carrying amounts of other assets (other than inventories, biological assets and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated at each reporting period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

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

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

## Notes to the Financial Statements (Continued)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

### 3.14 Financial liabilities

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

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

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

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

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

Financial guarantee contracts issued by the Company and a subsidiary are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised as financial liabilities at the time the guarantees are issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with the expected credit loss model under MFRS 9 and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantee is determined based on the present value of the different in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

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

## Notes to the Financial Statements (Continued)

### 3.15 Income tax

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

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

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantially enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

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

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

### 3.16 Employee benefits

#### (a) Defined contribution plans

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

#### (b) Unfunded defined benefit plans

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

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

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

## Notes to the Financial Statements (Continued)

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

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

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

### (c) **Funded defined benefit plan**

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

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

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

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

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

### (d) **Short-term employee benefits**

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

## 3.17 **Equity instruments**

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

### (a) **Ordinary shares**

Shares are classified as equity.

## Notes to the Financial Statements (Continued)

### (b) Treasury shares

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

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

### 3.18 Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### 3.19 Revenue and other income

#### (a) Revenue from contracts with customers

Revenue from contracts with customers is recognised by reference to each distinct performance obligation promised in the contract with customer when or as the Group transfers control of the goods or services promised in a contract and the customer obtains control of the goods or services. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration to which the Group expects to be entitled in exchange for transferring goods or services promised in the contract. Depending on the terms of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

#### (i) Sales of goods

The Group's revenue is derived mainly from its plantation and manufacturing operations. In the plantation operations, the Group sells agricultural produce such as crude palm oil, fresh fruit bunches, palm kernel, refined palm oil related products, rubber, etc. In the manufacturing operations, revenue is derived mainly from sales of oleochemicals, non-oleochemicals and industrial chemical products.

Revenue from sales of goods is recognised (net of discount and taxes collected on behalf) at the point in time when control of the goods has been transferred to the customer. Depending on the terms of the contract with the customer, control transfers either upon delivery of the goods to a location specified by the customer and acceptance of the goods by the customer, or upon delivery of the goods on board vessels or tankers for onward delivery to the customers.

Contracts where control of goods transfer to the customer upon delivery of the goods on board vessels or tankers are often bundled with freight services. In such contracts, sale of goods and provision of freight are accounted for as separate performance obligations as the customer can benefit from the sale of goods and shipping services on its own or with the use of other resources. The transaction price is allocated to each performance obligation based on the stand-alone selling prices of the goods and services.

The Group has taken advantage of the practical expedients not to account for significant financial components where the time difference between receiving consideration and transferring control of promised goods or services to the customer is one year or less.



## Notes to the Financial Statements (Continued)

### (ii) Property development

Contracts with customers may include multiple promises to customers and are therefore accounted for as separate performance obligations. In this case, the transaction price will be allocated to each separate performance obligation based on the stand-alone selling prices. When these are not directly observable, they are estimated based on expected cost plus margin.

The revenue from property development is measured at the fixed transaction price agreed under sale and purchase agreement ("SPA"). When the Group determines that it is not probable that the Group will collect the consideration to which the Group is entitled to in exchange for the properties, the Group will defer the recognition of revenue from such sales of properties and consideration received from the customer is recognised as contract liability. For such properties, the Group recognises revenue when it becomes probable that the Group will collect consideration to which it will be entitled to in exchange for the properties sold.

Revenue from property development is recognised as and when the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for work performance completed to-date.

The promised properties are specifically identified by its plot, lot and parcel number and its attributes (such as size and location) as attached in its layout plan in the SPA. The purchasers could enforce its rights to the promised properties if the Group seeks to sell the unit to another purchaser. The contractual restriction on the Group's ability to direct the promised properties for another use is substantive and therefore the promised properties sold to the purchasers do not have an alternative use to the Group. The Group has the right to payment for performance completed to-date, is entitled to continue to transfer to the customer the development units promised, and has the right to complete the construction of the properties and enforce its rights to full payment.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The Group recognises revenue over time using the input method, which is based on the contract costs incurred to-date to the estimated total costs for the contract.

For sale of completed properties, the Group recognises revenue when the control of the properties has been transferred to the purchasers, being when the properties have been handed over to the purchasers (i.e. upon delivery of vacant possession).

### (iii) Services

Revenue from services rendered is recognised in profit or loss when the services are rendered.

## Notes to the Financial Statements (Continued)

### (b) Other revenue

#### (i) Dividend income

Dividend income is recognised in profit or loss on the date that the right to receive payment is established.

#### (ii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

#### (iii) Rental income

Rental income is recognised based on the accrual basis.

#### (iv) Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant; they are then recognised in profit or loss as other operating income on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other operating income on a systematic basis in the same periods in which the expenses are recognised.

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

### 3.20 Research and development expenditure

All general research and development expenditure is recognised in profit or loss in the year in which the expenditure is incurred except where a clearly-defined project is undertaken and it is probable that the development expenditure will give rise to future economic benefits. Such development expenditure is capitalised and amortised on a straight-line basis over the life of the project from the date of commencement of full scale commercial business operations.

### 3.21 Borrowing costs

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

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

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

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

## Notes to the Financial Statements (Continued)

### 3.22 Earnings per share

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

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

Diluted earnings per share, if any, is calculated by dividing the profit or loss attributable to the equity holders of the Company by the weighted average number of shares in issue during the year adjusted for the effects of dilutive potential ordinary shares.

### 3.23 Operating segments

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

### 3.24 Fair value measurements

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

The Group measures the fair value of an asset or a liability by taking into account the characteristics of the asset or liability if market participants would take these characteristics into account when pricing the asset or liability. The Group has considered the following characteristics when determining fair value:

- (a) the condition and location of the asset; and
- (b) restrictions, if any, on the sale or use of the asset.

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

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

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

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

Level 3: Unobservable inputs for the asset or liability.

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

## Notes to the Financial Statements (Continued)

### 4. REVENUE

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue from contracts with customers				
Sale of goods				
Palm products	7,006,217	6,305,533	-	-
Rubber	83,200	87,466	-	-
Manufacturing	8,543,598	9,167,431	-	-
Others	87,700	142,383	-	-
	15,720,715	15,702,813	-	-
Property development	154,884	170,359	-	-
Rendering of services	1,395	1,182	-	-
	15,876,994	15,874,354	-	-
Other revenue				
Rental income from storage of bulk liquid	34,764	26,459	-	-
Rental income from investment property	2,088	2,174	-	-
Interest income from financial assets not at fair value through profit or loss	122,294	76,551	9,259	9,938
Dividend income (Note 8)	41,984	66,053	292,144	352,805
	16,078,124	16,045,591	301,403	362,743
Timing of recognition of revenue from contracts with customers				
At point in time	15,748,747	15,744,646	-	-
Over time	128,247	129,708	-	-
	15,876,994	15,874,354	-	-

Disaggregation of revenue from contracts with customers which has been presented based on geographical locations of customers is set out in Note 43.

### 5. OPERATING PROFIT

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Operating profit is arrived at after charging and (crediting) the following:				
Auditors' remuneration				
- BDO PLT				
current year	958	965	121	134
audit related work	9	9	9	9
non-audit work	18	12	5	2
- overseas affiliates of BDO International				
current year	1,140	1,219	-	-
under provision in prior year	114	8	-	-
audit related work	-	15	-	-
non-audit work	123	-	-	-
- other auditors				
current year	1,373	1,420	-	-
under provision in prior year	7	48	-	-
audit related work	36	40	-	(2)
non-audit work	394	302	25	22
Lease rentals				
- short-term lease	12,335	-	84	-
- low-value assets	371	-	-	-
- variable lease payments	6,147	-	-	-
Rental expenses under MFRS 117				
- land and buildings	-	23,765	-	85
- plant and machinery	-	45,427	-	-

## Notes to the Financial Statements (Continued)

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment (Note 12)	606,871	587,796	102	121
Depreciation of right-of-use assets (Note 13)	44,932	-	-	-
Depreciation of investment property (Note 14)	950	946	-	-
Amortisation of prepaid lease payments (Note 15)	-	12,635	-	-
Amortisation of intangible assets (Note 18)	3,836	3,504	-	-
Net change in fair value of biological assets (Note 25)	(32,138)	2,523	-	-
Impairment of				
- property, plant and equipment (Note 12)	476	99,419	-	-
- prepaid lease payments (Note 15)	-	32,235	-	-
- investments in an associate (Note 20)	-	123	-	108
- other investments (Note 22)	309	-	-	-
- plasma project receivables (Note 23)	10,489	-	-	-
- trade receivables (Note 26)	7,403	7,527	-	-
- other receivables (Note 27)	1,011	1,814	-	-
- amount owing by subsidiaries (Note 19)	-	-	-	75
Reversal of impairment of trade receivables (Note 26)	(5,489)	(6,766)	-	-
Write off of				
- property, plant and equipment	15,284	2,474	-	-
- prepaid lease payments	-	6,025	-	-
- plasma project receivables	1,569	-	-	-
- trade receivables	-	123	-	-
- other receivables	4,169	335	-	-
Personnel expenses (excluding key management personnel)				
- salaries	1,323,658	1,276,797	1,943	1,859
- employer's statutory contributions	132,471	128,745	204	208
- defined contribution plans	14,466	13,707	-	-
Research and development expenditure	15,734	17,166	-	-
Provision for retirement benefits (Note 35)	51,200	49,652	17	72
Write down of inventories to net realisable value (Note 16)	37,572	62,117	-	-
Write back of slow moving inventories (Note 16)	(2,800)	(3,000)	-	-
Write back of inventories previously written down to net realisable value (Note 16)	(13,156)	(7,624)	-	-
Amortisation of deferred income (Note 34)	(8,182)	(8,188)	-	-
Deferred income written off (Note 34)	-	(1,019)	-	-
(Gain)/Loss on disposal of property, plant and equipment	(1,893)	(2,090)	-	9
Surplus on government acquisition of land	(1,058)	(91,209)	-	-
Surplus on disposal of land	(83,655)	(2,513)	-	-
(Surplus)/Loss on disposal of other investments	(642)	1,079	(6)	313
Net loss/(gain) in foreign exchange	9,323	(64,487)	(8,699)	6,829
Rental income from land and buildings	(2,959)	(2,141)	-	-
Rental income from investment property (Note 14)	(2,088)	(2,174)	-	-
Gain on redemption of fixed income trust funds	(2,219)	(1,591)	-	-

## Notes to the Financial Statements (Continued)

### 6. FINANCE COSTS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Interest expense/Profit payment of financial liabilities that are not at fair value through profit or loss</b>				
Interest expense				
Term loans	14,200	14,358	-	-
Lease liabilities	5,397	-	-	-
Bank overdraft and other interests	31,346	36,927	-	-
	<u>50,943</u>	<u>51,285</u>	<u>-</u>	<u>-</u>
Profit payment on Islamic medium term notes	211,458	134,724	20,306	20,250
	<u>262,401</u>	<u>186,009</u>	<u>20,306</u>	<u>20,250</u>

### 7. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation is as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Short-term benefits</b>				
Directors' remuneration				
Fees provided	1,497	2,055	920	963
Other emoluments	16,874	13,833	5,706	5,142
Benefits-in-kind	74	168	31	31
	<u>18,445</u>	<u>16,056</u>	<u>6,657</u>	<u>6,136</u>

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

### 8. DIVIDEND INCOME

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Gross dividends from:</b>				
Equity instruments				
Investment in unquoted shares	8,707	7,781	5,280	6,086
Investment in shares quoted in Malaysia	468	1,006	-	-
Investment in shares quoted outside Malaysia	11,273	43,131	229	228
Investment in unit trust funds quoted in Malaysia	5,711	9,056	1,299	3,258
Fixed income trust funds	15,825	5,079	142	-
Quoted subsidiaries	-	-	251,612	225,406
Unquoted subsidiaries	-	-	33,582	117,827
	<u>41,984</u>	<u>66,053</u>	<u>292,144</u>	<u>352,805</u>



## Notes to the Financial Statements (Continued)

### 9. TAXATION

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Components of taxation</b>				
Current tax expense				
Malaysian taxation	131,454	115,950	45	97
Overseas taxation	144,184	109,478	786	680
	<b>275,638</b>	<b>225,428</b>	<b>831</b>	<b>777</b>
 (Over)/Under provision of taxation in respect of previous years				
Malaysian taxation	(7,595)	(17,483)	3	-
Overseas taxation	(273)	12,009	-	-
	<b>(7,868)</b>	<b>(5,474)</b>	<b>3</b>	<b>-</b>
	<b>267,770</b>	<b>219,954</b>	<b>834</b>	<b>777</b>
 Deferred tax				
Origination and reversal of temporary differences	48,860	(16,882)	-	-
Relating to change in tax rates	38,616	(1,731)	-	-
(Over)/Under provision in respect of previous years	(5,017)	530	-	-
	<b>82,459</b>	<b>(18,083)</b>	<b>-</b>	<b>-</b>
	<b>350,229</b>	<b>201,871</b>	<b>834</b>	<b>777</b>
 <b>Reconciliation of effective taxation</b>				
Profit before taxation	<b>1,264,664</b>	<b>929,312</b>	<b>280,383</b>	<b>326,528</b>
 Taxation at Malaysian income tax rate of 24% (2019: 24%)	<b>303,519</b>	<b>223,035</b>	<b>67,292</b>	<b>78,367</b>
Effect of different tax rates	(16,927)	(16,910)	(1,101)	(951)
Withholding tax on foreign dividend and interest income	21,339	22,239	-	-
Expenses not deductible for tax purposes	83,960	111,659	15,906	13,244
Tax exempt and non-taxable income	(75,893)	(111,465)	(81,266)	(89,883)
Tax incentives	(4,275)	(4,756)	-	-
Deferred tax assets not recognised during the year	6,918	2,250	-	-
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(14,319)	(18,252)	-	-
Expiry of tax losses	27,632	-	-	-
Tax effect on associates' and joint ventures' results	(7,927)	(4,220)	-	-
Recognition of deferred tax assets not taken up previously	(3,793)	(532)	-	-
Effect of changes in tax rates on deferred tax	38,616	(1,731)	-	-
(Over)/Under provision of taxation in respect of previous years	(7,868)	(5,474)	3	-
(Over)/Under provision of deferred tax in respect of previous years	(5,017)	530	-	-
Others	4,264	5,498	-	-
	<b>350,229</b>	<b>201,871</b>	<b>834</b>	<b>777</b>

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

## Notes to the Financial Statements (Continued)

### 10. EARNINGS PER SHARE

The earnings per share for the Group and the Company are calculated by dividing the profit for the year attributable to equity holders of the Company of RM417,275,000 (2019: RM363,499,000) for the Group and RM279,549,000 (2019: RM325,751,000) for the Company by the weighted average number of 396,399,609 (2019: 396,571,924) shares of the Company in issue during the year.

Diluted earnings per share equals basic earnings per ordinary share.

### 11. DIVIDENDS

	<b>Group and Company</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Dividends recognised in the current year are:		
Final single tier dividend of 45 sen per share for the financial year ended 30 September 2019 was paid on 24 February 2020 (2019: single tier dividend of 40 sen per share as paid on 6 March 2019)	<b>176,560</b>	158,548
Interim single tier dividend of 15 sen per share for the financial year ended 30 September 2020 was paid on 6 August 2020 (2019: single tier dividend of 15 sen per share was paid on 8 August 2019)	<b>59,805</b>	59,283
	<b>236,365</b>	217,831

The final dividend of RM176,560,000 for the financial year ended 30 September 2019, RM127,681,000 was satisfied by the issuance of 7,714,894 new shares of the Company on 24 February 2020 at the issue price of RM16.55 per share pursuant to the Dividend Reinvestment Plan ("DRP") and the balance via cash payment of RM48,879,000.

A final single tier dividend of 40 sen (2019: 45 sen) per share amounting to RM158,568,000 (2019: RM176,560,000) has been declared by the Directors in respect of the financial year ended 30 September 2020. This dividend will be recognised in subsequent financial period.

### 12. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Long-Term Leasehold Land	Bearer Plants	Buildings	Plant and Machinery	Vehicles	Equipment, Fittings, Etc	Capital Work-In-Progress	Total
Group Cost	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 October 2018	950,789	265,292	3,766,523	1,489,544	5,674,655	444,214	579,158	188,146	13,358,321
Adjustment/Reclassification	-	-	76,492	42,971	88,258	916	(61,785)	(145,488)	1,364
Additions	-	-	324,457	31,628	117,483	33,041	17,075	136,778	660,462
Disposals	(17,917)	-	(3,452)	(16,005)	(7,686)	(8,275)	(776)	-	(54,111)
Written off	-	-	(36,908)	(5,214)	(30,209)	(9,933)	(15,308)	(529)	(98,101)
Currency translation differences	(21,624)	(316)	117,981	19,797	(68,111)	9,491	11,503	1,314	70,035
At 30 September 2019	<b>911,248</b>	<b>264,976</b>	<b>4,245,093</b>	<b>1,562,721</b>	<b>5,774,390</b>	<b>469,454</b>	<b>529,867</b>	<b>180,221</b>	<b>13,937,970</b>
Effect on adoption of MFRS 16	-	(264,976)	-	-	-	-	-	-	(264,976)
At 1 October 2019 (Restated)	<b>911,248</b>	-	<b>4,245,093</b>	<b>1,562,721</b>	<b>5,774,390</b>	<b>469,454</b>	<b>529,867</b>	<b>180,221</b>	<b>13,672,994</b>
Reclassification	-	-	-	32,430	116,733	3,087	12,765	(165,015)	-
Additions	<b>16,363</b>	-	<b>287,855</b>	<b>19,062</b>	<b>63,302</b>	<b>21,507</b>	<b>24,924</b>	<b>298,283</b>	<b>731,296</b>
Disposals	(1,017)	-	(2,111)	-	(6,563)	(10,668)	(353)	-	(20,712)
Transfer to land held for property development	(446)	-	(2,233)	-	-	-	-	-	(2,679)
Deemed disposal of a sub-subsidiary	-	-	-	-	-	-	(28)	-	(28)
Written off	-	-	(39,300)	(5,132)	(34,266)	(21,057)	(14,149)	(1,759)	(115,663)
Currency translation differences	<b>25,878</b>	-	<b>(114,831)</b>	<b>(13,529)</b>	<b>85,021</b>	<b>(7,936)</b>	<b>(3,879)</b>	<b>38</b>	<b>(29,238)</b>
At 30 September 2020	<b>952,026</b>	-	<b>4,374,473</b>	<b>1,595,552</b>	<b>5,998,617</b>	<b>454,387</b>	<b>549,147</b>	<b>311,768</b>	<b>14,235,970</b>

## Notes to the Financial Statements (Continued)

Group	Freehold Land RM'000	Long-Term Leasehold Land RM'000	Bearer Plants RM'000	Buildings RM'000	Plant and Machinery RM'000	Vehicles RM'000	Equipment, Fittings, Etc RM'000	Capital Work-In-Progress RM'000	Total RM'000
<b>Accumulated depreciation/amortisation and impairment losses</b>									
At 1 October 2018									
Accumulated depreciation/amortisation	-	73,370	1,177,274	675,193	2,546,660	355,305	330,890	-	5,158,692
Accumulated impairment losses	-	7,871	-	3,825	104,748	-	2,698	-	119,142
Reclassification	-	81,241	1,177,274	679,018	2,651,408	355,305	333,588	-	5,277,834
Depreciation/Amortisation charge	-	-	-	5,274	(4,773)	6	(53)	-	454
Impairment losses	-	3,156	147,964	62,384	314,216	25,706	39,451	-	592,877
Disposals	-	-	97,043	2,235	103	-	38	-	99,419
Written off	-	-	(2,692)	(4,470)	(5,133)	(7,694)	(771)	-	(20,760)
Currency translation differences	-	-	(36,675)	(4,530)	(29,583)	(9,854)	(14,985)	-	(95,627)
At 30 September 2019	-	(50)	31,289	6,922	(31,210)	8,016	1,940	-	16,907
Accumulated depreciation/amortisation	-	76,498	1,315,959	741,449	2,790,178	371,485	356,474	-	5,652,043
Accumulated impairment losses	-	7,849	98,244	5,384	104,850	-	2,734	-	219,061
Effect on adoption of MFRS 16	-	84,347	1,414,203	746,833	2,895,028	371,485	359,208	-	5,871,104
At 1 October 2019 (Restated)	-	(84,347)	-	-	-	-	-	-	(84,347)
Reclassification	-	-	3	528	67	7	(605)	-	-
Depreciation/Amortisation charge	-	-	156,943	66,047	323,767	25,993	39,063	-	611,813
Impairment loss	-	-	-	-	476	-	-	-	476
Disposals	-	-	(1,328)	-	(3,678)	(9,670)	(340)	-	(15,016)
Transfer to land held for property development	-	-	(1,592)	-	-	-	-	-	(1,592)
Deemed disposal of a sub-subsidiary	-	-	-	-	-	-	(20)	-	(20)
Written off	-	-	(35,383)	(3,752)	(26,403)	(20,952)	(13,889)	-	(100,379)
Currency translation differences	-	-	(33,287)	(8,704)	27,933	(6,731)	(334)	-	(21,123)
At 30 September 2020	-	-	1,402,179	795,508	3,111,859	360,132	380,348	-	6,050,026
Accumulated depreciation/amortisation	-	-	97,380	5,444	105,331	-	2,735	-	210,890
Accumulated impairment losses	-	-	1,499,559	800,952	3,217,190	360,132	383,083	-	6,260,916
<b>Carrying amounts</b>									
At 30 September 2019	911,248	180,629	2,830,890	815,888	2,879,362	97,969	170,659	180,221	8,066,866
At 1 October 2019 (Restated)	911,248	-	2,830,890	815,888	2,879,362	97,969	170,659	180,221	7,886,237
At 30 September 2020	952,026	-	2,874,914	794,600	2,781,427	94,255	166,064	311,768	7,975,054

	Group	
	2020 RM'000	2019 RM'000
<b>Depreciation/Amortisation charge for the year is allocated as follows:</b>		
Recognised in statement of profit or loss (Note 5)	606,871	587,796
Capitalised in bearer plants	4,942	5,081
	<b>611,813</b>	<b>592,877</b>

## Notes to the Financial Statements (Continued)

### Impairment testing

Property, plant and equipment are tested for impairment by comparing the carrying amounts with their recoverable amounts. The recoverable amounts of property, plant and equipment are determined based on value in use calculations using cash flow projections from the financial budgets and forecasts approved by management covering periods ranging from five (5) to twenty two (22) years.

There are three (3) sub-subsidiaries which used cash flow projections covering periods of fifteen (15) to twenty two (22) years due to long period of gestation of their businesses.

The key assumptions for the impairment testing are disclosed in Note 17.

### Impairment testing on a cash-generating unit ("CGU") in Liberia

As at 30 September 2020, the carrying amounts of the property, plant and equipment and right-of-use assets of the CGU in Liberia of the Group amounted to RM351.2 million (net of impairment losses of RM99.4 million) and RM17.4 million (net of impairment losses of RM32.2 million) respectively.

The recoverable amount of this CGU in Liberia was based on the value in use calculation which was higher than the carrying amounts of the CGU.

The values assigned to the key assumptions used in the value in use calculation represent management's assessment of future trends in the plantation industry relevant to the CGU and are based on internal and external sources of data, where available. However, the recoverable amount is sensitive to changes in certain key assumptions which are disclosed in Note 17. The sensitivity analysis of each of these key assumptions assuming all other variables are held constant are as follows:

#### Sensitivity analysis

Decrease of USD115/mt in selling price of crude palm oil  
Decrease of 3.89 mt/ha in fresh fruit bunches yield  
Decrease of 3.98 percentage point in crude palm oil extraction rate  
Increase of 6.18 percentage point in pre-tax discount rate

#### Headroom

Break even  
Break even  
Break even  
Break even

### Impairment losses

The impairment loss of the Group on property, plant and equipment amounted to RM476,000 for financial year ended 30 September 2020 was due to change of business model of a subsidiary. The impairment loss was included in administrative expenses.

For the financial year ended 30 September 2019, the impairment loss of the Group on property, plant and equipment amounted to RM99,419,000 together with impairment loss of RM32,235,000 (Note 15) on prepaid lease payments was due to cessation of plantation operations of an estate in Liberia. High Carbon Stock and High Conservation Value assessments have shown that there was limited plantable area in this estate and was no longer feasible to continue operations thereon. The impairment losses were included in other operating expenses.

Company	Vehicles	Equipment,	Total
Cost	RM'000	Fittings, Etc	RM'000
At 1 October 2018	861	190	1,051
Additions	190	9	199
Disposals	(349)	(5)	(354)
Written off	-	(7)	(7)
At 30 September 2019	<b>702</b>	<b>187</b>	<b>889</b>
Additions	-	14	14
Disposals	-	(7)	(7)
Written off	-	(24)	(24)
At 30 September 2020	<b>702</b>	<b>170</b>	<b>872</b>

## Notes to the Financial Statements (Continued)

Company	Vehicles RM'000	Equipment, Fittings, Etc RM'000	Total RM'000
<b>Accumulated depreciation</b>			
At 1 October 2018	206	179	385
Depreciation charge	111	10	121
Disposals	(169)	(5)	(174)
Written off	-	(7)	(7)
At 30 September 2019	<b>148</b>	<b>177</b>	<b>325</b>
Depreciation charge	89	13	102
Disposals	-	(7)	(7)
Written off	-	(24)	(24)
At 30 September 2020	<b>237</b>	<b>159</b>	<b>396</b>
<b>Carrying amounts</b>			
At 30 September 2019	554	10	564
At 30 September 2020	<b>465</b>	<b>11</b>	<b>476</b>

Certain property, plant and equipment of the Group with a total carrying amount of RM131,674,000 (2019: RM129,845,000) as at the financial year ended 30 September 2020 were charged to banks as security for borrowings (Note 36).

The ownership of certain property, plant and equipment of subsidiaries with a carrying amount of RM580,000 (2019: RM638,000) are held in trust by third parties.

### 13. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

#### a) Right-of-use assets

Group	Leasehold Land Use Land RM'000	Right RM'000	Buildings RM'000	Plant and Machinery RM'000	Others RM'000	Total RM'000
<b>Cost</b>						
Effect on adoption of MFRS 16/ At 1 October 2019 (Restated)	743,714	137,806	17,283	26,366	2,116	927,285
Additions	199,881	1,744	4,066	6,207	853	212,751
Currency translation differences	(6,342)	(4,161)	13	836	23	(9,631)
At 30 September 2020	<b>937,253</b>	<b>135,389</b>	<b>21,362</b>	<b>33,409</b>	<b>2,992</b>	<b>1,130,405</b>
<b>Accumulated depreciation and impairment losses</b>						
Effect on adoption of MFRS 16/ At 1 October 2019 (Restated)	152,055	-	-	-	-	152,055
Accumulated depreciation	59,948	-	-	-	-	59,948
Accumulated impairment losses	212,003	-	-	-	-	212,003
Depreciation charge	15,775	13,358	8,323	6,476	1,000	44,932
Currency translation differences	(1,061)	(181)	(8)	154	5	(1,091)
At 30 September 2020	<b>166,791</b>	<b>13,177</b>	<b>8,315</b>	<b>6,630</b>	<b>1,005</b>	<b>195,918</b>
Accumulated depreciation	59,926	-	-	-	-	59,926
Accumulated impairment losses	226,717	13,177	8,315	6,630	1,005	255,844
<b>Carrying amounts</b>						
At 1 October 2019 (Restated)	531,711	137,806	17,283	26,366	2,116	715,282
At 30 September 2020	<b>710,536</b>	<b>122,212</b>	<b>13,047</b>	<b>26,779</b>	<b>1,987</b>	<b>874,561</b>

## Notes to the Financial Statements (Continued)

### Restriction imposed by lease

The lease agreements for the leasehold land do not allow the Group to assign, transfer or sublease or create any charge, lien or trust in respect of or dispose of the whole or any part of the land with third party interest(s) without the prior consent of the lessor.

### Impairment testing

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

#### b) Lease liabilities

	Group RM'000
<b>Present value of lease liabilities</b>	
Effect on adoption of MFRS 16/At 1 October 2019 (Restated)	178,979
Additions	12,870
Interest expenses (Note 6)	5,397
Interest payments	(5,646)
Lease payments	(29,882)
Currency translation differences	(3,719)
At 30 September 2020	<u>157,999</u>
Represented by	
Payable not later than 1 year	29,682
Payable later than 1 year	128,317
	<u>157,999</u>

Total cash outflows to leases of the Group are as follows:

	Group RM'000
<b>2020</b>	
Payments relating to short-term leases	12,102
Payments relating to leases of low-value assets	371
Payments relating to variable leases	6,147
Payments of lease liabilities	29,882
Payments of lease interest	5,646
Total cash outflows for leases	<u>54,148</u>

Some lease contracts contain variable payment terms that are linked to performance of the underlying right-of-use assets.

Variable lease payments that depend on performance of the underlying right-of-use assets are recognised in profit or loss in the period in which the conditions that trigger those payments occurs.

The Group leases several lease contracts that include extension and termination options. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

The followings are the undiscounted potential future rental payments that are not included in the lease term:

	Within Five Years RM'000	More than Five Years RM'000	Total RM'000
<b>Group 2020</b>			
Extension options expected not to be exercised	<u>7,963</u>	<u>1,406</u>	<u>9,369</u>



## Notes to the Financial Statements (Continued)

### Lease as a lessor

The Group leases out some of its land and buildings to third parties. The Group classified these leases as operating lease, because they do not transfer substantially all of the risks and rewards incidental to the ownership of these assets. The following is the maturity analysis of the undiscounted lease payments to be received after the reporting date.

	Group	
	2020 RM'000	2019 RM'000
Within 1 year	3,953	3,582
Between 1 to 2 years	1,775	3,253
Between 2 to 3 years	622	1,446
Between 3 to 4 years	619	247
Between 4 to 5 years	572	246
More than 5 years	2,035	1,051
	<b>9,576</b>	<b>9,825</b>

### 14. INVESTMENT PROPERTY

	Freehold Land RM'000	Building RM'000	Total RM'000
<b>Group Cost</b>			
At 1 October 2018	11,149	46,501	57,650
Additions	-	16	16
At 30 September 2019	<b>11,149</b>	<b>46,517</b>	<b>57,666</b>
Additions	-	18	18
At 30 September 2020	<b>11,149</b>	<b>46,535</b>	<b>57,684</b>
<b>Accumulated depreciation</b>			
At 1 October 2018	-	9,257	9,257
Depreciation charge	-	946	946
At 30 September 2019	-	<b>10,203</b>	<b>10,203</b>
Depreciation charge	-	950	950
At 30 September 2020	-	<b>11,153</b>	<b>11,153</b>
<b>Carrying amounts</b>			
At 30 September 2019	<b>11,149</b>	<b>36,314</b>	<b>47,463</b>
At 30 September 2020	<b>11,149</b>	<b>35,382</b>	<b>46,531</b>
		<b>Group</b>	
		2020 RM'000	2019 RM'000
Fair value of investment property		<b>93,000</b>	93,000

Investment property comprises of a commercial property that is leased to third parties and related parties. Each of the lease contains an initial non-cancellable period of 1 to 3 years. Subsequent renewals are negotiated with the lessee and on average renewal periods of 1 to 3 years. No contingent rents are charged.

The fair value of investment property above is determined based on comparison of similar properties in the same location and investment method that makes reference to recent transaction value. This is performed by an independent registered valuer having an appropriate recognised professional qualification and recent experience in the location and category of property being valued. The fair value of the investment property is categorised at Level 3 of the fair value hierarchy.

In estimating the fair value of the property, the highest and best use of the property is their current use. There were no changes to the valuation techniques of Level 3 fair value measurements in the period.

## Notes to the Financial Statements (Continued)

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

	Group	
	2020 RM'000	2019 RM'000
Rental income	2,088	2,174
Direct operating expenses	(3,577)	(3,983)

### 15. PREPAID LEASE PAYMENTS

	Group	
	2020 RM'000	2019 RM'000
<b>Land leases at cost</b>		
At beginning of the year	478,738	471,721
Effect on adoption of MFRS 16	(478,738)	-
As restated	-	471,721
Additions	-	9,078
Disposal of a subsidiary	-	(4,568)
Written off	-	(6,104)
Currency translation differences	-	8,611
At end of the year	-	478,738
<b>Accumulated amortisation and impairment losses</b>		
At beginning of the year		
Accumulated amortisation	75,557	65,249
Accumulated impairment losses	52,099	20,469
	127,656	85,718
Effect on adoption of MFRS 16	(127,656)	-
As restated	-	85,718
Amortisation charge	-	12,635
Impairment loss (Note 5)	-	32,235
Disposal of a subsidiary	-	(3,479)
Written off	-	(79)
Currency translation differences	-	626
At end of the year		
Accumulated amortisation	-	75,557
Accumulated impairment losses	-	52,099
	-	127,656
<b>Carrying amounts</b>	-	351,082

#### Impairment testing

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

The key assumptions for the impairment testing are disclosed in Note 17.

## Notes to the Financial Statements (Continued)

### 16. INVENTORIES

	Group	
	2020 RM'000	2019 RM'000
<b>Non-current</b>		
Land held for property development	1,096,046	1,108,296
<b>Current</b>		
Property development costs	193,868	144,761
Other inventories	1,829,027	2,043,542
	<b>2,022,895</b>	<b>2,188,303</b>
	<b>3,118,941</b>	<b>3,296,599</b>
<b>(a) Land held for property development</b>		
<b>Freehold land at cost</b>		
At beginning of the year	1,068,286	1,068,286
Additions	16,558	-
Transfer from property, plant and equipment	1,087	-
Transfer to property development cost	(4,535)	-
At end of the year	<b>1,081,396</b>	<b>1,068,286</b>
<b>Development expenditure at cost</b>		
At beginning of the year	40,010	32,121
Additions	4,987	7,889
Transfer to property development cost	(30,347)	-
At end of the year	<b>14,650</b>	<b>40,010</b>
<b>Total</b>	<b>1,096,046</b>	<b>1,108,296</b>
<b>(b) Property development costs</b>		
	Group	
	2020 RM'000	2019 RM'000
Property development costs comprise:		
Land costs	25,868	25,868
Development costs	622,087	523,772
	<b>647,955</b>	<b>549,640</b>
Transfer from land held for property development:		
Land costs	4,535	-
Development costs	30,347	-
	<b>34,882</b>	<b>-</b>
Costs incurred during the year:		
Land costs	8,032	-
Development costs	90,507	98,315
	<b>98,539</b>	<b>98,315</b>
	<b>781,376</b>	<b>647,955</b>
Costs recognised as an expense in profit or loss:		
Previous years	(441,769)	(353,591)
Current year	(77,718)	(88,178)
Transfer of developed properties held for sale to inventories	(68,021)	(61,425)
	<b>193,868</b>	<b>144,761</b>

## Notes to the Financial Statements (Continued)

### (c) Other inventories

	Group	
	2020 RM'000	2019 RM'000
<b>At cost</b>		
Inventories of produce	158,959	436,417
Finished goods	393,331	470,597
Work-in-progress	370,640	221,233
Developed properties held for sale	24,821	33,749
Stores and materials	500,175	608,390
Nursery	30,222	31,228
	<b>1,478,148</b>	<b>1,801,614</b>
<b>At net realisable value</b>		
Inventories of produce	23,936	37,469
Finished goods	241,995	152,985
Work-in-progress	84,704	51,265
Developed properties held for sale	209	209
Stores and materials	35	-
	<b>350,879</b>	<b>241,928</b>
	<b>1,829,027</b>	<b>2,043,542</b>
<b>Recognised in profit or loss:</b>		
Inventories recognised as cost of sales	13,035,113	13,202,435
Write down of inventories to net realisable value	37,572	62,117
Write back of slow moving inventories	(2,800)	(3,000)
Write back of inventories previously written down to net realisable value	(13,156)	(7,624)

The Group writes down its obsolete or slow moving inventories based on assessments of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts could not be recovered. Management specifically analyses sales trend and current economic trends when making this judgement to evaluate the adequacy of the write down for obsolete or slow moving inventories.

Inventories previously written down to net realisable values are reversed during the financial year as the inventories were sold above the carrying amounts.

### 17. GOODWILL ON CONSOLIDATION

	Group	
	2020 RM'000	2019 RM'000
<b>Cost</b>		
At beginning of the year	345,127	343,595
Currency translation differences	9,510	1,532
At end of the year	<b>354,637</b>	<b>345,127</b>

#### Impairment testing

For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating units identified according to the Group's business segments as follows:

	Group	
	2020 RM'000	2019 RM'000
Plantation	154,399	156,213
Manufacturing	200,235	188,911
Property	3	3
	<b>354,637</b>	<b>345,127</b>

## Notes to the Financial Statements (Continued)

Goodwill is tested for impairment by comparing the carrying amounts with the recoverable amounts of the cash-generating units ("CGU"). The recoverable amount of a CGU is determined based on value in use calculations using cash flow projections from the financial budgets and forecasts approved by management covering a period of 5 years.

Key assumptions used in the value in use calculations are:

- (i) the pre-tax discount rates which are the weighted average cost of capital adjusted for specific risks relating to relevant segments. The average discount rates used ranged from 4.2% to 10.9% (2019: 4.2% to 12.2%);
- (ii) the growth rate used for the plantation companies is determined based on the management's estimate of commodity prices, palm yields, oil extraction rates as well as cost of productions whilst growth rates of companies in other segments are determined based on the industry trends and past performances of the respective companies; and
- (iii) profit margins are projected based on historical profit margin achieved.

In assessing the value in use, the management is of the view that no foreseeable changes in any of the above key assumptions would cause the carrying amounts of the respective CGUs to materially exceed their recoverable amounts.

### 18. INTANGIBLE ASSETS

	Group	
	2020 RM'000	2019 RM'000
<b>Cost</b>		
At beginning of the year	75,630	74,284
Additions	2,689	3,405
Currency translation differences	4,855	(2,059)
At end of the year	<b>83,174</b>	<b>75,630</b>
<b>Accumulated amortisation and impairment losses</b>		
At beginning of the year		
Accumulated amortisation	46,422	43,796
Accumulated impairment losses	7,127	7,130
	<b>53,549</b>	<b>50,926</b>
Amortisation charge	3,836	3,504
Currency translation differences	3,465	(881)
At end of the year		
Accumulated amortisation	53,683	46,422
Accumulated impairment losses	7,167	7,127
	<b>60,850</b>	<b>53,549</b>
<b>Carrying amounts</b>	<b>22,324</b>	<b>22,081</b>

The amortisation of intangible assets amounting to RM3,836,000 (2019: RM3,504,000) is included in administrative expenses.

These assets consist mainly of trade marks and patents.

## Notes to the Financial Statements (Continued)

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

	Company	
	2020 RM'000	2019 RM'000
<b>Investments in subsidiaries</b>		
Unquoted shares at cost	365,558	382,652
Quoted shares at cost	735,549	560,234
	<b>1,101,107</b>	<b>942,886</b>
Market value of shares In quoted corporations	<b>11,597,031</b>	<b>11,560,807</b>

Details of the subsidiaries are shown in Note 42.

	Company	
	2020 RM'000	2019 RM'000
<b>Amounts owing by subsidiaries</b>		
Non-current assets	171,704	138,346
Current assets		
Gross	9,126	7,996
Allowance for impairment losses	(4,265)	(4,265)
Net	4,861	3,731
	<b>176,565</b>	<b>142,077</b>

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

Amounts owing by subsidiaries, which comprise non-trade, are unsecured, repayable on demand and non-interest bearing except for an amount of RM171,297,000 and RM1,433,000 (2019: RM137,973,000 and RM1,236,000) classified as non-current and current assets respectively which are subject to interest charge at 5.4% (2019: 6.0%) per annum.

	Company	
	2020 RM'000	2019 RM'000
<b>Impairment in amounts owing by subsidiaries</b>		
At beginning of the year	4,265	4,190
Impairment losses	-	75
At end of the year	<b>4,265</b>	<b>4,265</b>

Certain amounts owing by subsidiaries were impaired in full as the management was of the opinion that the amounts cannot be recovered.



## Notes to the Financial Statements (Continued)

### 20. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Shares at cost				
In unquoted corporations	114,416	114,166	-	-
In quoted corporations	1,381,630	1,315,361	-	-
	<b>1,496,046</b>	<b>1,429,527</b>	<b>-</b>	<b>-</b>
Impairment in value of investments				
At beginning of the year	-	(3,252)	-	(3,252)
Impairment losses	-	(123)	-	(108)
Reversal of impairment	-	3,375	-	3,360
At end of the year	-	-	-	-
Post-acquisition reserves	72,203	85,999	-	-
	<b>1,568,249</b>	<b>1,515,526</b>	<b>-</b>	<b>-</b>
Amount owing by an associate	832	956	-	-
	<b>1,569,081</b>	<b>1,516,482</b>	<b>-</b>	<b>-</b>

#### (a) Material associate and summary of financial information

The Group regards Synthomer plc ("Synthomer") as a material associate. Synthomer is a public listed company in United Kingdom with financial year ending 31 December, and the financial statements are only published half-yearly, i.e. 30 June and 31 December.

Summarised statement of financial position as at 30 June 2020:

	Group 2020 RM'000
Non-current assets	8,320,173
Current assets	3,458,320
Non-current liabilities	(6,212,188)
Current liabilities	(2,010,189)
Non-controlling interests	(116,065)
Net assets attributable to shareholders of Synthomer	<b>3,440,051</b>

Summarised statement of comprehensive income for the 12-month period ended 30 June 2020:

Revenue	<b>7,687,932</b>
Profit for the period	<b>129,557</b>
Other comprehensive loss	<b>(108,591)</b>
Total other comprehensive income	<b>20,966</b>
Dividend received from Synthomer	<b>18,326</b>

The reconciliation of the above summarised financial information to the carrying amount of the Group's interests in Synthomer is as follows:

Net assets attributable to shareholders of Synthomer	<b>3,440,051</b>
Proportion of ownership interest held by the Group	<b>21.0%</b>
Group's share of net assets	<b>721,723</b>
Goodwill	<b>661,560</b>
Carrying amount of Group's interest in Synthomer	<b>1,383,283</b>

## Notes to the Financial Statements (Continued)

As at 30 September 2020 and 30 September 2019, the Group did not have any associate which was individually material to the Group, except for Synthomer.

The latest financial information of Synthomer as at 30 September 2019 was for 6-month period ended 30 June 2019, on which Synthomer had not become an associate of the Group. Hence, the comparative financial information of Synthomer was not disclosed.

### (b) Other associates and summary of financial information

	Group	
	2020 RM'000	2019 RM'000
Summary of financial information of other associates:		
Non-current assets	998,951	997,932
Current assets	618,434	715,449
Non-current liabilities	(124,601)	(111,330)
Current liabilities	(255,130)	(344,496)
Non-controlling interests	(2,664)	(3,385)
Revenue	808,834	1,017,666
Profit for the year	31,960	38,650
Other comprehensive income	140	237
Total comprehensive income	32,100	38,887
Dividends received from other associates	9,264	10,288

No expected credit loss is recognised arising from amount owing by an associate as the amount is negligible.

Details of the associates are shown in Note 42.

### 21. INVESTMENTS IN JOINT VENTURES

	Group	
	2020 RM'000	2019 RM'000
Shares at cost		
In unquoted corporations	120,699	92,515
Post-acquisition reserves	(68,230)	(39,795)
	52,469	52,720
Amounts owing by joint ventures	226,721	214,587
	279,190	267,307

The Group did not have any joint venture which was individually material to the Group as at 30 September 2020 and 30 September 2019.

	Group	
	2020 RM'000	2019 RM'000
Summary of financial information of joint ventures:		
Non-current assets	133,221	165,937
Current assets	591,556	649,933
Non-current liabilities	(339,156)	(787,409)
Current liabilities	(192,741)	(311,735)
Revenue	1,431,187	1,195,593
Profit for the year	35,637	25,315
Dividends received from joint ventures	12,508	12,263

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

## Notes to the Financial Statements (Continued)

The amounts owing by another joint venture, denominated in Australian Dollar, was given by a subsidiary which was incorporated in Australia. This amount is non-trade, unsecured, repayable on demand and is subject to interest charge of 6.0% (2019: 6.0%) per annum.

No expected credit loss is recognised arising from amounts owing by joint ventures as the amount is negligible.

Details of the joint ventures are shown in Note 42.

### 22. OTHER INVESTMENTS

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
<b>Equity instruments at fair value through other comprehensive income</b>				
Unquoted corporations	64,470	65,641	57,532	56,861
Less: Impairment loss	(309)	-	-	-
	<b>64,161</b>	65,641	<b>57,532</b>	56,861
 Quoted corporations				
In Malaysia	22,254	24,588	-	-
In overseas	418,499	414,727	9,397	10,701
	<b>440,753</b>	439,315	<b>9,397</b>	10,701
	<b>504,914</b>	504,956	<b>66,929</b>	67,562
 <b>Debt instruments at fair value through profit or loss</b>				
In Malaysia quoted corporations	205,853	253,695	38,048	79,138
In an overseas quoted corporation	13,747	13,966	-	-
	<b>219,600</b>	267,661	<b>38,048</b>	79,138
	<b>724,514</b>	772,617	<b>104,977</b>	146,700
Amounts owing by investee companies	71,811	49,811	-	-
	<b>796,325</b>	822,428	<b>104,977</b>	146,700
 Other investments are classified as:				
Non-current assets	622,439	568,733	98,896	67,562
Current assets	173,886	253,695	6,081	79,138
	<b>796,325</b>	822,428	<b>104,977</b>	146,700

The management classified unit trust funds under other investments as current as these investments are expected to be redeemed within the next 12 months.

No expected credit loss is recognised arising from amounts owing by investee companies as the amount is negligible.

### 23. OTHER RECEIVABLE

	Group	
	2020	2019
	RM'000	RM'000
Advances to plasma plantation projects	245,716	247,772
Allowance for impairment losses	(10,045)	-
	<b>235,671</b>	247,772

## Notes to the Financial Statements (Continued)

The movement in allowance for impairment losses of advances to plasma plantation projects during the year was:

	Group	
	2020 RM'000	2019 RM'000
Impairment losses	10,489	-
Currency translation differences	(444)	-
At end of the year	<u>10,045</u>	-

Plantation subsidiaries in Indonesia have participated in the "Kredit Koperasi Primer untuk Anggotanya" scheme (herein referred to as plasma plantation projects) to provide financing and to assist in the development of oil palm plantations under this scheme for the benefit of the communities in the vicinity of their operations. The advances to plasma plantation projects are subject to interest charge of 8.0% (2019: 8.0%) per annum.

### 24. DEFERRED TAXATION

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

	Liabilities		Assets		Net	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Group</b>						
Property, plant and equipment	362,394	306,379	(130,780)	(105,290)	231,614	201,089
Right-of-use assets	27,557	-	-	-	27,557	-
Biological assets	19,588	14,625	-	-	19,588	14,625
Unutilised tax losses	-	-	(70,301)	(99,021)	(70,301)	(99,021)
Provision for retirement benefits	-	-	(86,354)	(135,668)	(86,354)	(135,668)
Other items	32,836	19,778	(62,663)	(6,516)	(29,827)	13,262
Tax liabilities/(assets)	<u>442,375</u>	<u>340,782</u>	<u>(350,098)</u>	<u>(346,495)</u>	<u>92,277</u>	<u>(5,713)</u>
Set off of tax	28,291	103,804	(28,291)	(103,804)	-	-
Net tax liabilities/(assets)	<u>470,666</u>	<u>444,586</u>	<u>(378,389)</u>	<u>(450,299)</u>	<u>92,277</u>	<u>(5,713)</u>

Deferred tax liabilities and assets are offset above where there is a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred taxes relate to the same taxation authority.

The components and movements in deferred tax liabilities and deferred tax assets (before offsetting) are as follows:

	Property, Plant and Equipment	Right-of- use Assets	Biological Assets	Other Taxable Temporary Differences	Unutilised Tax Losses	Unabsorbed Capital Allowances	Provision for Retirement Benefits	Other Deductible Temporary Differences	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Group</b>									
At 1 October 2018	288,300	-	15,271	14,520	(69,604)	(79,972)	(106,022)	(15,226)	47,267
Reclassification	(934)	-	1,042	-	-	-	(108)	-	-
Recognised in profit or loss	30,918	-	(9,852)	5,116	(21,492)	(21,569)	(11,127)	11,124	(16,882)
Recognised in equity	-	-	-	-	-	-	(19,481)	-	(19,481)
(Over)/Under provision in respect of previous years	(82)	-	7,642	-	(4,894)	267	97	(2,500)	530
Changes in tax rates	(1,731)	-	-	-	-	-	-	-	(1,731)
Currency translation differences	(10,092)	-	522	142	(3,031)	(4,016)	973	86	(15,416)
At 30 September 2019	<u>306,379</u>	<u>-</u>	<u>14,625</u>	<u>19,778</u>	<u>(99,021)</u>	<u>(105,290)</u>	<u>(135,668)</u>	<u>(6,516)</u>	<u>(5,713)</u>
Effect on adoption of MFRS 16	(26,657)	26,493	-	-	-	164	-	-	-
At 1 October 2019 (Restated)	<u>279,722</u>	<u>26,493</u>	<u>14,625</u>	<u>19,778</u>	<u>(99,021)</u>	<u>(105,126)</u>	<u>(135,668)</u>	<u>(6,516)</u>	<u>(5,713)</u>
Reclassification	968	-	-	-	(968)	-	23,966	(23,966)	-
Recognised in profit or loss	55,693	(1,543)	6,191	10,780	34,991	(46,755)	(4,432)	(6,065)	48,860
Recognised in equity	-	-	-	-	-	-	4,706	-	4,706
Under/(Over) provision in respect of previous years	4,777	2,505	(40)	2,048	(11,987)	418	23,101	(25,839)	(5,017)
Changes in tax rates	13,959	24	(663)	-	5,898	15,431	3,934	33	38,616
Currency translation differences	7,275	78	(525)	230	786	5,252	(1,961)	(310)	10,825
At 30 September 2020	<u>362,394</u>	<u>27,557</u>	<u>19,588</u>	<u>32,836</u>	<u>(70,301)</u>	<u>(130,780)</u>	<u>(86,354)</u>	<u>(62,663)</u>	<u>92,277</u>

## Notes to the Financial Statements (Continued)

Deferred tax assets include an amount of RM146,604,000 (2019: RM74,564,000) which relates to unutilised tax losses and unabsorbed capital allowances of certain subsidiaries that suffered losses in the current and previous financial years. The Group has concluded that the deferred tax assets are recoverable through estimated future taxable profits based on the approved business plans and budgets of these subsidiaries.

	Group	
	2020 RM'000	2019 RM'000
No deferred tax assets/(liabilities) have been recognised for the following items:		
Unabsorbed capital allowances	530,683	502,371
Deductible temporary differences	2,298	2,096
Tax incentives	63,640	64,991
Unutilised tax losses	387,501	364,006
Property, plant and equipment	(899,942)	(808,334)
	<b>84,180</b>	<b>125,130</b>

The reinvestment allowance of a sub-subsidiary amounting to RM18,008,000 (2019: RM17,626,000) will expire as follows:

	Group	
	2020 RM'000	2019 RM'000
Year of expiry		
2025	17,626	17,626
2026	382	-
	<b>18,008</b>	<b>17,626</b>

Unutilised tax losses of RM49,717,000 (2019: RM50,534,000) will expire as follows under the respective tax legislation of countries in which certain subsidiaries domicile:

	Group	
	2020 RM'000	2019 RM'000
Year of expiry		
2020	-	119
2021	1	-
2022	656	-
2023	126	370
2024	196	-
2025	32,038	43,990
2026	16,700	6,055
	<b>49,717</b>	<b>50,534</b>

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group can utilise the benefits therefrom.

Deferred tax liabilities have not been provided by a sub-subsidiary on the taxable temporary differences as the sub-subsidiary is unable to estimate reliably the commencement period of its pioneer status due to current market volatility which renders the achievability of future statutory income uncertain.

The Group has tax losses carried forward of RM675,337,000 (2019: RM756,421,000) which give rise to the recognised and unrecognised deferred tax assets in respect of unutilised tax losses above, which are subject to agreement by the tax authorities.

## Notes to the Financial Statements (Continued)

### 25. BIOLOGICAL ASSETS

	Unharvested Fresh Fruit Bunches RM'000	Livestock RM'000	Growing Crops RM'000	Total RM'000
<b>Group</b>				
<b>Fair value</b>				
At 1 October 2018	61,371	5,509	36,397	103,277
Changes in fair value less cost to sell	(4,681)	2,158	-	(2,523)
Increase in crop sowing	-	-	37,140	37,140
Increase due to purchases and births	-	1,526	-	1,526
Decrease due to sales	-	(3,815)	-	(3,815)
Transfer to profit or loss	-	-	(35,489)	(35,489)
Currency translation differences	2,085	(301)	(2,071)	(287)
At 30 September 2019	<b>58,775</b>	<b>5,077</b>	<b>35,977</b>	<b>99,829</b>
Changes in fair value less cost to sell	<b>29,294</b>	<b>2,844</b>	-	<b>32,138</b>
Increase in crop sowing	-	-	<b>35,909</b>	<b>35,909</b>
Increase due to purchases and births	-	<b>1,519</b>	-	<b>1,519</b>
Decrease due to sales	-	<b>(3,814)</b>	-	<b>(3,814)</b>
Transfer to profit or loss	-	-	<b>(36,368)</b>	<b>(36,368)</b>
Currency translation differences	<b>(2,348)</b>	<b>293</b>	<b>1,894</b>	<b>(161)</b>
At 30 September 2020	<b>85,721</b>	<b>5,919</b>	<b>37,412</b>	<b>129,052</b>

The biological assets of the Group comprise of:

**(a) Unharvested fresh fruit bunches ("FFB")**

During the financial year, the Group harvested 4.0 million mt (2019: 4.2 million mt) of FFB. The quantity of unharvested FFB of the Group as at 30 September 2020 included in the fair valuation of unharvested FFB was 187,362 mt (2019: 180,667 mt).

If the FFB selling price changes by 5%, profit or loss for the Group would have equally increased or decreased by approximately RM5.1 million (2019: RM3.7 million).

**(b) Livestock**

Livestock mainly comprises of sheep and cattle.

During the financial year, the Group produced 10,253 (2019: 9,851) sheep and 209 (2019: 188) cattle. The quantity of sheep and cattle of the Group as at 30 September 2020 included in the fair valuation of livestock was 28,245 head (2019: 27,499 head) and 655 head (2019: 485 head) respectively.

**(c) Growing crops**

Growing crops mainly comprise of wheat, canola and barley.

During the financial year, the Group harvested 28,861 mt (2019: 58,880 mt) of wheat, 8,826 mt (2019: 11,680 mt) of canola and 20,520 mt (2019: 32,878 mt) of barley. Area of crops sown for the financial year were 19,809 hectares (2019: 16,070 hectares) for wheat, 7,876 hectares (2019: 8,778 hectares) for canola and 5,437 hectares (2019: 8,439 hectares) for barley.

The fair value of the Group's biological assets, which are estimated using unobservable inputs, is categorised within Level 3 of the fair value hierarchy with the exception of livestock which are on Level 2 basis (inputs are observable indirectly). Fair value assessments have been completed consistently using the same valuation techniques.

There were no transfers between all 3 levels of the fair value hierarchy during the financial year (2019: no transfer in either directions).

None of the biological assets of the Group as at 30 September 2020 and 30 September 2019 were pledged as securities for liabilities.



## Notes to the Financial Statements (Continued)

### 26. TRADE RECEIVABLES

	Group	
	2020 RM'000	2019 RM'000
Trade receivables	1,376,754	1,349,469
Allowance for impairment losses	(48,060)	(47,581)
	<b>1,328,694</b>	<b>1,301,888</b>

Included in trade receivables are amounts owing by related parties of RM68,157,000 (2019: RM79,359,000).

The allowance for impairment losses as at end of the reporting period is determined as follows:

	Gross RM'000	Expected Credit Loss Rate (%)	Allowance for Impairment Losses RM'000	Net RM'000
<b>Group 2020</b>				
Not past due	1,181,944	1.2%	14,306	1,167,638
Past due 1 - 90 days	162,159	4.4%	7,140	155,019
Past due more than 90 days	32,651	81.5%	26,614	6,037
	<b>1,376,754</b>	<b>3.5%</b>	<b>48,060</b>	<b>1,328,694</b>
<b>2019</b>				
Not past due	1,123,753	1.1%	12,052	1,111,701
Past due 1 - 90 days	188,299	3.4%	6,372	181,927
Past due more than 90 days	37,417	77.9%	29,157	8,260
	<b>1,349,469</b>	<b>3.5%</b>	<b>47,581</b>	<b>1,301,888</b>

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

	Group	
	2020 RM'000	2019 RM'000
At beginning of the year	47,581	47,504
Impairment losses	7,403	7,527
Reversal of impairment	(5,489)	(6,766)
Impairment losses written off	(3,385)	(103)
Currency translation differences	1,950	(581)
At end of the year	<b>48,060</b>	<b>47,581</b>

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

The Group's normal trade credit term ranges from 5 to 180 (2019: 7 to 180) days. Other credit terms are assessed and approved on a case-by-case basis.

## Notes to the Financial Statements (Continued)

### 27. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Other receivables	551,923	518,235	100	47
Allowance for impairment losses	(2,803)	(1,812)	-	-
	<b>549,120</b>	<b>516,423</b>	<b>100</b>	<b>47</b>
Indirect tax receivables	179,614	230,499	-	-
Prepayments	104,806	78,020	-	-
Refundable deposits	63,205	24,637	-	-
	<b>896,745</b>	<b>849,579</b>	<b>100</b>	<b>47</b>

The movements in allowance for impairment losses of other receivables during the year were:

	Group	
	2020 RM'000	2019 RM'000
At beginning of the year	1,812	-
Impairment losses	1,011	1,814
Currency translation differences	(20)	(2)
At end of the year	<b>2,803</b>	<b>1,812</b>

No expected credit loss is recognised arising from other receivables of the Company as the amount is negligible.

### 28. CONTRACT ASSETS AND CONTRACT LIABILITIES

	Group	
	2020 RM'000	2019 RM'000
<b>Contract assets</b>		
Accrued billings	<b>10,276</b>	14,867
<b>Contract liabilities</b>		
Progress billings	(2,177)	(1,688)
Advances from customers	(85,644)	(91,322)
	<b>(87,821)</b>	<b>(93,010)</b>
<b>Total</b>	<b>(77,545)</b>	<b>(78,143)</b>

#### (a) Accrued billings, progress billings and advances from customers

Contract assets and contract liabilities represent the timing differences in revenue recognition and the milestone billings. The milestone billings are structured and/or negotiated with customers to reflect physical completion of the contracts.

Contract assets are transferred to receivables when the rights to economic benefits become unconditional. This usually occurs when the Group issues billings to the customers. Contract liabilities are recognised as revenue when performance obligations are satisfied.

## Notes to the Financial Statements (Continued)

### (b) The movements in the contract assets and (contract liabilities) are as follows:

	Group	
	2020 RM'000	2019 RM'000
At beginning of the year	(78,143)	(6,105)
Net revenue recognised during the financial year	243,849	240,508
Net progress billings issued during the financial year	(159,964)	(205,918)
Cash received in advance	(83,159)	(106,751)
Currency translation differences	(128)	123
At end of the year	<u>(77,545)</u>	<u>(78,143)</u>

### (c) Unsatisfied performance obligations

The following table shows revenue from performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date. The disclosure is only providing information for contracts that have duration of more than one year.

	Group	
	2020 RM'000	2019 RM'000
Revenue is expected to be recognised from contracts with customers:		
Within one year	43,311	44,792
Between 1 to 2 years	20,047	11,373
Between 2 to 5 years	443	164
	<u>63,801</u>	<u>56,329</u>

No expected credit loss is recognised arising from contract assets as the amount is negligible.

## 29. DERIVATIVE FINANCIAL INSTRUMENTS

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

	Contract/Notional Amount Net long/(short) RM'000	Assets RM'000	Liabilities RM'000
<b>Group</b>			
<b>2020</b>			
Forward foreign exchange contracts	(1,292,477)	24,576	(5,707)
Commodities future contracts	<u>(227,035)</u>	<u>73,733</u>	<u>(91,928)</u>
Total derivative financial instruments		<u>98,309</u>	<u>(97,635)</u>
<b>2019</b>			
Forward foreign exchange contracts	(977,187)	3,738	(1,854)
Commodities future contracts	<u>(108,565)</u>	<u>30,275</u>	<u>(18,704)</u>
Total derivative financial instruments		<u>34,013</u>	<u>(20,558)</u>

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

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

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

## Notes to the Financial Statements (Continued)

### 30. SHORT-TERM FUNDS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Deposits with licensed banks	<b>919,994</b>	1,659,207	<b>37</b>	36

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

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

	Group		Company	
	2020	2019	2020	2019
Deposits with licensed banks	<b>0.28% to 6.30%</b>	1.88% to 7.75%	<b>2.10%</b>	3.10%

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Maturities above 3 months to 1 year				
Deposits with licensed banks	<b>919,994</b>	1,659,207	<b>37</b>	36

Deposits with licensed banks of the Group amounting to RM8,005,000 (2019: RM10,205,000) as at 30 September 2020 has been pledged for a banking facility granted to an outside party for the purpose of the "Kredit Koperasi Primer untuk Anggotanya" scheme in Indonesia.

No expected credit loss is recognised arising from short-term funds as the amount is negligible.

### 31. CASH AND CASH EQUIVALENTS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Deposits with licensed banks	<b>1,623,587</b>	1,277,741	<b>157,489</b>	-
Fixed income trust funds	<b>1,010,498</b>	328,811	-	-
Cash and bank balances	<b>605,671</b>	710,916	<b>11,115</b>	183,217
	<b>3,239,756</b>	2,317,468	<b>168,604</b>	183,217

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

Included in the Group's cash and bank balances as at 30 September 2020 was RM92,969,000 (2019: RM96,600,000) held under Housing Development Accounts. The utilisation of this fund is subject to the Housing Developers (Housing Development Account) (Amendment) Regulations 2002.

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

	Group		Company	
	2020	2019	2020	2019
Deposits with licensed banks	<b>0.02% to 5.75%</b>	0.33% to 7.55%	<b>0.04% to 1.78%</b>	-
Fixed income trust funds	<b>2.60% to 2.99%</b>	3.32% to 3.70%	-	-

## Notes to the Financial Statements (Continued)

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

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Maturities of 3 months or below				
Deposits with licensed banks	1,623,587	1,277,741	157,489	-
Fixed income trust funds	1,010,498	328,811	-	-
	<b>2,634,085</b>	<b>1,606,552</b>	<b>157,489</b>	<b>-</b>

No expected credit loss is recognised arising from cash and cash equivalents as the amount is negligible.

### 32 SHARE CAPITAL

	Group and Company	
	Number of Shares	RM'000
<b>Issued and fully paid</b>		
At 1 October 2018/30 September 2019	435,951,000	435,951
Issuance of shares pursuant to Dividend Reinvestment Plan	7,714,894	127,681
Cancellation of shares transferred to retained earnings pursuant to Section 127(14) of the Companies Act 2016	(44,130,431)	(56,045)
At 30 September 2020	<b>399,535,463</b>	<b>507,587</b>

	2020	Group and Company		2019
	Number of Shares	2020	2019	2019
		RM'000	Number of Shares	RM'000
Treasury shares	<b>1,646,900</b>	<b>23,957</b>	43,403,831	623,059

#### Share capital

- (i) During the financial year, the Company increased its issued and fully paid ordinary share capital from RM435,951,000 to RM563,632,000 by way of issuance of 7,714,894 ordinary shares at the issue price of RM16.55 per share arising from the Dividend Reinvestment Plan pertaining to the final single tier dividend of 45 sen per share in respect of the financial year ended 30 September 2019.

The new ordinary shares issued rank *pari passu* in all respects with the existing ordinary shares of the Company.

Subsequently, the Company cancelled all its accumulated 44,130,431 treasury shares as at 15 April 2020 with carrying amount of RM632,703,000 or at an average price of RM14.29 per ordinary share. The share capital cancelled was transferred to retained earnings in accordance with the requirements of Section 127(13) and (14) of the Companies Act 2016 in Malaysia at an average cost of RM1.27 per share at the date of issuance. Accordingly, the Company's issued and fully paid ordinary share capital is reduced from RM563,632,000 to RM507,587,000.

- (ii) Of the total available 399,535,463 (2019: 435,951,000) issued and fully paid shares, 1,646,900 (2019: 43,403,831) are held as treasury shares by the Company as at 30 September 2020. As at this date, the number of outstanding shares issued and fully paid, after deducting treasury shares held, is 397,888,563 (2019: 392,547,169) share.

- (iii) The holders of shares (except treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share without restrictions at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

## Notes to the Financial Statements (Continued)

(iv) The shareholders of the Company via Annual General Meeting held on 18 February 2020 approved the renewal of the authority for the Directors of the Company to allot and issue new shares in the Company in relation to the Dividend Reinvestment Plan that provides the shareholders of the Company the option to elect to reinvest, in whole or in part, their cash dividend entitlements in the new shares of the Company.

### Treasury shares

Treasury shares relate to shares of the Company that are retained by the Company.

The shareholders of the Company renewed the authority granted to the Directors to buy back its own shares at the Annual General Meeting held on 18 February 2020. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the buy back plan can be applied in the best interests of the Company and its shareholders.

As at 30 September 2020, there were share buybacks of 1,646,900 from the open market and held as treasury shares. The average price paid for the shares repurchased was RM14.49 per share for a total cost of RM23,957,000. The shares bought back were financed by internally generated funds.

### 33. RESERVES

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Non-distributable				
Capital reserve	291,991	179,193	-	-
Exchange fluctuation reserve	(25,443)	(24,664)	-	-
Fair value reserve	525,067	540,171	48,731	49,764
Retained earnings – cost of treasury shares	21,865	579,656	21,865	579,656
	<b>813,480</b>	<b>1,274,356</b>	<b>70,596</b>	<b>629,420</b>
Distributable				
Capital reserve	479,426	479,353	32,555	32,555
Retained earnings	4,100,394	4,096,372	454,216	429,899
	<b>4,579,820</b>	<b>4,575,725</b>	<b>486,771</b>	<b>462,454</b>
	<b>5,393,300</b>	<b>5,850,081</b>	<b>557,367</b>	<b>1,091,874</b>

### Capital reserves

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

### Exchange fluctuation reserve

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

### Fair value reserve

Fair value reserve comprises the cumulative net change in the fair value of equity instruments measured at fair value through other comprehensive income until the investments are derecognised or impaired.

### Retained earnings

Of the Company's retained earnings at year end, RM21,865,000 (2019: RM579,656,000) was utilised for the purchase of the treasury shares and is considered as non-distributable. Details of treasury shares are disclosed in Note 32.



## Notes to the Financial Statements (Continued)

### 34. DEFERRED INCOME

	Group	
	2020 RM'000	2019 RM'000
<b>Government grants</b>		
<b>At cost</b>		
At beginning of the year	159,556	160,140
Received during the year	4,500	907
Written off	-	(1,019)
Currency translation differences	604	(472)
At end of the year	<b>164,660</b>	<b>159,556</b>
<b>Accumulated amortisation</b>		
At beginning of the year	41,040	33,189
Amortisation charge	8,182	8,188
Currency translation differences	455	(337)
At end of the year	<b>49,677</b>	<b>41,040</b>
<b>Carrying amounts</b>	<b>114,983</b>	<b>118,516</b>
Deferred income is disclosed under:		
Non-current liabilities	106,564	110,320
Current liabilities	8,419	8,196
	<b>114,983</b>	<b>118,516</b>

The sub-subsidiaries, KL-Kepong Edible Oils Sdn Bhd, KL-Kepong Oleomas Sdn Bhd, Palm-Oleo (Klang) Sdn Bhd and Davos Life Science Sdn Bhd received government grants from Malaysian Palm Oil Board which were conditional upon the construction of specific projects. The constructions of these projects were completed in the previous financial year except for the project of KL-Kepong Edible Oils Sdn Bhd which is still on-going as at 30 September 2020.

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

The government grants are amortised over the life of the assets.

### 35. PROVISION FOR RETIREMENT BENEFITS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Present value of funded obligations	164,923	263,705	-	-
Fair value of plan assets	(159,708)	(246,167)	-	-
	5,215	17,538	-	-
Unfunded obligations	553,397	533,008	120	103
Present value of net obligations	<b>558,612</b>	<b>550,546</b>	<b>120</b>	<b>103</b>
Represented by:				
Payable not later than 1 year	342	393	-	-
Payable later than 1 year	558,270	550,153	120	103
	<b>558,612</b>	<b>550,546</b>	<b>120</b>	<b>103</b>

The provision for retirement benefits of the Group payable not later than 1 year amounting to RM342,000 (2019: RM393,000) was included in other payables.

## Notes to the Financial Statements (Continued)

### Defined benefit obligations

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

The present value of these unfunded defined benefit obligations as required by MFRS 119 *Employee Benefits* has not been used in arriving at the provision as the amount involved is insignificant to the Group and the Company. The undiscounted value of these unfunded defined benefit obligations was RM31,472,000 (2019: RM25,686,000) as at 30 September 2020. Accordingly, no further disclosures as required by the standard are made.

- (ii) All the plantation subsidiaries in Indonesia operate unfunded defined benefit plans for all its eligible employees. The obligations of the retirement benefit plans are calculated using the projected unit credit method.
- (iii) A sub-subsidiary in Germany, KLK Emmerich GmbH, operates an unfunded retirement benefit plan for its eligible employees. The obligations of the retirement benefit plan are determined by an independent qualified actuary. The last actuarial valuation was on 30 September 2020.
- (iv) In previous year, sub-subsidiaries in Switzerland, Kolb Distribution AG and Dr. W. Kolb AG ("Kolb Group"), made contributions to a funded defined benefit plan that provides pension benefits to employees upon retirement. The assets of the plan were held as a segregated fund and administered by trustees.

Arising from the internal restructuring of Kolb Group in Europe during the financial year, Kolb Group has restructured their funded defined benefit plan on 1 January 2020 by transferring all active members and pensioners to a collective pension foundation ("Foundation") which guarantees the mandatory minimum benefits defined by the Swiss law and is responsible for the investment of the assets for a period of at least 5 years from 1 January 2020 to at least 31 December 2024. The effect of the change of the plan resulted in the reduction in the defined benefit plan obligation amounted to RM7,434,000 was disclosed as negative past service cost.

Under the term of the transfer, 46 participants under the old-age and spouse's pensioners categories will remain with the Foundation in the event of a future change in the pension solution at the end of December 2024 or later. Arising from this, an amount of RM113,003,000 as calculated using the actuarial assumptions as at 30 September 2019 for this particular group of pensioners have been derecognised in both the defined benefit obligation and fair value of plan assets accordingly and has been disclosed as 'derecognition of pensioners'.

This funded defined benefit obligation is determined by an independent qualified actuary on an annual basis. The last actuarial valuation was on 30 September 2020. The plan assets are stated at their market value as at 30 September 2020.

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

These defined benefit plans are fully funded by the Group.

The Group expects RM21,428,000 in contributions to be paid to the defined benefit plans in the next financial year.

## Notes to the Financial Statements (Continued)

	Present Value of Funded Obligations RM'000	Unfunded Obligations RM'000	Fair Value of Plan Assets RM'000	Present Value of Net Obligations RM'000
<b>Movement in Net Defined Benefit Liabilities Group</b>				
At 1 October 2018	244,415	468,595	(235,687)	477,323
<b>Included in profit or loss</b>				
Service cost	6,205	27,292	-	33,497
Remeasurement	-	288	-	288
Under provision	-	50	-	50
Administration cost	121	-	-	121
Interest cost/(income)	2,380	15,617	(2,301)	15,696
	8,706	43,247	(2,301)	49,652
<b>Included in other comprehensive income</b>				
Remeasurement loss/(gain)				
Actuarial loss/(gain) from:				
- Financial assumptions	34,788	54,368	-	89,156
- Demographic assumptions	(8,197)	3,163	-	(5,034)
- Experience assumptions	(2,075)	(1,543)	-	(3,618)
Return on plan assets excluding interest income	-	-	(14,765)	(14,765)
	24,516	55,988	(14,765)	65,739
<b>Others</b>				
Contributions paid by employer	-	(25,093)	(7,444)	(32,537)
Employee contributions	5,390	-	(5,390)	-
Benefits paid	(18,689)	-	18,689	-
Currency translation differences	(633)	(9,729)	731	(9,631)
At 30 September 2019	<b>263,705</b>	<b>533,008</b>	<b>(246,167)</b>	<b>550,546</b>
<b>Included in profit or loss</b>				
Service cost	8,229	36,527	-	44,756
Past service cost	(7,434)	-	-	(7,434)
Over provision	-	(66)	-	(66)
Administration cost	136	-	-	136
Interest (income)/cost	(334)	13,834	308	13,808
	597	50,295	308	51,200
<b>Included in other comprehensive income</b>				
Remeasurement (gain)/loss				
Actuarial (gain)/loss from:				
- Financial assumptions	(9,670)	(4,197)	-	(13,867)
- Demographic assumptions	(110)	-	-	(110)
- Experience assumptions	1,538	(5,183)	-	(3,645)
Return on plan assets excluding interest income	-	-	2,333	2,333
	(8,242)	(9,380)	2,333	(15,289)
<b>Others</b>				
Contributions paid by employer	(858)	(35,568)	(7,636)	(44,062)
Employee contributions	5,387	-	(5,387)	-
Benefits paid	(2,213)	-	2,213	-
Derecognition of pensioners	(113,003)	-	113,003	-
Currency translation differences	19,550	15,042	(18,375)	16,217
At 30 September 2020	<b>164,923</b>	<b>553,397</b>	<b>(159,708)</b>	<b>558,612</b>

The amount of remeasurement gain of RM10,583,000 (2019: loss RM46,258,000) recognised in the other comprehensive income is net of deferred tax liabilities of RM4,706,000 (2019: deferred tax assets RM19,481,000) (Note 24).

## Notes to the Financial Statements (Continued)

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Plan assets</b>		
Plan assets comprise:		
Equity funds quoted in Switzerland	-	42,222
Equity funds quoted in the United States of America	-	25,171
Other equity funds	-	5,902
Bond funds quoted in Switzerland	-	61,348
Other bond funds	-	27,965
Real estate funds quoted in Switzerland	-	54,014
Cash and cash equivalents	-	9,170
Other assets - unquoted	<b>159,708</b>	<b>20,375</b>
	<b>159,708</b>	<b>246,167</b>

In previous year, fair value of the plan assets was based on the market price information and in the case of quoted securities was the published bid price. The pension fund's board of trustees was responsible for the risk management of the funds. The cash funding of the plan was designed to ensure that present and future contributions should be sufficient to meet future liabilities.

As the plan assets are managed by the pension foundation in its pool assets and the value of the plan assets are guaranteed by the pension foundation regardless of the financial market performance hence the value of the plan assets will remain unchanged and disclosed as "Other Assets - Unquoted".

	<b>Company</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Unfunded obligations</b>		
Movement in the unfunded defined benefit obligations		
At beginning of the year	<b>103</b>	<b>31</b>
Expense recognised in profit or loss	<b>17</b>	<b>72</b>
At end of the year	<b>120</b>	<b>103</b>
Expense recognised in profit or loss		
Current service cost	<b>14</b>	<b>13</b>
Interest cost	<b>4</b>	<b>4</b>
(Over)/Under provision	<b>(1)</b>	<b>55</b>
	<b>17</b>	<b>72</b>

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>%</b>	<b>%</b>
<b>Actuarial assumptions</b>		
Principal actuarial assumptions of the funded plan operated by the sub-subsidiary in Switzerland (expressed as weighted averages):		
Discount rates	<b>0.3</b>	<b>(0.2)</b>
Future salary increases	<b>1.0</b>	<b>1.0</b>
Principal assumptions of the unfunded plans used by plantation subsidiaries in Indonesia:		
Discount rates	<b>8.0</b>	<b>8.2</b>
Future salary increases	<b>6.0 to 7.5</b>	<b>6.0 to 7.5</b>
Principal actuarial assumptions of the unfunded plan operated by the sub-subsidiary in Germany:		
Discount rate	<b>0.9</b>	<b>0.7</b>
Future salary increases	<b>3.0</b>	<b>3.0</b>
Future pension increases	<b>1.8</b>	<b>1.8</b>

## Notes to the Financial Statements (Continued)

As at the end of the reporting period, the weighted average duration of the funded defined benefit obligation was 14.5 years (2019: 14.8 years).

### Sensitivity analysis

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

	Group	
	Defined Benefit Obligation Increase RM'000	Obligation Decrease RM'000
<b>2020</b>		
Discount rate (0.25% movement)	(21,844)	24,857
Future salary growth (0.25% movement)	6,579	(5,681)
Life expectancy (1 year movement)	25,590	(25,285)
<b>2019</b>		
Discount rate (0.25% movement)	(27,648)	29,360
Future salary growth (0.25% movement)	7,891	(6,297)
Life expectancy (1 year movement)	31,190	(31,237)

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

### 36. BORROWINGS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Non-current</b>				
Secured				
Term loan	23,471	27,676	-	-
Unsecured				
Term loans	486,971	542,157	-	-
Islamic medium term notes	5,100,000	5,100,000	500,000	500,000
	5,586,971	5,642,157	500,000	500,000
	5,610,442	5,669,833	500,000	500,000
<b>Current</b>				
Secured				
Term loan	6,077	5,648	-	-
Bankers' acceptance	-	5,009	-	-
	6,077	10,657	-	-
Unsecured				
Bank overdrafts	129,205	120,857	-	-
Term loans	76,988	120,966	-	-
Export credit refinancing	-	8,329	-	-
Bankers' acceptance	174,441	230,268	-	-
Revolving credit	386,308	420,713	-	-
Trade financing	537,829	442,212	-	-
	1,304,771	1,343,345	-	-
	1,310,848	1,354,002	-	-
<b>Total borrowings</b>	<b>6,921,290</b>	<b>7,023,835</b>	<b>500,000</b>	<b>500,000</b>

## Notes to the Financial Statements (Continued)

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

Salient features of the Programme are as follows:

- Total outstanding nominal value of the IMTN (collectively known as "Notes") shall not exceed RM500 million.
- The tenure of the Programme is up to 10 years from the date of the first issuance of any Notes under this Programme.
- The IMTN has a maturity of more than 1 year and up to 10 years and on condition that the maturity dates of the IMTN do not exceed the tenure of the Programme. The IMTN may be non-profit bearing or bear profit at a rate determined at the point of issuance. The profit is payable semi-annually in arrears from the date of issuance of the IMTN with the last periodic distribution to be made on the maturity date.
- Debt-to-equity ratio of the Group shall be maintained at not more than one time throughout the tenure of the Programme.

- (b) In financial year ended 30 September 2012, a subsidiary had issued RM1.0 billion 10 years Ringgit Sukuk Ijarah Islamic Medium Term Notes under the RM1.0 billion Sukuk Ijarah Multi-Currency Islamic Medium Term Notes ("MCIMTN") Programme ("1<sup>st</sup> Programme") at par with a profit rate of 4.0% per annum.

Salient features of the 1<sup>st</sup> Programme are as follows:

- Total outstanding nominal value of the Ringgit Sukuk Ijarah and Non-Ringgit Sukuk Ijarah MCIMTN shall not exceed RM1.0 billion.
- The tenure of the 1<sup>st</sup> Programme is up to 10 years from the date of the first issuance of any MCIMTN under the 1<sup>st</sup> Programme.
- The MCIMTN has a maturity of more than 1 year and up to 10 years and on condition that the maturity dates of the MCIMTN do not exceed the tenure of the 1<sup>st</sup> Programme. The MCIMTN may be non-profit bearing or bear profit at a rate determined at the point of issuance. The profit is payable semi-annually in arrears from the date of issue of the MCIMTN with the last profit payment to be made on the maturity dates.
- Debt-to-equity ratio of the subsidiary (group results) shall be maintained at not more than one time throughout the tenure of the 1<sup>st</sup> Programme.

- (c) In financial year ended 30 September 2015, a subsidiary had issued RM1.1 billion 10 years Ringgit Sukuk Ijarah Islamic Medium Term Notes under the RM1.6 billion Multi-Currency Sukuk Ijarah and/or Wakalah Islamic Medium Term Notes Programme ("2<sup>nd</sup> Programme") at par with a profit rate of 4.58% per annum.

In financial year ended 30 September 2016, the subsidiary had issued the balance of the 2<sup>nd</sup> Programme of RM500 million 10 years Ringgit Sukuk Ijarah Islamic Medium Term Notes at par with a profit rate of 4.65% per annum.

Salient features of the 2<sup>nd</sup> Programme are as follows:

- The 2<sup>nd</sup> Programme shall comprise Ringgit denominated Islamic Medium Term Notes ("Ringgit Sukuk") and non-Ringgit denominated Islamic Medium Term Notes ("Non-Ringgit Sukuk") issuances.
- The aggregate outstanding nominal value of the Ringgit Sukuk and Non-Ringgit Sukuk issued under the 2<sup>nd</sup> Programme shall not exceed RM1.6 billion (or its equivalent in foreign currencies).

## Notes to the Financial Statements (Continued)

- The tenure of the 2<sup>nd</sup> Programme is 12 years from the date of the first issuance under the programme. The tenure of the Ringgit Sukuk/Non-Ringgit Sukuk issued under the 2<sup>nd</sup> Programme shall be more than 1 year and up to 12 years, provided that the maturity of the Ringgit Sukuk/Non-Ringgit Sukuk shall not exceed the tenure of the 2<sup>nd</sup> Programme.
  - The Ringgit Sukuk/Non-Ringgit Sukuk under the 2<sup>nd</sup> Programme may be issued under the Shariah principle(s) of Ijarah and/or Wakalah Bi Al-Istithmar.
  - The expected periodic distribution rate (under the principle of Wakalah Bi Al-Istithmar) or periodic distribution rate (under the principle of Ijarah) (if any) shall be determined at the point of issuance. For the Ringgit Sukuk/Non-Ringgit Sukuk with periodic distributions, the profit is payable semi-annually in arrears from the date of issuance of the Ringgit Sukuk/Non-Ringgit Sukuk with the last periodic distribution to be made on the relevant maturity dates.
  - Debt-to-equity ratio of the subsidiary (group results) shall be maintained at not more than one time throughout the tenure of the 2<sup>nd</sup> Programme.
- (d) In financial year ended 30 September 2019, a subsidiary had issued 2 tranches of RM1.0 billion each of Sukuk Wakalah Islamic Medium Term Notes ("Sukuk Wakalah") under the RM2.0 billion Sukuk Wakalah Islamic Medium Term Notes Programme ("3<sup>rd</sup> Programme"), at par with profit rate of 3.75% per annum for the 10 years tenure tranche and 3.95% per annum for the 15 years tenure tranche.
- Salient features of the 3<sup>rd</sup> Programme are as follows:
- Total aggregate outstanding nominal value of the Sukuk Wakalah issued under the 3<sup>rd</sup> Programme shall not exceed RM2.0 billion.
  - The tenure of the 3<sup>rd</sup> Programme is 20 years from the date of the first issuance under the programme. The tenure of the Sukuk Wakalah issued under the 3<sup>rd</sup> Programme shall be more than 1 year and up to 20 years, provided that the maturity of the Sukuk Wakalah shall not exceed the tenure of the 3<sup>rd</sup> Programme.
  - The Sukuk Wakalah under the 3<sup>rd</sup> Programme shall be issued under the Shariah principle of Wakalah Bi Al-Istithmar.
  - The periodic distribution rate shall be determined at the point of issuance. For the Sukuk Wakalah with periodic distributions, the profit is payable semi-annually in arrears from the date of issuance.
  - Debt-to-equity ratio of the subsidiary (group results) shall be maintained at not more than one time throughout the tenure of the 3<sup>rd</sup> Programme.
- (e) The secured term loan of the Group is secured by way of a fixed charge on the property, plant and equipment of an overseas sub-subsidiary with carrying amount of RM131,674,000 (2019: RM129,845,000) as at 30 September 2020.
- (f) Certain unsecured term loans, bank overdrafts, bankers' acceptance and revolving credit are supported by corporate guarantees of RM945.3 million (2019: RM967.7 million) issued by the Company and a subsidiary. The bank overdraft facilities are renewable annually.
- (g) The interest/profit rates per annum applicable to borrowings for the year were as follows:

	Group		Company	
	2020	2019	2020	2019
Bank overdrafts	<b>0.18% to 0.28%</b>	0.25% to 0.33%	-	-
Term loans	<b>0.71% to 3.42%</b>	0.71% to 4.36%	-	-
Trade financing	<b>0.75% to 3.49%</b>	2.45% to 3.82%	-	-
Export credit refinancing	-	3.56% to 3.94%	-	-
Bankers' acceptance	<b>2.09% to 4.14%</b>	2.60% to 4.57%	-	-
Revolving credit	<b>0.83% to 8.90%</b>	1.00% to 9.15%	-	-
Islamic medium term notes	<b>3.75% to 4.65%</b>	3.75% to 4.65%	<b>4.05%</b>	4.05%



## Notes to the Financial Statements (Continued)

- (h) An amount of RM1,045,890,000 (2019: RM1,148,143,000) of the Group's borrowings consists of floating rate borrowings, of which interest rates reprice within a year.

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

### 37. TRADE PAYABLES

	Group	
	2020 RM'000	2019 RM'000
Trade payables	<b>506,138</b>	532,242

Included in trade payables are amounts owing to related parties of RM52,540,000 (2019: RM8,528,000).

The normal trade credit terms granted to the Group ranged from 7 to 90 (2019: 7 to 90) days.

### 38. OTHER PAYABLES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Other payables	<b>279,205</b>	429,858	<b>356</b>	536
Accruals	<b>472,358</b>	425,128	<b>10,403</b>	10,135
Deposits received	<b>385</b>	405	-	-
Indirect tax payable	<b>6,318</b>	24,753	-	-
	<b>758,266</b>	880,144	<b>10,759</b>	10,671
Represented by:				
Payable not later than 1 year	<b>758,251</b>	879,761	<b>10,759</b>	10,671
Payable later than 1 year	<b>15</b>	383	-	-
	<b>758,266</b>	880,144	<b>10,759</b>	10,671

Other payables of the Group payable later than 1 year amounting to RM15,000 (2019: RM383,000) represent deposits which are payable upon the expiry of the tenancy agreements.

### 39. RELATED PARTY TRANSACTIONS

- (a) The Company has a controlling related party relationship with all its subsidiaries. Significant inter-company transactions of the Company are as follows (in addition to related party disclosures mentioned elsewhere in the financial statements):

	Company	
	2020 RM'000	2019 RM'000
Rental paid to a subsidiary	<b>84</b>	85
Travelling expenses paid to a subsidiary	<b>39</b>	-
Interest received from subsidiaries	<b>7,864</b>	6,793

## Notes to the Financial Statements (Continued)

(b) Significant related party transactions

Set out below are the significant related party transactions which are carried out in the mutually agreed terms for the financial year (in addition to related party disclosures mentioned elsewhere in the financial statements).

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
(i) Transactions with associates and joint ventures		
Processing fee earned	751	693
Sale of finished goods	284,968	231,829
Sale of electricity	1,167	1,066
Purchase of goods	1,236,380	1,056,792
Service charges paid	2,489	2,726
Research and development services paid	14,142	13,687
(ii) Transactions with companies in which certain Directors are common directors and/or have direct or deemed interest		
<b>Sale of goods</b>		
Chlor-Al Chemical Pte Ltd	5,907	5,287
Siam Taiko Marketing Co Ltd	2,151	2,591
Taiko Acid Works Sdn Bhd	6,630	-
Taiko Marketing Sdn Bhd	218,752	255,455
Taiko Marketing (Singapore) Pte Ltd	2,364	3,551
<b>Freight income earned</b>		
Chlor-Al Chemical Pte Ltd	124	614
Taiko Marketing Sdn Bhd	777	513
<b>Storage tanks rental received</b>		
Taiko Marketing Sdn Bhd	4,062	4,132
<b>Purchase of goods</b>		
Borneo Taiko Clay Sdn Bhd	4,515	4,619
Bukit Katho Estate Sdn Bhd	5,009	3,643
Chlor-Al Chemical Pte Ltd	2,596	3,617
Kampar Rubber & Tin Co Sdn Bhd	6,196	5,554
Kekal & Deras Sdn Bhd	1,919	1,512
Ladang Tai Tak (Kota Tinggi) Sdn Bhd	-	2,269
Malay Rubber Plantations (M) Sdn Bhd	7,435	5,859
P.T. Agro Makmur Abadi	62,877	52,946
P.T. Bumi Karyatama Raharja	1,152	3,044
P.T. Java Taiko Mineralindo	3,456	1,140
P.T. Safari Riau	35,739	20,394
Taiko Acid Works Sdn Bhd	521	2,393
Taiko Clay Marketing Sdn Bhd	2,062	2,558
Taiko Drum Industries Sdn Bhd	1,584	3,731
Taiko Marketing Sdn Bhd	27,833	43,784
Taiko Marketing (Singapore) Pte Ltd	8,606	30,486
<b>Management fees paid</b>		
Farming Management Services Pty Ltd	2,373	2,405
<b>Aircraft operating expenses and management services paid</b>		
Smooth Route Sdn Bhd	1,940	2,228
<b>Supply of contract labours and engineering works</b>		
K7 Engineering Sdn Bhd	-	1,825
Yeow Brothers Engineering Sdn Bhd	536	717
<b>Sales commissions charged by</b>		
Taiko Marketing Sdn Bhd	8	47
<b>IT Services paid</b>		
E-Komoditi Sdn Bhd	637	1,824

## Notes to the Financial Statements (Continued)

	Group	
	2020 RM'000	2019 RM'000
(iii) Transactions between subsidiaries and non-controlling interests		
<b>Sale of goods</b>		
Mitsubishi Corporation	59,021	42,980
Mitsui & Co Ltd	205,402	237,160
<b>Purchase of goods</b>		
Mitsubishi Gas Chemical Singapore Pte Ltd	12,036	16,203
P.T. Eka Sura Indonesia	12,494	-
P.T. Tanjung Bina Lestari	881	18,408
P.T. Tanjung Sarana Lestari	<u>1,410,602</u>	<u>1,210,290</u>

### 40. CAPITAL COMMITMENTS

	Group	
	2020 RM'000	2019 RM'000
<b>Capital expenditure</b>		
Approved and contracted	323,620	364,210
Approved but not contracted	<u>1,398,149</u>	<u>894,065</u>
	<u>1,721,769</u>	<u>1,258,275</u>
<b>Acquisition of shares in a sub-subsidiary</b>		
Approved and contracted	<u>765,196</u>	-
<b>Joint venture</b>		
Share of capital commitment of a joint venture	<u>80,887</u>	<u>79,427</u>

### 41. CONTINGENT LIABILITIES - UNSECURED

- (a) The Company and a subsidiary have unsecured contingent liabilities of RM Nil and RM948.0 million (2019: RM5.0 million and RM967.7 million) respectively in respect of corporate guarantees given to certain banks for credit facilities utilised by certain subsidiaries at 30 September 2020.
- (b) A subsidiary has undertaken to provide financial support to certain sub-subsidiaries to enable them to continue to operate as going concerns.
- (c) In the ordinary course of business, the Company has entered into various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions and hence, they are not provided for in the financial statements.

## Notes to the Financial Statements (Continued)

### 42 SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

Subsidiaries	Country of Incorporation	Principal Country of Operation	Percentage of Equity Held		Principal Activities
			2020	2019	
<b>Held by the Company:</b>					
<b>MANUFACTURING</b>					
<b>CHEMICALS</b>					
See Sen Chemical Berhad †	Malaysia	Malaysia	61	61	Manufacturing of chemicals
Malay-Sino Chemical Industries Sendirian Berhad †	Malaysia	Malaysia	98	98	Manufacturing of chemicals
<b>INVESTMENT HOLDING</b>					
Batu Kawan Holdings Sdn Bhd †	Malaysia	Malaysia	100	100	Investment property
Caruso Enterprises Sdn Bhd †	Malaysia	Malaysia	100	100	Dormant
Whitmore Holdings Sdn Bhd †	Malaysia	Malaysia	100	100	Investment holding
Enternal Edge Sdn Bhd †	Malaysia	Malaysia	100	100	Investment holding
BKB Overseas Investments Ltd ††	British Virgin Islands	British Virgin Islands	100	100	Investment holding
Synergy Motion Sdn Bhd †	Malaysia	Malaysia	100	100	Investment holding
Caruso Ventures Pte Ltd †	Singapore	Singapore	100	100	Investment holding
<b>PLANTATION</b>					
<b>PENINSULAR MALAYSIA</b>					
Kuala Lumpur Kepong Berhad	Malaysia	Malaysia	47 <sup>^</sup>	47 <sup>^</sup>	Plantation
<b>Held through Subsidiaries:</b>					
<b>Malay-Sino Chemical Industries Sendirian Berhad:</b>					
<b>MANUFACTURING</b>					
<b>CHEMICALS AND</b>					
<b>TRANSPORTATION SERVICES</b>					
Malay-Sino Agro-Chemical Products Sdn Bhd †	Malaysia	Malaysia	100	100	Manufacture and sale of methyl chloride
Circular Agency Sdn Bhd †	Malaysia	Malaysia	100	100	General transportation services
North-South Transport Sdn Bhd †	Malaysia	Malaysia	100	100	General transportation services
Malay-Sino Properties Sdn Bhd †	Malaysia	Malaysia	100	100	Letting of storage warehouse facilities
<b>Whitmore Holdings Sdn Bhd:</b>					
<b>PLANTATION</b>					
<b>INDONESIA</b>					
P.T. Satu Sembilan Delapan †	Indonesia	Indonesia	92	92	Plantation
P.T. Tekukur Indah †	Indonesia	Indonesia	90	90	Plantation
<b>Caruso Ventures Pte Ltd:</b>					
<b>INVESTMENT HOLDING</b>					
Caruso Australia Ventures Pty Ltd ††	Australia	Australia	100	100	Investment holding
Caruso Epping Pty Ltd ††	Australia	Australia	100	100	Trustee company
Caruso Epping Unit Trust ††	Australia	Australia	100	100	Joint venture partner in property development
Caruso Greenvale Pty Ltd ††	Australia	Australia	100	100	Trustee company
Caruso Greenvale Unit Trust ††	Australia	Australia	100	100	Joint venture partner in property development
Vivaldi Victoria Pty Ltd ††	Australia	Australia	100	100	Trustee company
Vivaldi Victoria Unit Trust ††	Australia	Australia	100	100	Dormant

## Notes to the Financial Statements (Continued)

Subsidiaries	Country of Incorporation	Principal Country of Operation	Percentage of Equity Held		Principal Activities
			2020	2019	
<b>Kuala Lumpur Kepong Berhad:</b>					
<b>PLANTATION</b>					
<b>PENINSULAR MALAYSIA</b>					
Uni-Agro Multi Plantations Sdn Bhd	Malaysia	Malaysia	51	51	Plantation
Betatechnic Sdn Bhd	Malaysia	Malaysia	100	100	Operating biogas capture plants
Gunong Pertanian Sdn Bhd	Malaysia	Malaysia	100	100	Extraction of crude palm oil
KL-Kepong Edible Oils Sdn Bhd	Malaysia	Malaysia	100	100	Refining of palm products
Taiko Plantations Sendirian Berhad	Malaysia	Malaysia	100	100	Management of plantation
Golden Complex Sdn Bhd	Malaysia	Malaysia	100	100	Investment holding
Jasachem Sdn Bhd	Malaysia	Malaysia	100	100	Investment holding
KL-Kepong Plantation Holdings Sdn Bhd	Malaysia	Malaysia	100	100	Investment holding
Fajar Palmkel Sdn Bhd	Malaysia	Malaysia	100	100	Kernel crushing
<b>SABAH</b>					
Bornion Estate Sdn Bhd	Malaysia	Malaysia	63	63	Plantation
KL-Kepong (Sabah) Sdn Bhd	Malaysia	Malaysia	100	100	Plantation
Sabah Cocoa Sdn Bhd	Malaysia	Malaysia	100	100	Plantation
KLK Premier Oils Sdn Bhd	Malaysia	Malaysia	85	85	Processing and marketing of oil palm products
Golden Yield Sdn Bhd	Malaysia	Malaysia	85	85	Processing and marketing of oil palm products
Sabah Holdings Corporation Sdn Bhd	Malaysia	Malaysia	70	70	Investment holding
<b>INDONESIA</b>					
P.T. ADEI Plantation & Industry †	Indonesia	Indonesia	95	95	Plantation, refining of palm products and kernel crushing
P.T. Alam Karya Sejahtera AKS †	Indonesia	Indonesia	62	62	Plantation
P.T. Bumi Makmur Sejahtera Jaya †	Indonesia	Indonesia	95	95	Plantation
P.T. Hutan Hijau Mas †	Indonesia	Indonesia	92	92	Plantation
P.T. Jabontara Eka Karsa †	Indonesia	Indonesia	95	95	Plantation
P.T. Karya Makmur Abadi †	Indonesia	Indonesia	95	95	Plantation
P.T. Langkat Nusantara Kepong †	Indonesia	Indonesia	60	60	Plantation
P.T. Malindomas Perkebunan †	Indonesia	Indonesia	92	92	Plantation
P.T. Menteng Jaya Sawit Perdana †	Indonesia	Indonesia	95	95	Plantation
P.T. Mulia Agro Permai †	Indonesia	Indonesia	95	95	Plantation
P.T. Parit Sembada †	Indonesia	Indonesia	90	90	Plantation
P.T. Perindustrian Sawit Synergi †	Indonesia	Indonesia	80	80	Refining of palm products and kernel crushing
P.T. Putra Bongan Jaya †	Indonesia	Indonesia	95	95	Plantation
P.T. Steelindo Wahana Perkasa †	Indonesia	Indonesia	95	95	Plantation, refining of palm products and kernel crushing
P.T. Sekarbumi Alamlestari †	Indonesia	Indonesia	65	65	Plantation
P.T. KLIK Agriservindo †	Indonesia	Indonesia	100	100	Management of plantation
P.T. Anugrah Surya Mandiri † (In Liquidation)	Indonesia	Indonesia	95	95	Dormant

## Notes to the Financial Statements (Continued)

Subsidiaries	Country of Incorporation	Principal Country of Operation	Percentage of Equity Held		Principal Activities
			2020	2019	
<b>PLANTATION SINGAPORE</b>					
Astra-KLK Pte Ltd †	Singapore	Singapore	51	51	Marketing of refined palm oil products and provision of logistics services related to palm products
Collingwood Plantations Pte Ltd †	Singapore	Singapore	100**	100**	Investment holding
KLK Agro Plantations Pte Ltd †	Singapore	Singapore	100	100	Investment holding
Taiko Plantations Pte Ltd †	Singapore	Singapore	100	100	Management of plantation
Agro Putra Pte Ltd †	Singapore	Singapore	100	100	Dormant (pending completion of striking off process)
<b>PAPUA NEW GUINEA</b>					
Ang Agro Forest Management Ltd †	Papua New Guinea	Papua New Guinea	100**	100**	Dormant
<b>UNITED KINGDOM</b>					
Equatorial Palm Oil plc #	United Kingdom	United Kingdom	-*	63	Investment holding
<b>GUERNSEY</b>					
Equatorial Biofuels (Guernsey) Limited ††	Guernsey	Guernsey	-*	63	Investment holding
<b>MAURITIUS</b>					
Liberian Palm Developments Limited ††	Mauritius	Mauritius	100	82	Investment holding
EBF (Mauritius) Limited ††	Mauritius	Mauritius	100	82	Investment holding
EPO (Mauritius) Limited ††	Mauritius	Mauritius	100	82	Investment holding
<b>LIBERIA</b>					
Liberia Forest Products Inc †	Liberia	Liberia	100	82	Plantation
LIBINC Oil Palm Inc †	Liberia	Liberia	100	82	Plantation
Equatorial Palm Oil (Liberia) Incorporated †	Liberia	Liberia	100	82	Management of plantation
Liberian Agriculture Developments Corporation †	Liberia	Liberia	100	82	Dormant
<b>MANUFACTURING OLEOCHEMICALS</b>					
Palm-Oleo Sdn Bhd	Malaysia	Malaysia	80	80	Manufacturing of fatty acids
Palm-Oleo (Klang) Sdn Bhd	Malaysia	Malaysia	80	80	Manufacturing of oleochemicals
KSP Manufacturing Sdn Bhd	Malaysia	Malaysia	80	80	Manufacturing of soap noodles
Palmamide Sdn Bhd	Malaysia	Malaysia	80	80	Manufacturing of industrial amides
KL-Kepong Oleomas Sdn Bhd	Malaysia	Malaysia	96	96	Manufacturing of fatty alcohol and methyl esters
Davos Life Science Sdn Bhd	Malaysia	Malaysia	100	100	Manufacturing of palm phytonutrients and other palm derivatives
KLK Bioenergy Sdn Bhd	Malaysia	Malaysia	96	96	Manufacturing of methyl esters

## Notes to the Financial Statements (Continued)

Subsidiaries	Country of Incorporation	Principal Country of Operation	Percentage of Equity Held		Principal Activities
			2020	2019	
<b>MANUFACTURING</b>					
<b>OLEOCHEMICALS</b>					
KLK Emmerich GmbH #	Germany	Germany	100	100	Manufacturing of fatty acids and glycerine
Taiko Palm-Oleo (Zhangjiagang) Co Ltd †	People's Republic of China	People's Republic of China	80	80	Manufacturing and trading of fatty acids, glycerine, soap noodles, triacetin, special paper chemicals and surfactants
Shanghai Jinshan Jingwei Chemical Co Ltd †	People's Republic of China	People's Republic of China	100	100	Manufacturing of detergents, auxiliary materials for detergents and cosmetics and investment holding
P.T. KLK Dumai †	Indonesia	Indonesia	100	100	Manufacturing of basic organic chemicals from agricultural products
KLK Oleo (Shanghai) Co Ltd †	People's Republic of China	People's Republic of China	100	100	Trading and distribution of oleochemicals
KLK OLEO Americas Inc***	United States of America	United States of America	100	-	Trading and distribution of oleochemicals
KLK Tensachem SA †	Belgium	Belgium	100	100	Manufacturing of alcohol ether sulphates, alcohol sulphates and sulphonic acids
KL-Kepong Industrial Holdings Sdn Bhd	Malaysia	Malaysia	100	100	Investment holding
KLK Premier Capital Limited	British Virgin Islands	Malaysia	80	80	Investment holding and trading in commodities
Capital Glogalaxy Sdn Bhd	Malaysia	Malaysia	100	100	Dormant
<b>NON-IONIC SURFACTANTS AND ESTERS</b>					
Kolb Distribution AG #	Switzerland	Switzerland	100	100	Distribution of non-ionic surfactants and esters
Dr. W. Kolb AG #	Switzerland	Switzerland	100	100	Manufacturing of non-ionic surfactants and esters
Dr. W. Kolb Netherlands BV #	Netherlands	Netherlands	100	100	Manufacturing of non-ionic surfactants and esters
Kolb Distribution BV ††	Netherlands	Netherlands	100	100	Distribution of non-ionic surfactants and esters
Kolb France SARL ††	France	France	100	100	Distribution of non-ionic surfactants and esters
Dr. W. Kolb Deutschland GmbH ††	Germany	Germany	100	100	Distribution of non-ionic surfactants and esters
KLK Kolb Specialties BV #	Netherlands	Netherlands	100	100	Manufacturing and distribution of non-ionic surfactants and esters
KLK Chemicals Holding Netherlands BV ††	Netherlands	Netherlands	100	100	Investment holding



## Notes to the Financial Statements (Continued)

Subsidiaries	Country of Incorporation	Principal Country of Operation	Percentage of Equity Held		Principal Activities
			2020	2019	
<b>MANUFACTURING GLOVE PRODUCTS</b>					
KL-Kepong Rubber Products Sdn Bhd	Malaysia	Malaysia	100	100	Manufacturing and trading in rubber products
Masif Latex Products Sdn Bhd	Malaysia	Malaysia	100	100	Dormant
<b>PARQUET FLOORING</b>					
B.K.B. Hevea Products Sdn Bhd	Malaysia	Malaysia	100	100	Manufacturing of parquet flooring products
B.K.B. Flooring Sdn Bhd	Malaysia	Malaysia	100	100	Dormant
<b>NUTRACEUTICAL, COSMETOCEUTICAL &amp; PHARMACEUTICAL PRODUCTS</b>					
Davos Life Science Pte Ltd †	Singapore	Singapore	100	100	Sales of pharmaceutical and bio-pharmaceutical intermediates and fine chemicals and investment holding
Biogene Life Science Pte Ltd †	Singapore	Singapore	100	100	Research collaboration and investment holding
Centros Life Science Pte Ltd †	Singapore	Singapore	100	100	Sales of pharmaceutical and bio-pharmaceutical intermediates fine chemicals
<b>STORAGE &amp; DISTRIBUTION</b>					
Stolthaven (Westport) Sdn Bhd	Malaysia	Malaysia	51	51	Storing and distribution of bulk liquid
<b>PROPERTY</b>					
Colville Holdings Sdn Bhd	Malaysia	Malaysia	100	100	Property development
KL-K Holiday Bungalows Sendirian Berhad	Malaysia	Malaysia	100	100	Operating holiday bungalows
KL-Kepong Complex Sdn Bhd	Malaysia	Malaysia	100	100	Property development
KL-Kepong Country Homes Sdn Bhd	Malaysia	Malaysia	100	100	Property development
KL-Kepong Property Development Sdn Bhd	Malaysia	Malaysia	100	100	Property development
KL-Kepong Property Management Sdn Bhd	Malaysia	Malaysia	100	100	Property management and property development
KLK Land Sdn Bhd	Malaysia	Malaysia	100	100	Investment holding
Kompleks Tanjong Malim Sdn Bhd	Malaysia	Malaysia	80	80	Property development
Palermo Corporation Sdn Bhd	Malaysia	Malaysia	100	100	Property development
Scope Energy Sdn Bhd	Malaysia	Malaysia	60	60	Property development
Selasih Ikhtisas Sdn Bhd	Malaysia	Malaysia	100	100	Property development
KLK Landscape Services Sdn Bhd	Malaysia	Malaysia	100	100	Dormant
KLK Park Homes Sdn Bhd	Malaysia	Malaysia	100	100	Dormant
KLK Retail Centre Sdn Bhd	Malaysia	Malaysia	100	100	Dormant
KLK Coalfields Sdn Bhd	Malaysia	Malaysia	100	100	Dormant

## Notes to the Financial Statements (Continued)

Subsidiaries	Country of Incorporation	Principal Country of Operation	Percentage of Equity Held		Principal Activities
			2020	2019	
INVESTMENT HOLDING					
Ablington Holdings Sdn Bhd	Malaysia	Malaysia	100	100	Investment holding
KL-Kepong Equity Holdings Sdn Bhd	Malaysia	Malaysia	100	100	Investment holding
Ortona Enterprise Sdn Bhd	Malaysia	Malaysia	100	100	Money lending
Quarry Lane Sdn Bhd	Malaysia	Malaysia	100	100	Investment holding
KL-Kepong International Ltd ††	Cayman Islands	Cayman Islands	100	100	Investment holding
Kersten Holdings Ltd ††	British Virgin Islands	British Virgin Islands	100	100	Investment holding
KLK Overseas Investments Ltd ††	British Virgin Islands	British Virgin Islands	100	100	Investment holding
KLKI Holdings Limited †	United Kingdom	United Kingdom	100	100	Investment holding
Draw Fields Sdn Bhd	Malaysia	Malaysia	100	100	Dormant
Ladang Perbadanan-Fima Berhad	Malaysia	Malaysia	100	100	Dormant
Richinstock Sawmill Sdn Bhd	Malaysia	Malaysia	100	100	Dormant
OTHERS					
Somerset Cuisine Limited †	United Kingdom	United Kingdom	100	100	Manufacturing of jams and preserves
KLK Farms Pty Ltd †	Australia	Australia	100	100	Farming
KLK Assurance (Labuan) Limited †	Malaysia	Malaysia	100	100	Offshore captive insurance
KLK Global Resourcing Sdn Bhd	Malaysia	Malaysia	100	100	Dormant

† Companies not audited by BDO PLT.

# Companies audited by member firms of BDO International.

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

\* Following the placement of 100,000,000 new ordinary shares by Equatorial Palm Oil plc ("EPO") on 10 September 2020, the Group's percentage of equity held in EPO decreased from 62.9% to 49.1% (associates). The dilution of the Group's percentage of equity held to 49.1% with a loss of control in EPO is considered as a deemed disposal of the sub-subsidiary and a surplus on deemed disposal of RM21.1 million was recognised in profit or loss.

\*\* The Group held 100% (2019: 100%) of Collingwood Plantations Pte Ltd and its subsidiaries with 82% (2019: 82%) held by KLK Group and 18% (2019: 18%) held by another subsidiary.

\*\*\* KLK OLEO Americas Inc was incorporated on 19 August 2020.

^ During the year, the Company was allotted 7,740,200 shares of Kuala Lumpur Kepong Berhad ("KLK") under the KLK's Dividend Reinvestment Plan which increased the Group's equity interest in KLK from 47.0% to 47.2%. The Group considers that it controls KLK even though it owns only 47% of the voting rights. This is due to the Group having control over the Board and the power to govern the relevant activities of this entity.

A subsidiary has undertaken to provide financial support to certain sub-subsidiaries to enable them to continue to operate as going concerns.

Associates	Country of Incorporation	Percentage of Equity Held		Principal Activities
		2020	2019	
<b>Held through Subsidiaries:</b>				
<b>See Sen Chemical Berhad:</b> BASF See Sen Sdn Bhd	Malaysia	<b>30.0</b>	30.0	Manufacture of sulphuric acid products
<b>Caruso Ventures Pte Ltd:</b>				
Satterley Forrestfield Pty Ltd	Australia	<b>40.0</b>	40.0	Land development or subdivision

## Notes to the Financial Statements (Continued)

Associates	Country of Incorporation	Percentage of Equity Held		Principal Activities
		2020	2019	
<b>Kuala Lumpur Kepong Berhad:</b>				
Applied Agricultural Resources Sdn Bhd	Malaysia	50.0	50.0	Agronomic service and research
Aura Muhibah Sdn Bhd	Malaysia	40.0	40.0	Property development
FKW Global Commodities (Pvt) Limited	Pakistan	30.0	30.0	Trading in commodities
Kumpulan Sierramas (M) Sdn Bhd	Malaysia	50.0	50.0	Property development
Malaysia Pakistan Venture Sdn Bhd	Malaysia	37.5	37.5	Investment holding
MAPAK Edible Oils (Private) Limited	Pakistan	30.0	30.0	Manufacturing and marketing of palm and other soft oils
MEO Trading Sdn Bhd (In Member's Voluntary Liquidation)	Malaysia	30.0	30.0	Trading in commodities
Phytopharma Co Ltd	Japan	22.8	22.8	Import, export and distribution of herbal medicine and raw materials thereof, raw materials of pharmaceutical and cosmetic products
Synthomer plc	United Kingdom	21.0	20.1	Speciality chemicals manufacturer
Equatorial Palm Oil plc	United Kingdom	49.1*	-	Investment holding
<b>Joint Ventures</b>				
<b>Held through Subsidiaries:</b>				
<b>Caruso Ventures Pte Ltd:</b>				
Riverlee Caruso Epping Pty Ltd	Australia	50.0	50.0	Property development
Satterley Greenvale Joint Venture	Australia	25.0	25.0	Land development or subdivision
<b>Kuala Lumpur Kepong Berhad:</b>				
P.T. Kreasijaya Adhikarya	Indonesia	50.0	50.0	Refining of crude palm oil and bulking installation
Rainbow State Limited	British Virgin Islands	50.0	50.0	Owning and operating of aircraft

(b) Acquisitions and disposals of subsidiaries and sub-subsidiaries  
**2020**

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

On 18 May 2020, the Group's subsidiary, Equatorial Palm Oil plc ("EPO") had disposed 50% equity interest in Liberian Palm Developments Limited ("LPD") held by its wholly-owned subsidiary, Equatorial Biofuels (Guernsey) Limited to KLK Agro Plantations Pte Ltd ("KLKAP"), a wholly-owned subsidiary of KLK Group, and transferred an outstanding debt of USD6.2 million in EPO owed by LPD to KLKAP. The consideration for the disposal of shares and transfer of debt was £1.

Following the completion of disposal on 11 June 2020, LPD is now a wholly-owned subsidiary of KLK Group.

The effect of the above equity transactions with non-controlling interests was summarised below:

	RM'000
Net consideration paid	-
Net liabilities acquired from non-controlling interests	17,201
	17,201
Exchange fluctuation reserve	2,649
Net effect on changes in shareholdings in a subsidiary to equity	19,850

## Notes to the Financial Statements (Continued)

2019

### Disposal of shares in a subsidiary

A subsidiary of the Company had on 26 March 2018 entered into a Sale of Shares Agreement ("SSA") with a related party to dispose its wholly-owned subsidiary, See Sen Bulking Installation Sdn Bhd ("SSBI") for a cash consideration of RM1,299,000. The disposal was completed in June 2019 for an adjusted cash consideration of RM1,307,000 and SSBI had ceased to be a subsidiary of the Group.

The effect of the disposal of shares in SSBI on the financial position of the Group is summarised below:

	RM'000
Prepaid lease payments	1,089
Net current assets	8
Total identifiable net assets	1,097
Surplus on disposal of shares in a subsidiary	210
Total sale consideration	1,307
Less: Cash and cash equivalents of a subsidiary disposed	(7)
Net cash inflow on disposal of a subsidiary	1,300

### Disposal and purchase of shares from non-controlling interests

During the financial year ended 30 September 2019, the Group disposed the shares in the following subsidiaries for a cash consideration of RM1,373,000:

- (i) 5% equity interest in P.T. Mulia Agro Permai;
- (ii) 5% equity interest in P.T. Karya Makmur Abadi; and
- (iii) 5% equity interest in P.T. Menteng Jaya Sawit Perdana.

Subsequently, the Group acquired additional shares in the following subsidiaries from their non-controlling interests for a cash consideration of RM46,429,000 pursuant to an out-of-court settlement with their non-controlling interests:

- (i) 10% equity interest in P.T. Mulia Agro Permai;
- (ii) 10% equity interest in P.T. Karya Makmur Abadi; and
- (iii) 20% equity interest in P.T. Menteng Jaya Sawit Perdana.

The effect of the above equity transactions with non-controlling interests was summarised below:

	RM'000
Net consideration paid	45,056
Net assets acquired from non-controlling interests	(14,072)
	30,984
Realisation of incidental cost previously charged to profit or loss on partial disposal of shares in subsidiaries	(113)
Net effect on changes in shareholdings in subsidiaries to equity	30,871

### (c) Material non-controlling interests

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

	2020			2019		
	Kuala Lumpur Kepong Berhad	Other Subsidiaries with Immaterial NCI	Total	Kuala Lumpur Kepong Berhad	Other Subsidiaries with Immaterial NCI	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
NCI percentage of ownership interest and voting interest	53%			53%		
Carrying amount of NCI	6,697,063	47,286	6,744,349	6,412,510	44,770	6,457,280
Profit allocated to NCI	493,095	4,065	497,160	360,637	3,305	363,942

## Notes to the Financial Statements (Continued)

Summary of financial information of Kuala Lumpur Kepong Berhad before inter-company elimination:	2020 RM'000	2019 RM'000
Total assets	20,946,299	20,399,366
Total liabilities	(9,142,199)	(9,112,711)
Revenue	15,595,956	15,533,887
Profit for the year	857,049	650,733
Total comprehensive income/(loss)	801,877	(223,157)
Net increase in cash and cash equivalents	910,982	716,718
Dividends paid to NCI	(47,018)	(49,223)

### 43. SEGMENT INFORMATION - GROUP

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

The reportable segments are summarised below:

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

The accounting policies of the reportable segments are the same as described in Note 3.23.

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

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

Segment assets exclude tax assets.

Segment liabilities exclude tax liabilities.

## Notes to the Financial Statements (Continued)

## (a) Business segment

	Plantation RM'000	Manufacturing RM'000	Property Development RM'000	Investment Holding/Others RM'000	Elimination RM'000	Consolidated RM'000
<b>2020</b>						
<b>Revenue</b>						
Sales to external customers	7,089,418	8,578,361	154,884	255,461	-	16,078,124
Inter-segment sales	937,331	43	-	569,716	(1,507,090)	-
Total revenue	<u>8,026,749</u>	<u>8,578,404</u>	<u>154,884</u>	<u>825,177</u>	<u>(1,507,090)</u>	<u>16,078,124</u>
<b>Results</b>						
Operating results	759,912	513,273	53,414	200,546	(33,109)	1,494,036
Finance costs	(15,414)	(49,554)	(18)	(230,524)	33,109	(262,401)
Share of profits of equity accounted associates, net of tax	11,142	1,552	1,667	15,299	-	29,660
Share of (losses)/profits of equity accounted joint ventures, net of tax	(7,222)	-	-	10,591	-	3,369
Segment results	<u>748,418</u>	<u>465,271</u>	<u>55,063</u>	<u>(4,088)</u>	<u>-</u>	<u>1,264,664</u>
Profit before taxation						<u>1,264,664</u>
Taxation						<u>(350,229)</u>
Profit for the year						<u>914,435</u>
<b>Assets</b>						
Operating assets	6,996,540	7,084,729	1,555,064	4,410,537	-	20,046,870
Associates	82,814	12,617	69,070	1,404,580	-	1,569,081
Joint ventures	142,784	-	-	136,406	-	279,190
Segment assets	<u>7,222,138</u>	<u>7,097,346</u>	<u>1,624,134</u>	<u>5,951,523</u>	<u>-</u>	<u>21,895,141</u>
Tax assets						<u>439,685</u>
Total assets						<u>22,334,826</u>
<b>Liabilities</b>						
Segment liabilities	1,437,971	2,275,882	123,742	5,364,807	-	9,202,402
Tax liabilities						<u>511,145</u>
Total liabilities						<u>9,713,547</u>
<b>Other information</b>						
Depreciation of property, plant and equipment	308,387	286,940	578	10,966	-	606,871
Depreciation of right-of-use assets	24,532	20,010	19	371	-	44,932
Depreciation of investment property	-	-	-	950	-	950
Non-cash expenses						
Property, plant and equipment written off	6,738	8,546	-	-	-	15,284
Provision for retirement benefits	42,411	8,820	-	(31)	-	51,200
Amortisation of intangible assets	-	3,836	-	-	-	3,836
Amortisation of deferred income	-	(8,182)	-	-	-	(8,182)
Impairment of						
- property, plant and equipment	-	476	-	-	-	476
- trade receivables	786	6,578	38	1	-	7,403
- plasma receivables	10,489	-	-	-	-	10,489
Reversal of impairment of trade receivables	-	(5,489)	-	-	-	(5,489)
Write down of inventories	18,778	18,794	-	-	-	37,572
Write back of inventories	-	(15,842)	-	(114)	-	(15,956)

## Notes to the Financial Statements (Continued)

	Plantation RM'000	Manufacturing RM'000	Property Development RM'000	Investment Holding/Others RM'000	Elimination RM'000	Consolidated RM'000
2019						
<b>Revenue</b>						
Sales to external customers	6,392,999	9,193,890	170,359	288,343	-	16,045,591
Inter-segment sales	938,282	-	-	686,469	(1,624,751)	-
Total revenue	<u>7,331,281</u>	<u>9,193,890</u>	<u>170,359</u>	<u>974,812</u>	<u>(1,624,751)</u>	<u>16,045,591</u>
<b>Results</b>						
Operating results	416,504	534,585	44,621	144,258	(42,230)	1,097,738
Finance costs	(17,028)	(55,235)	-	(155,976)	42,230	(186,009)
Share of profits/(losses) of equity accounted associates, net of tax	11,339	1,392	2,734	(19)	-	15,446
Share of (losses)/profits of equity accounted joint ventures, net of tax	(4,484)	-	-	6,621	-	2,137
Segment results	<u>406,331</u>	<u>480,742</u>	<u>47,355</u>	<u>(5,116)</u>	<u>-</u>	<u>929,312</u>
Profit before taxation						929,312
Taxation						(201,871)
Profit for the year						<u>727,441</u>
<b>Assets</b>						
Operating assets	6,847,543	6,801,703	1,506,728	4,320,295	-	19,476,269
Associates	92,944	10,928	72,403	1,340,207	-	1,516,482
Joint ventures	152,044	-	-	115,263	-	267,307
Segment assets	<u>7,092,531</u>	<u>6,812,631</u>	<u>1,579,131</u>	<u>5,775,765</u>	<u>-</u>	<u>21,260,058</u>
Tax assets						564,406
Total assets						<u>21,824,464</u>
<b>Liabilities</b>						
Segment liabilities	1,553,599	2,164,235	119,719	5,380,905	-	9,218,458
Tax liabilities						485,753
Total liabilities						<u>9,704,211</u>
<b>Other information</b>						
Depreciation of property, plant and equipment	295,373	279,866	846	11,711	-	587,796
Depreciation of investment property	-	-	-	946	-	946
Amortisation of prepaid lease payments	11,545	1,090	-	-	-	12,635
Non-cash expenses						
Property, plant and equipment written off	2,077	397	-	-	-	2,474
Prepaid lease payment written off	6,025	-	-	-	-	6,025
Provision for retirement benefits	32,431	16,978	-	243	-	49,652
Amortisation of intangible assets	-	3,504	-	-	-	3,504
Amortisation of deferred income	-	(8,188)	-	-	-	(8,188)
Impairment of						
- property, plant and equipment	98,771	-	-	648	-	99,419
- prepaid lease payments	32,235	-	-	-	-	32,235
- trade receivables	3,499	4,028	-	-	-	7,527
Reversal of impairment of trade receivables	-	(6,758)	-	(8)	-	(6,766)
Write down of inventories	43,088	18,944	-	85	-	62,117
Write back of inventories	-	(10,624)	-	-	-	(10,624)



## Notes to the Financial Statements (Continued)

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

	Plantation RM'000	Manufacturing RM'000	Property Development RM'000	Investment Holding/ Others RM'000	Total RM'000
<b>2020</b>					
Capital expenditure	474,699	230,106	108	26,401	731,314
Right-of-use assets	9,870	202,881	-	-	212,751
Land held for property development	-	-	21,545	-	21,545
Intangible assets	-	2,689	-	-	2,689
	<b>484,569</b>	<b>435,676</b>	<b>21,653</b>	<b>26,401</b>	<b>968,299</b>
<b>2019</b>					
Capital expenditure	507,516	144,910	255	16,875	669,556
Land held for property development	-	-	7,889	-	7,889
Intangible assets	-	3,405	-	-	3,405
	<b>507,516</b>	<b>148,315</b>	<b>8,144</b>	<b>16,875</b>	<b>680,850</b>

(b) Geographical segments

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

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

	2020 RM'000	2019 RM'000
Malaysia	2,546,164	2,586,614
Far East	2,426,259	2,790,551
Middle East	276,719	326,303
South East Asia	4,807,965	3,881,175
Southern Asia	1,591,424	1,459,000
Europe	3,738,770	4,230,911
North America	288,454	312,774
South America	83,703	72,671
Australia	138,763	185,829
Africa	102,002	93,928
Others	77,901	105,835
	<b>16,078,124</b>	<b>16,045,591</b>

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

	Non-current Assets		Additions to Capital Expenditure and Right-of-use Assets	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Malaysia	4,944,924	4,620,320	548,095	301,305
Indonesia	2,872,628	2,867,911	257,196	241,860
Australia	464,026	428,887	26,146	16,501
People's Republic of China	343,035	326,859	28,499	3,965
Europe	1,416,138	1,362,880	68,267	68,585
Liberia	319,447	327,859	13,279	37,079
Others	8,955	6,199	2,583	261
	<b>10,369,153</b>	<b>9,940,915</b>	<b>944,065</b>	<b>669,556</b>

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

## Notes to the Financial Statements (Continued)

### 44. FINANCIAL INSTRUMENTS

#### (a) Categories of financial instruments

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

- (i) Financial assets at amortised cost ("FA");
- (ii) Fair value through profit or loss ("FVTPL");
- (iii) Fair value through other comprehensive income ("FVOCI"); and
- (iv) Financial liabilities at amortised cost ("FL").

	Carrying Amounts RM'000	FA RM'000	FVTPL RM'000	FVOCI RM'000	FL RM'000
<b>Group</b>					
<b>2020</b>					
<b>Financial assets</b>					
Other investments	796,325	71,811	219,600	504,914	-
Trade receivables	1,328,694	1,328,694	-	-	-
Other receivables, net of prepayments and indirect taxes	847,996	847,996	-	-	-
Contract assets	10,276	10,276	-	-	-
Derivative financial assets	98,309	-	98,309	-	-
Fixed income trust funds	1,010,498	-	1,010,498	-	-
Cash, deposits and bank balances	3,149,252	3,149,252	-	-	-
	<b>7,241,350</b>	<b>5,408,029</b>	<b>1,328,407</b>	<b>504,914</b>	<b>-</b>
<b>Financial liabilities</b>					
Borrowings	6,921,290	-	-	-	6,921,290
Trade payables	506,138	-	-	-	506,138
Other payables, net of indirect taxes and provision for retirement benefits	751,606	-	-	-	751,606
Contract liabilities	87,821	-	-	-	87,821
Lease liabilities	157,999	-	-	-	157,999
Derivative financial liabilities	97,635	-	97,635	-	-
	<b>8,522,489</b>	<b>-</b>	<b>97,635</b>	<b>-</b>	<b>8,424,854</b>
<b>2019</b>					
<b>Financial assets</b>					
Other investments	822,428	49,811	267,661	504,956	-
Trade receivables	1,301,888	1,301,888	-	-	-
Other receivables, net of prepayments and indirect taxes	788,832	788,832	-	-	-
Contract assets	14,867	14,867	-	-	-
Derivative financial assets	34,013	-	34,013	-	-
Fixed income trust funds	328,811	-	328,811	-	-
Cash, deposits and bank balances	3,647,864	3,647,864	-	-	-
	<b>6,938,703</b>	<b>5,803,262</b>	<b>630,485</b>	<b>504,956</b>	<b>-</b>
<b>Financial liabilities</b>					
Borrowings	7,023,835	-	-	-	7,023,835
Trade payables	532,242	-	-	-	532,242
Other payables, net of indirect taxes and provision for retirement benefits	854,998	-	-	-	854,998
Contract liabilities	93,010	-	-	-	93,010
Derivative financial liabilities	20,558	-	20,558	-	-
	<b>8,524,643</b>	<b>-</b>	<b>20,558</b>	<b>-</b>	<b>8,504,085</b>

## Notes to the Financial Statements (Continued)

	Carrying Amounts RM'000	FA RM'000	FVTPL RM'000	FVOCI RM'000	FL RM'000
<b>Company</b>					
<b>2020</b>					
<b>Financial assets</b>					
Other investments	104,977	-	38,048	66,929	-
Other receivables, net of prepayments	100	100	-	-	-
Amounts owing by subsidiaries	176,565	176,565	-	-	-
Cash, deposits and bank balances	168,641	168,641	-	-	-
	<b>450,283</b>	<b>345,306</b>	<b>38,048</b>	<b>66,929</b>	<b>-</b>
<b>Financial liabilities</b>					
Borrowings	500,000	-	-	-	500,000
Other payables	10,759	-	-	-	10,759
	<b>510,759</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>510,759</b>
<b>2019</b>					
<b>Financial assets</b>					
Other investments	146,700	-	79,138	67,562	-
Other receivables, net of prepayments	47	47	-	-	-
Amounts owing by subsidiaries	142,077	142,077	-	-	-
Cash, deposits and bank balances	183,253	183,253	-	-	-
	<b>472,077</b>	<b>325,377</b>	<b>79,138</b>	<b>67,562</b>	<b>-</b>
<b>Financial liabilities</b>					
Borrowings	500,000	-	-	-	500,000
Other payables	10,671	-	-	-	10,671
	<b>510,671</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>510,671</b>

## (b) Net gains and losses arising from financial instruments

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net gains/(losses) on:				
Financial instruments at fair value through profit or loss	31,010	25,612	1,275	3,131
Other investments				
- recognised in other comprehensive income	(27,130)	(858,288)	(1,033)	1,877
- recognised in profit or loss	20,139	51,918	5,509	6,314
	(6,991)	(806,370)	4,476	8,191
Financial assets at amortised cost	114,716	79,464	17,979	3,104
Financial liabilities at amortised cost	(288,184)	(174,119)	(20,325)	(20,244)
	<b>(149,449)</b>	<b>(875,413)</b>	<b>3,405</b>	<b>(5,818)</b>

## (c) Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

## (d) Credit risk

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

## Notes to the Financial Statements (Continued)

### (i) Receivables

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

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

#### *Exposure to credit risk, credit quality and collateral*

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

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

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

The Group and Company do not have any significant exposure to any individual customer.

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

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Plantation	<b>294,554</b>	422,115
Manufacturing	<b>983,987</b>	835,738
Property development	<b>48,272</b>	41,449
Others	<b>1,881</b>	2,586
	<b><u>1,328,694</u></b>	<b><u>1,301,888</u></b>

### (ii) Investments and other financial assets

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

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

#### *Exposure to credit risk, credit quality and collateral*

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

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

The investments and other financial assets are unsecured.

## Notes to the Financial Statements (Continued)

(iii) Financial guarantees

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

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

*Exposure to credit risk, credit quality and collateral*

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

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

(iv) Inter-company balances

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

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

*Exposure to credit risk, credit quality and collateral*

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

(e) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains sufficient levels of cash and cash equivalents and adequate amounts of credit facilities to meet its working capital requirements. In addition, the Group strives to maintain flexibility in funding by keeping its credit lines available at a reasonable level. As far as possible, the Group raises funding from financial institutions and prudently balances its portfolio with some short and long-term funding so as to achieve overall cost effectiveness.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at end of the reporting period based on undiscounted contractual payments:

	Carrying Amounts RM'000	Contractual Interest/ Coupon Rate	Contractual Cash Flows RM'000	Less than 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	More than 5 years RM'000
<b>Group 2020</b>							
Borrowings	6,921,290	0.19% to 8.25%	8,547,666	1,525,471	395,687	2,363,782	4,262,726
Trade payables	506,138	-	506,138	506,138	-	-	-
Other payables	751,606	-	751,606	751,591	15	-	-
Contract liabilities	87,821	-	87,821	87,821	-	-	-
Lease liabilities	157,999	0.29% to 12.00%	207,192	33,301	31,636	53,663	88,592
Derivative financial liabilities	97,635	-	97,635	97,635	-	-	-
	<b>8,522,489</b>		<b>10,198,058</b>	<b>3,001,957</b>	<b>427,338</b>	<b>2,417,445</b>	<b>4,351,318</b>

## Notes to the Financial Statements (Continued)

	Carrying Amounts RM'000	Contractual Interest/ Coupon Rate	Contractual Cash Flows RM'000	Less than 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	More than 5 years RM'000
2019							
Borrowings	7,023,835	0.25% to 9.15%	8,760,092	1,574,816	221,214	2,508,936	4,455,126
Trade payables	532,242	-	532,242	532,242	-	-	-
Other payables	854,998	-	854,998	854,615	383	-	-
Contract liabilities	93,010	-	93,010	93,010	-	-	-
Derivative financial liabilities	20,558	-	20,558	20,558	-	-	-
	<u>8,524,643</u>		<u>10,260,900</u>	<u>3,075,241</u>	<u>221,597</u>	<u>2,508,936</u>	<u>4,455,126</u>
<b>Company 2020</b>							
Borrowings	<b>500,000</b>	<b>4.05%</b>	<b>581,055</b>	<b>20,250</b>	<b>20,250</b>	<b>540,555</b>	-
Other payables	<b>10,759</b>	-	<b>10,759</b>	<b>10,759</b>	-	-	-
	<u><b>510,759</b></u>		<u><b>591,814</b></u>	<u><b>31,009</b></u>	<u><b>20,250</b></u>	<u><b>540,555</b></u>	-
2019							
Borrowings	500,000	4.05%	601,361	20,306	20,250	560,805	-
Other payables	10,671	-	10,671	10,671	-	-	-
	<u>510,671</u>		<u>612,032</u>	<u>30,977</u>	<u>20,250</u>	<u>560,805</u>	-

## (f) Market risk

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

## (i) Foreign currency risk

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

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

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

*Exposure to foreign currency risk*

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

	Denominated in foreign currencies					
	USD RM'000	GBP RM'000	Euro RM'000	AUD RM'000	SGD RM'000	Rp RM'000
<b>Group 2020</b>						
Trade and other receivables	350,601	2,947	261,681	1,747	4,005	61,387
Short-term funds	-	-	-	-	6,707	-
Cash and cash equivalents	370,321	45,509	116,633	357	92,804	3
Borrowings	(188,101)	-	(153,638)	-	-	-
Trade and other payables	(62,882)	(138)	(124,214)	(356)	(3,154)	(391)
Contract liabilities	(38,788)	-	(9,014)	(5)	-	-
Lease liabilities	(77,085)	-	-	-	-	-
Forward exchange contracts	19,872	-	556	(199)	2	(1,048)
Exposure in the statement of financial position	<u>373,938</u>	<u>48,318</u>	<u>92,004</u>	<u>1,544</u>	<u>100,364</u>	<u>59,951</u>

## Notes to the Financial Statements (Continued)

	Denominated in foreign currencies					
	USD	GBP	Euro	AUD	SGD	Rp
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2019						
Trade and other receivables	282,423	9,078	244,143	2,302	2,090	41,962
Short-term funds	-	-	-	-	6,551	-
Cash and cash equivalents	249,144	4,267	149,054	5,580	85,463	4
Borrowings	(188,287)	-	(166,558)	-	-	-
Trade and other payables	(61,529)	(169)	(141,023)	(2,147)	(3,574)	(412)
Contract liabilities	(33,299)	-	(10,930)	-	-	-
Forward exchange contracts	(619)	-	2,411	108	5	-
Exposure in the statement of financial position	247,833	13,176	77,097	5,843	90,535	41,554
<b>Company</b>						
<b>2020</b>						
Amounts owing by subsidiaries	-	-	-	176,550	-	-
Cash and cash equivalents	108,553	-	-	1	50,633	-
Other payables	-	-	-	(356)	-	-
Exposure in the statement of financial position	108,553	-	-	176,195	50,633	-
2019						
Amounts owing by subsidiaries	-	-	-	142,051	-	-
Cash and cash equivalents	108,562	-	-	5,472	49,725	-
Other payables	-	-	-	(298)	-	-
Exposure in the statement of financial position	108,562	-	-	147,225	49,725	-

### Currency risk sensitivity analysis

The sensitivities of the Group's profit after tax and equity to the possible change in the following foreign currencies against the respective functional currencies of the Group entities are shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

A 5% strengthening of the functional currencies of the Group entities against the foreign currencies at the end of the reporting period would have increased/(decreased) profit after tax and equity by the amounts shown below:

	2020		2019	
	Profit/(Loss)	Equity	Profit/(Loss)	Equity
	RM'000	RM'000	RM'000	RM'000
<b>Group</b>				
Functional currency/Foreign currency				
RM/GBP	(2,071)	(21,569)	(267)	(21,214)
RM/Euro	6,570	-	6,442	-
RM/USD	33,313	(1,563)	28,978	(1,066)
RM/SGD	(5,106)	(889)	(4,601)	(1,022)
RM/Rp	(4,882)	-	-	-
CHF/Euro	(3,663)	-	(3,496)	-
Rmb/USD	(225)	-	(3,333)	-
Euro/USD	(6,685)	-	(4,561)	-
Rp/USD	12,982	-	8,723	-
USD/GBP	(195)	-	(200)	-
USD/RM	3,480	-	(1,527)	-
USD/Rp	(2,485)	-	(2,094)	-
SGD/USD	(6)	-	(37)	-



## Notes to the Financial Statements (Continued)

Company	2020		2019	
	Profit/(Loss) RM'000	Equity RM'000	Profit/(Loss) RM'000	Equity RM'000
Functional currency/Foreign currency				
RM/USD	(5,428)	-	(5,428)	-
RM/SGD	(2,532)	(470)	(2,486)	(535)
RM/AUD	(8,810)	-	(7,361)	-

A 5% weakening of the functional currencies of the Group entities against the foreign currencies at the end of the reporting period would have equal but opposite effect on profit after tax and equity.

(ii) Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's floating rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Fixed income trust funds, unit trust funds, deposits with licensed banks, short-term receivables and payables are not significantly exposed to interest rate risk.

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

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

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

*Exposure to interest rate risk*

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Fixed rate instruments				
Financial assets	3,847,796	3,698,188	338,590	321,507
Financial liabilities	(5,875,400)	(5,875,692)	(500,000)	(500,000)
	<u>(2,027,604)</u>	<u>(2,177,504)</u>	<u>(161,410)</u>	<u>(178,493)</u>
Floating rate instruments				
Financial assets	371,836	310,607	-	-
Financial liabilities	(1,045,890)	(1,148,143)	-	-
	<u>(674,054)</u>	<u>(837,536)</u>	<u>-</u>	<u>-</u>

*Interest rate risk sensitivity analysis*

*Fair value sensitivity analysis for fixed rate instruments*

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

*Cash flow sensitivity analysis for floating rate instruments*

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

## Notes to the Financial Statements (Continued)

Group	2020		2019	
	Profit/(Loss) RM'000	Equity RM'000	Profit/(Loss) RM'000	Equity RM'000
Floating rate instruments				
Increase by 50 basis points	(4,036)	-	(4,454)	-
Decrease by 50 basis points	4,036	-	4,454	-

As the Company did not have any floating rate instruments as at 30 September 2020 and 30 September 2019, a change in interest rates would not have any impact to the profit after tax and equity of the Company.

(iii) Debt and equity price risk

Debt and equity price risk arises from the Group's investments in debt and equity securities.

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

Management of the Group monitors the equity investments on a portfolio basis. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Risk Management Committee of the Group.

*Debt and equity price risk sensitivity analysis*

The analysis assumes that all other variables remain constant.

A 5% higher in equity prices at the end of the reporting period would have increased the Group's and the Company's equity by RM22,725,000 (2019: RM22,664,000) and RM470,000 (2019: RM535,000) respectively. A 5% lower in equity prices would have equal but opposite effect on equity.

(iv) Commodity price risk

The Group is exposed to price fluctuation risk on commodities mainly of palm oil and rubber.

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

The prices of these commodities are subject to fluctuations due to uncontrollable factors such as weather, global demand and global production of similar and competitive crops. The Group mitigates the risk to the price volatility through hedging in the futures market and where deemed prudent, the Group sells forwards in the physical market.

*Commodity price risk sensitivity analysis*

A 5% increase/(decrease) of the commodities price at the end of the reporting period, with all other variables held constant, would have increased/(decreased) profit after tax and equity by the amounts shown below:

Group	2020		2019	
	Profit/(Loss) RM'000	Equity RM'000	Profit/(Loss) RM'000	Equity RM'000
5% increase in commodities prices	(12,642)	-	(4,792)	-
5% decrease in commodities prices	12,642	-	4,792	-

(g) Fair value of financial instruments

The carrying amounts of cash and cash equivalents, deposits with licensed banks, short-term receivables and payables reasonably approximate fair values due to the relatively short-term nature of these financial instruments.

The fair values of other financial assets and liabilities, together with the carrying amounts shown in the statements of financial position, are as follows:

## Notes to the Financial Statements (Continued)

	Carrying Amounts/ Fair Values	
	2020 RM'000	2019 RM'000
<b>Group</b>		
Other investments	796,325	822,428
Fixed income trust funds	1,010,498	328,811
Derivative financial instruments		
Forward foreign exchange contracts	18,869	1,884
Commodities future contracts	(18,195)	11,571
Other receivable – Advances to Plasma plantation projects	235,671	247,772
Borrowings	<u>(6,921,290)</u>	<u>(7,023,835)</u>
<b>Company</b>		
Amounts owing by subsidiaries	171,704	138,346
Other investments	104,977	146,700
Borrowings	<u>(500,000)</u>	<u>(500,000)</u>

**Fair value hierarchy**

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed.

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>Group</b>				
<b>2020</b>				
<b>Fair value of financial instruments carried at fair value</b>				
Other investments	660,353	-	64,161	724,514
Fixed income trust funds	1,010,498	-	-	1,010,498
Derivative financial instruments				
Forward foreign exchange contracts	-	18,869	-	18,869
Commodities future contracts	(18,195)	-	-	(18,195)
	<u>1,652,656</u>	<u>18,869</u>	<u>64,161</u>	<u>1,735,686</u>
<b>Fair value of financial instruments not carried at fair value</b>				
Amounts owing by investee companies	-	-	71,811	71,811
Other receivable – Advance to Plasma plantation projects	-	-	235,671	235,671
Borrowings	-	-	(6,921,290)	(6,921,290)
	<u>-</u>	<u>-</u>	<u>(6,613,808)</u>	<u>(6,613,808)</u>
<b>2019</b>				
<b>Fair value of financial instruments carried at fair value</b>				
Other investments	706,976	-	65,641	772,617
Fixed income trust funds	328,811	-	-	328,811
Derivative financial instruments				
Forward foreign exchange contracts	-	1,884	-	1,884
Commodities future contracts	11,571	-	-	11,571
	<u>1,047,358</u>	<u>1,884</u>	<u>65,641</u>	<u>1,114,883</u>
<b>Fair value of financial instruments not carried at fair value</b>				
Amounts owing by investee companies	-	-	49,811	49,811
Other receivable – Advance to Plasma plantation projects	-	-	247,772	247,772
Borrowings	-	-	(7,023,835)	(7,023,835)
	<u>-</u>	<u>-</u>	<u>(6,726,252)</u>	<u>(6,726,252)</u>

## Notes to the Financial Statements (Continued)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>Company</b>				
<b>2020</b>				
<b>Fair value of financial instruments carried at fair value</b>				
Other investments	47,445	-	57,532	104,977
	<u>47,445</u>	<u>-</u>	<u>57,532</u>	<u>104,977</u>
<b>Fair value of financial instruments not carried at fair value</b>				
Amounts owing by subsidiaries	-	-	171,704	171,704
Borrowings	-	-	(500,000)	(500,000)
	<u>-</u>	<u>-</u>	<u>(328,296)</u>	<u>(328,296)</u>
<b>2019</b>				
<b>Fair value of financial instruments carried at fair value</b>				
Other investments	89,839	-	56,861	146,700
	<u>89,839</u>	<u>-</u>	<u>56,861</u>	<u>146,700</u>
<b>Fair value of financial instruments not carried at fair value</b>				
Amounts owing by subsidiaries	-	-	138,346	138,346
Borrowings	-	-	(500,000)	(500,000)
	<u>-</u>	<u>-</u>	<u>(361,654)</u>	<u>(361,654)</u>

The following table shows a reconciliation of Level 3 fair value of other investments:

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At beginning of the year	65,641	62,250	56,861	54,451
Net change in fair value	(1,171)	3,391	671	2,410
Impairment losses	(309)	-	-	-
At end of the year	<u>64,161</u>	<u>65,641</u>	<u>57,532</u>	<u>56,861</u>

There were no transfers between all three levels of the fair value hierarchy during the financial year.

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

### **Level 1 Fair Value**

#### *Investments in quoted shares and commodities future contracts*

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

#### *Investments in unit trust funds and fixed income trust funds*

The fair value of unit trust funds and fixed income trust funds are based on quoted price of the funds at the end of the reporting period.

## Notes to the Financial Statements (Continued)

### Level 2 Fair Value

#### Forward foreign exchange contracts

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

### Level 3 Fair Value

#### Financial instruments not carried at fair value

Fair value of the following financial instruments not carried at fair value, which is determined for disclosure purposes, is calculated based on present value of future cash flows discounted at the market rate of interest at the end of reporting date:

- Amounts owing by investee companies
- Other receivable - Advances to Plasma plantations projects
- Borrowings
- Amounts owing by subsidiaries

Fair value of other unquoted investments is estimated based on adjusted net asset method.

### Transfer between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2019: no transfer in either directions).

## 45. CAPITAL MANAGEMENT

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

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

	Group	
	2020 RM'000	2019 RM'000
Total borrowings (Note 36)	6,921,290	7,023,835
Less: Short-term funds (Note 30)	(919,994)	(1,659,207)
Less: Cash and cash equivalents (Note 31)	(3,239,756)	(2,317,468)
Net debt	<u>2,761,540</u>	<u>3,047,160</u>
Total equity	<u>12,621,279</u>	<u>12,120,253</u>
Net debt-to-equity ratio	<u>0.22</u>	<u>0.25</u>

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

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

The Group is not subject to any other externally imposed capital requirements other than as disclosed in Note 36 to the financial statements.

## Notes to the Financial Statements (Continued)

### 46. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The World Health Organisation declared the novel coronavirus ("COVID-19") a global pandemic on 11 March 2020. The Government of Malaysia imposed the Movement Control Order ("MCO") on 18 March 2020 to 31 March 2020 and had subsequently entered into the conditional and recovery phases of the MCO until 20 December 2020 in all states and federal territories in Malaysia.

The restrictions imposed have not, however, negatively impacted the Group's financial performance as its main plantation, mills and manufacturing facilities were allowed to operate throughout the MCO, under guidelines set by the National Security Council, Ministry of Health and Ministry of International Trade and Industry respectively.

Based on the assessment of the Group, there were no material financial impact arising from the COVID-19 pandemic. The Group will continue to assess any impact of the COVID-19 pandemic on the financial statements of the Group for the financial year ending 30 September 2021.

As at the date of authorisation of the financial statements, the COVID-19 pandemic situation is still evolving and uncertain. The Group will continue to actively monitor and manage its funds and operations to minimise any impact arising from the COVID-19 pandemic. Nevertheless, with the Group's past focus on cost efficiency, strong cash position and the resilient fundamentals of its palm oil business, the Group expects to sustain its operational and financial performance for the financial year ending 30 September 2021.

### 47. EVENTS SUBSEQUENT TO REPORTING DATE

- (a) On 17 November 2020, the Company had entered into a Conditional Share Purchase Agreement ('SPA') with Permodalan Nasional Berhad and Amanahraya Trustees Berhad to acquire their 94,449,487 ordinary shares in Chemical Company of Malaysia Berhad ("CCM"), representing approximately 56.32% equity interest in CCM for a total consideration of RM292,793,410 or a price of RM3.10 per CCM share ("Acquisition").

The SPA has become unconditional on 7 December 2020 following the fulfilment of the Condition Precedent. Accordingly, pursuant to Section 218(2) of the Capital Markets and Services Act, 2007 and Paragraph 4.01(a) of the Rules on Take-Overs, Mergers and Compulsory Acquisitions, the Company is obliged to extend a mandatory take-over offer to acquire all the remaining shares not already owned by the Company for a cash consideration of RM3.10 per CCM Share.

The Acquisition will be completed within 4 market days from 7 December 2020 by way of a direct business transaction under the rules and directives of the Bursa Malaysia Securities Berhad in accordance with the terms of the SPA. On completion, CCM will become a subsidiary of the Company.

CCM Group is principally involved in the manufacturing and marketing of chlor-alkali chemicals and polymer products, which are largely used in glove manufacturing industry, water treatment, oleochemical, oil and petrochemical, electronics and textile industries. CCM Group is a leading supplier of these chemicals in Malaysia and exports to several countries within South East Asia.

The Acquisition will not have any effect on the Company's share capital nor the shareholdings of the Company's substantial shareholders as it does not involve any issuance of new shares in the Company.

## Notes to the Financial Statements (Continued)

On the assumption that the Company acquires all CCM shares, the effect of the acquisition on the net assets, earnings, gearing and net gearing ratio of the Group for the financial year ending 30 September 2021 will be as follows:

- (i) Net assets – no material effect;
  - (ii) Earnings – no material effect;
  - (iii) Gearing – expected to increase from approximately RM6.9 billion to RM7.3 billion;
  - (iv) Net gearing ratio – expected to increase from 0.22 to 0.27.
- (b) On 23 October 2020, a wholly-owned subsidiary of KLK Group, KLK Land Sdn Bhd ("KLKL"), entered into a Share Sale Agreement ("SSA") to acquire 50,000 ordinary shares and 180.0 million redeemable non-convertible non-cumulative preference shares ("RPS") representing 20% equity interest in Aura Muhibah Sdn Bhd ("AMSB") from UEM Sunrise Berhad ("UEMS") for a total purchase consideration of RM182.6 million.

AMSB is currently an associate of KLKL which owns 100,000 ordinary shares and 360.0 million RPS representing 40% equity holding in AMSB. Upon the completion of the proposed acquisition, KLKL will own 150,000 ordinary shares and 540.0 million RPS representing 60% equity in AMSB resulting in AMSB becoming a subsidiary of KLKL.

KLKL and UEMS have 4 months, or extended as mutually agreed by both parties, to obtain the approval of the Economic Planning Unit ("EPU") for the proposed shares sale transaction and 7 business days from the approval by EPU to settle the 90% balance payment of RM164.4 million. The SSA will be completed on the day of full settlement of the total consideration.

The proposed acquisition will not have any effect on the share capital and shareholding of the Company's substantial shareholders nor have any material effect on the net assets, earnings and gearing on the Group for the financial year ending 30 September 2021.

- (c) Subsequent to 30 September 2020 until the date of this financial statements, the Company bought back a total of 1,467,900 of its issued shares from the open market for a total cost of RM24,984,000. The average price paid for the shares bought back was RM16.98 per share. The shares bought back were financed by internally generated funds and borrowings and held as treasury shares.

### 48. EFFECTS ON ADOPTION OF MFRS 16 LEASES

MFRS 16 replaces the guidance in MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Leases - Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The Group has adopted MFRS 16 with the date of initial application of 1 October 2019. The Group elected to use the modified retrospective method and to apply a number of practical expedients as provided in MFRS 16.

Under the modified retrospective method, prior year comparative information was not restated and the cumulative effects of initial application of MFRS 16 were recognised as an adjustment to the opening balance of right-of-use ("ROU") assets and lease liabilities as at 1 October 2019. The comparative information continued to be reported under the previous accounting policies governed under MFRS 117 and IC Interpretation 4.

As a lessor, the Group is not required to make any adjustment on transition, except for the reassessment of existing operating subleases, if any, at the date of initial application.



## Notes to the Financial Statements (Continued)

On adoption of MFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of MFRS 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 October 2019.

The associated ROU assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 1 October 2019.

For leasehold land (within property, plant and equipment) and prepaid lease payments, the Group recognised the carrying amount of these lease assets immediately before transition as the carrying amount of the ROU assets at the date of initial adoption.

The Group has elected not to recognise lease liabilities and ROU assets for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense in profit or loss over its lease terms.

In applying MFRS 16 for the first time, the Group has applied the following practical expedients permitted by the standard to leases previously classified as operating leases under MFRS 117:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at date of initial application as short-term leases;
- the exclusion of initial direct costs for the measurement of the ROU assets at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The effects arising from these changes on the statements of financial position of the Group are as follows:

	As at 30.9.2019 RM'000	Effects on adoption of MFRS 16 RM'000	As at 01.10.2019 RM'000
<b>Group Assets</b>			
Property, plant and equipment	8,066,866	(180,629)	7,886,237
Prepaid lease payments	351,082	(351,082)	-
Right-of-use assets	-	715,282	715,282
Other receivables, deposits and prepayments	849,579	(4,592)	844,987
<b>Total assets</b>	<b>21,824,464</b>	<b>178,979</b>	<b>22,003,443</b>
<b>Liabilities</b>			
Lease liabilities (non-current)	-	141,168	141,168
Lease liabilities (current)	-	37,811	37,811
<b>Total liabilities</b>	<b>9,704,211</b>	<b>178,979</b>	<b>9,883,190</b>
<b>Total equity and liabilities</b>	<b>21,824,464</b>	<b>178,979</b>	<b>22,003,443</b>

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 October 2019 range from 0.3% to 12.0% per annum.

## Notes to the Financial Statements (Continued)

The reconciliation between the operating lease commitments disclosed in applying MFRS 117 as at 30 September 2019 to the lease liabilities recognised as at 1 October 2019 is as follows:

	Group RM'000
Total future minimum lease payments under MFRS 117	
Less than 1 year	36,417
Between 1 to 5 years	113,522
More than 5 years	120,137
Operating lease commitments disclosed as at 30 September 2019	270,076
Discounted using incremental borrowing rate at initial application	(50,282)
Less:	
Short-term leases recognised as expenses	(8,209)
Low-value leases recognised as expenses	(583)
Adjustment as a result of extension or termination options	(30,500)
Currency translation differences	(1,523)
Lease liabilities recognised as at 1 October 2019	<u>178,979</u>

There are no changes to the amounts reported in the Company's statement of financial position as of 1 October 2019 arising from the application of MFRS 16.

### 49. AUTHORISATION FOR ISSUE

The financial statements were authorised for issue by the Board of Directors on 10 December 2020.

## Statement by Directors and Statutory Declaration

### Statement by Directors Pursuant to Section 251 (2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 81 to 174 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 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 2020 and of their financial performance and cash flows for the financial year then ended.

On behalf of the Board

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

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

10 December 2020

### Statutory Declaration Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Goo Swee Eng @ Goh Swee Eng, being the officer primarily responsible for the financial management of Batu Kawan Berhad, do solemnly and sincerely declare that the financial statements set out on pages 81 to 174 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared )  
by the abovenamed at Ipoh in the )  
State of Perak Darul Ridzuan )  
on 10 December 2020. )

Before me:

**GOO SWEE ENG @ GOH SWEE ENG**  
(MIA 15953)

**MURUGAN A/L KRISHNAN**  
Commissioner for Oaths  
Ipoh,  
Perak Darul Ridzuan,  
Malaysia.

## Independent Auditors' Report to the Members

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Batu Kawan Berhad, which comprise the statements of financial position as at 30 September 2020 of the Group and of the Company, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on 81 to 174.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 September 2020, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

#### Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

##### 1. Annual impairment assessment of the carrying amount of goodwill on consolidation

Goodwill on consolidation of the Group is allocated to three (3) cash-generating units ("CGUs"), which are plantation, manufacturing and property with a total carrying amount of RM354.6 million as disclosed in Note 17 to the financial statements. In relation to this, management is required to perform impairment assessment on an annual basis.

We determined the impairment assessment of goodwill for the plantation and manufacturing CGUs to be a key audit matter because the determination of the recoverable amounts of goodwill for these CGUs requires management to exercise significant judgement and estimates about the future results and the key assumptions applied to cash flow projections of the CGUs, including projected growth rates, commodity prices and volumes, operational costs, appropriate pre-tax discount rates, as well as industry trends and past performances.

## Independent Auditors' Report to the Members (Continued)

### Audit response

Our audit procedures, with the involvement of component auditors, included the following:

- (i) assessed the historical reliability of projections of the Group by comparing prior period projection to actual results for the financial year;
- (ii) evaluated the reasonableness of the key assumptions applied by management in the projections by the Group to available external industry sources of data and corroborated with the findings from other areas of the audit, where applicable; and
- (iii) performed sensitivity analysis to stress test the key assumptions used in the impairment assessment.

### 2. Impairment assessment of property, plant and equipment and right-of-use assets of Liberian Palm Developments Limited ("LPDL")

As at 30 September 2020, the carrying amounts of property, plant and equipment and right-of-use assets of LPDL amounted to RM351.2 million and RM17.4 million respectively as disclosed in Note 12 to the financial statements.

We considered this to be a key audit matter because of the significant judgements and estimates applied by management to determine the recoverability of property, plant and equipment and right-of-use assets of LPDL due to the key assumptions used in the value-in-use calculations.

The key assumptions are selling price of crude palm oil, fresh fruit bunches ("FFB") yield rates, crude palm oil extraction rate and pre-tax discount rate, whereby changes in these key assumptions would result in material deviations in the value-in-use calculations as disclosed in Note 12 to the financial statements

### Audit response

Our audit procedures, with the involvement of component auditors, included the following:

- (i) evaluated the reasonableness of the significant key assumptions relating to selling price of crude palm oil, FFB yield rates, crude palm oil extraction rate and pre-tax discount rate applied by management in the value-in-use calculations by the Group to available external industry sources of data and corroborated with the findings from other areas of the audit, where applicable; and
- (ii) assessed the appropriateness of sensitivity analysis performed by management, including the disclosures, on a reasonably possible change in the key assumptions and the corresponding effect on the value-in-use calculations.

We have determined that there are no key audit matters to communicate in our report in respect of the audit of the financial statements of the Company.

### Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

## Independent Auditors' Report to the Members (Continued)

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with MFRSs, IFRSs, and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

## Independent Auditors' Report to the Members (Continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 42 to the financial statements.

### Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**BDO PLT**  
(LLP0018825-LCA & AF 0206)  
Chartered Accountants

KUALA LUMPUR

10 December 2020

**LUM CHIEW MUN**  
Partner  
03039/04/2021 J  
Chartered Accountant



## Analysis of Shareholdings

At 1 December 2020

Issued Share Capital : 399,535,463 ordinary shares (including 2,054,000 treasury shares)

Voting Rights : One (1) vote per share in the case of a poll and one (1) vote per person on a show of hands

### DISTRIBUTION OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	104	2.14	3,054	0.00
100 – 1,000	1,528	31.44	1,059,986	0.27
1,001 – 10,000	2,395	49.28	8,582,194	2.16
10,001 – 100,000	676	13.91	19,564,413	4.92
100,001 – less than 5% of issued shares	154	3.17	157,927,848	39.73
5% and above of issued shares	3	0.06	210,343,968	52.92
<b>TOTAL</b>	<b>4,860</b>	<b>100.00</b>	<b>397,481,463</b>	<b>100.00</b>

### THIRTY LARGEST SECURITIES ACCOUNT HOLDERS

Name	No. of Shares	% of Issued Share Capital <sup>^</sup>
1. Arusha Enterprise Sdn Bhd	165,125,639	41.54
2. Wan Hin Investments Sdn Berhad	23,206,329	5.84
3. Yeoh Chin Hin Investments Sdn Berhad	22,012,000	5.54
4. Maybank Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lembaga Kemajuan Tanah Persekutuan (464016811369)	11,500,000	2.89
5. CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB for Di-Yi Sdn Bhd (PB)	11,286,169	2.84
6. CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB for Heah Seok Yeong Realty Sdn Berhad (PB)	10,271,903	2.58
7. Malaysia Nominees (Tempatan) Sendirian Berhad - Pledged Securities Account for High Quest Holdings Sdn Bhd (20-00217-000)	9,200,000	2.31
8. Lee Chan Investments Sdn Bhd	9,159,275	2.30
9. Decarats MG Sdn Bhd	8,000,000	2.01
10. High Quest Holdings Sdn Bhd	6,246,894	1.57
11. Teoh Guat Eng Holdings Sdn Bhd	6,132,188	1.54
12. CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB for Heah Seok Yeong Realty Sdn Berhad (PB)	4,981,873	1.25
13. Di-Yi Sdn Bhd	3,992,873	1.00
14. Key Development Sdn Berhad	3,570,821	0.90
15. Cengal Emas Sdn Bhd	3,380,996	0.85
16. Malay-Sino Formic Acid Sdn Bhd	3,167,290	0.80
17. Malay Rubber Plantations (Malaysia) Sdn Berhad	2,868,172	0.72
18. Congleton Holdings Sdn Bhd	2,859,697	0.72
19. CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB Bank for Di-Yi Sdn Bhd (PBCL-0G0437)	2,800,000	0.70
20. Steppe Structure Sdn Bhd	2,284,728	0.57
21. Chinchoo Investment Sdn Berhad	2,229,619	0.56
22. Lembaga Kemajuan Tanah Persekutuan (FELDA)	2,024,300	0.51
23. Gan Teng Siew Realty Sdn Berhad	1,764,918	0.44
24. Dato' Lee Soon Hian	1,739,771	0.44

## Analysis of Shareholdings (Continued)

At 1 December 2020

### THIRTY LARGEST SECURITIES ACCOUNT HOLDERS (Continued)

Name	No. of Shares	% of Issued Share Capital <sup>^</sup>
25. Citigroup Nominees (Asing) Sdn Bhd - CBNY for Dimensional Emerging Markets Value Fund	1,731,950	0.44
26. Lee Oi Loon	1,649,771	0.42
27. Arusha Enterprise Sdn Bhd	1,540,785	0.39
28. CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB for Lyne Ching Sdn Berhad (PB)	1,525,377	0.38
29. Tan Sri Dato' Seri Lee Oi Hian	1,348,141	0.34
30. Key Development Sdn Berhad	1,165,090	0.29
<b>TOTAL</b>	<b>328,766,569</b>	<b>82.68</b>

<sup>^</sup> Calculated based on 397,481,463 shares (excluding 2,054,000 treasury shares).

### SUBSTANTIAL SHAREHOLDERS

According to the Register of Substantial Shareholders required to be kept under Section 144 of the Companies Act 2016 ("Act"), the following are the substantial shareholders of the Company:

Name	Direct Interest		Deemed Interest		Total	
	No. of Shares	% <sup>^</sup>	No. of Shares	% <sup>^</sup>	No. of Shares	% <sup>^</sup>
Arusha Enterprise Sdn Bhd	166,974,581	42.00	6,035,462 <sup>1</sup>	1.51	173,010,043	43.52
Wan Hin Investments Sdn Berhad	23,206,329	5.83	173,010,043 <sup>1</sup>	43.52	196,216,372	49.36
Yeoh Chin Hin Investments Sdn Berhad	22,012,000	5.53	-	-	22,012,000	5.53
Di-Yi Sdn Bhd	18,079,042	4.54	196,216,372 <sup>1</sup>	49.36	214,295,414	53.91
High Quest Holdings Sdn Bhd	15,446,894	3.88	196,216,372 <sup>1</sup>	49.36	211,663,266	53.25
Tan Sri Dato' Seri Lee Oi Hian	1,623,328	0.40	217,226,424 <sup>2</sup>	54.65	218,849,752	55.05
Dato' Lee Hau Hian	1,583,444	0.39	215,054,533 <sup>3</sup>	54.10	216,637,977	54.50
Dato' Yeoh Eng Khoon	323,564	0.08	22,105,474 <sup>4</sup>	5.56	22,429,038	5.64
Grateful Blessings Inc	-	-	214,295,414 <sup>1</sup>	53.91	214,295,414	53.91
Grateful Blessings Foundation	-	-	214,295,414 <sup>1</sup>	53.91	214,295,414	53.91
Cubic Crystal Corporation	-	-	211,663,266 <sup>1</sup>	53.25	211,663,266	53.25
High Quest Anstalt	-	-	211,663,266 <sup>1</sup>	53.25	211,663,266	53.25

<sup>^</sup> Calculated based on 397,481,463 shares (excluding 2,054,000 treasury shares).

#### Notes:

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

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

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

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

## Analysis of Shareholdings (Continued)

At 1 December 2020

### DIRECTORS' INTEREST

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016 ("Act"), the Directors' interests in the Company and its subsidiaries and/or related corporations are as follows:

#### Company:

##### Batu Kawan Berhad

Name	Direct Interest		Deemed Interest	
	No. of Shares	% <sup>^</sup>	No. of Shares	% <sup>^</sup>
Tan Sri Dato' Seri Lee Oi Hian	1,623,328	0.40	217,226,424 <sup>1</sup>	54.65
Dato' Lee Hau Hian	1,583,444	0.39	215,054,533 <sup>2</sup>	54.10
Dato' Yeoh Eng Khoon	323,564	0.08	22,105,474 <sup>3</sup>	5.56
Mr. Quah Chek Tin	-	-	-	-
Tan Sri Rastam Bin Mohd Isa	-	-	-	-
Dr. Tunku Alina Binti Raja Muhd Alias	-	-	-	-

<sup>^</sup> Calculated based on 397,481,463 shares (excluding 2,054,000 treasury shares).

#### Notes:

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

#### Subsidiary:

##### Kuala Lumpur Kepong Berhad

Name	Direct Interest		Deemed Interest	
	No. of Shares	% <sup>^</sup>	No. of Shares	% <sup>^</sup>
Tan Sri Dato' Seri Lee Oi Hian	73,112	*	509,119,496	47.20
Dato' Lee Hau Hian	84,536	*	509,119,496	47.20
Dato' Yeoh Eng Khoon	340,176	0.03	4,838,476	0.44
Dr. Tunku Alina Binti Raja Muhd Alias	1,000	*	-	-

<sup>^</sup> Calculated based on 1,078,478,785 shares (excluding 2,539,000 treasury shares).

\* Less than 0.01%.

By virtue of their deemed interests in the shares of the Company, Tan Sri Dato' Seri Lee Oi Hian and Dato' Lee Hau Hian are deemed to have an interest in the shares of the other subsidiaries of the Company to the extent of the Company's interest in the respective subsidiaries.

Other than as disclosed above, none of the other Directors has any interest in the shares of its related corporations.

## Properties Held by the Group

At 30 September 2020

Location	Tenure	Year Lease Expiring	Titled Area Hectares <sup>#</sup>	Description / Existing Use	Year of Acquisition / Last Revaluation	Age of Buildings (Years)	Net Carrying Amounts RM'000
<b>PLANTATIONS</b>							
<b><u>MALAYSIA</u></b>							
<b>Kedah</b>							
Ladang Pelam Baling	Freehold	–	2,960	Oil palm and rubber estate	1986 1992	–	39,939
Ladang Batu Lintang Serdang	Freehold	–	1,808	Oil palm estate and palm oil mill	1986	41	32,233
Ladang Buntar Serdang	Freehold	–	547	Oil palm estate	1986	–	10,523
<b>Perak</b>							
Ladang Lekir Manjung	Freehold	–	3,307	Oil palm estate	2008	–	158,943
Ladang Changkat Chermin Manjung	Leasehold	2080	2,525	Oil palm estate and palm oil mill	2008	37	80,341
Ladang Raja Hitam Manjung	Freehold	–	1,497	Oil palm estate	2008	–	56,343
Ladang Kuala Kangsar Padang Rengas	Freehold Leasehold	– 2896	1,007 333	Oil palm and rubber estate	1979* 2016	–	59,863
Ladang Subur Batu Kurau	Freehold	–	1,282	Oil palm estate	1986	–	27,811
Ladang Glenealy Parit	Freehold	–	1,059	Oil palm estate	1992	–	23,034
Ladang Serapoh Parit	Freehold	–	936	Oil palm and rubber estate	1979* 1992	–	12,114
Ladang Allagar Trong	Freehold Leasehold	– 2908	525 248	Oil palm estate	1986	–	9,138
<b>Selangor</b>							
Ladang Changkat Asa Hulu Selangor	Freehold	–	1,543	Oil palm and rubber estate, palm oil mill and rubber factory	1979*	40 45	22,600
Ladang Tuan Mee Sungai Buloh	Freehold	–	1,214	Oil palm estate and palm oil mill	1979*	48	30,481
Ladang Kerling Kerling	Freehold	–	619	Oil palm and rubber estate	2002	–	56,030

# Titled area is in hectares except otherwise indicated

\* Year of last revaluation

## Properties Held by the Group (Continued)

At 30 September 2020

Location	Tenure	Year Lease Expiring	Titled Area Hectares#	Description / Existing Use	Year of Acquisition / Last Revaluation	Age of Buildings (Years)	Net Carrying Amounts RM'000
Ladang Sungai Gapi Kerling	Freehold	–	603	Oil palm estate	1979* 1985	–	5,010
Fajar Palmkel Rawang	Freehold	–	16,000 sq m	Kernel crushing plant	2019	1	9,645
<b>Negeri Sembilan</b>							
Ladang Ayer Hitam Bahau	Freehold	–	2,640	Oil palm estate	1985	–	40,062
Ladang Batang Jelai Rompin	Freehold	–	2,050	Oil palm and rubber estate	1985	–	30,199
Ladang Jeram Padang Bahau	Freehold	–	1,949	Oil palm and rubber estate, palm oil mill, rubber factory and biogas power plant	1985	30 31 2	29,174
Ladang Kombok Rantau	Freehold	–	1,910	Oil palm and rubber estate	1985	–	34,875
Ladang Ulu Pedas Pedas	Freehold	–	922	Oil palm estate	1985	–	11,766
Ladang Gunong Pertanian Simpang Durian	Leasehold	2077	686	Oil palm estate	1985	–	17,915
<b>Johor</b>							
Ladang Landak Paloh	Leasehold	2068 and 2078	4,451	Oil palm estate	1979*	–	23,315
Ladang Kekayaan Paloh	Leasehold	2068 and 2078	4,436	Oil palm estate, palm oil mill and biogas power plant	1979*	14 4	30,331
Ladang Voules Segamat	Freehold	–	2,969	Oil palm and rubber estate and rubber factory	1979*	47	32,168
Ladang Paloh Paloh	Freehold	–	2,003	Oil palm estate	1979*	–	27,012
Ladang Fraser Kulai	Freehold	–	1,915	Oil palm estate	1979*	–	39,005
Ladang New Pogoh Segamat	Freehold	–	1,545	Oil palm and rubber estate	1979*	–	16,240

# Titled area is in hectares except otherwise indicated

\* Year of last revaluation

## Properties Held by the Group (Continued)

At 30 September 2020

Location	Tenure	Year Lease Expiring	Titled Area Hectares <sup>#</sup>	Description / Existing Use	Year of Acquisition / Last Revaluation	Age of Buildings (Years)	Net Carrying Amounts RM'000
Ladang Sungei Penggeli Bandar Tenggara	Leased property	2087	942	Oil palm estate	1988	–	22,466
Ladang Ban Heng Pagoh, Muar	Freehold	–	631	Oil palm estate	1979*	–	9,698
Ladang Sungai Bekok Bekok	Freehold	–	625	Oil palm estate	1979*	–	5,420
Ladang See Sun Renggam	Freehold	–	589	Oil palm estate	1984	–	9,633
KL-Kepong Edible Oils Pasir Gudang	Leasehold	2045	5	Refinery	1985	37	1,472
<b>Pahang</b>							
Ladang Sungei Kawang Lanchang	Freehold	–	1,889	Oil palm and rubber estate	1979*	–	24,078
Ladang Renjok Bentong	Freehold	–	1,578	Oil palm and rubber estate	1979*	–	26,874
Ladang Tuan Bentong	Freehold Leasehold	– 2030 and 2057	910 443	Oil palm and rubber estate	1979*	–	12,487
Ladang Selborne Padang Tengku, Kuala Lipis	Freehold	–	1,258	Rubber estate	1992	–	23,403
Ladang Kemasul Mengkarak	Freehold	–	459	Oil palm and rubber estate	1983	–	4,526
<b>Kelantan</b>							
Ladang Kuala Gris Kuala Krai	Freehold	–	2,429	Oil palm and rubber estate and rubber factory	1992	20	34,175
Ladang Kerilla Tanah Merah	Freehold	–	2,176	Oil palm and rubber estate and rubber factory	1992	45	34,740
Ladang Pasir Gajah Kuala Krai	Freehold Leasehold	– 2907	951 1,155	Oil palm estate and palm oil mill	1981*	39	33,675
Ladang Sungai Sokor Tanah Merah	Freehold	–	1,603	Oil palm and rubber estate	1992	–	30,636

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

\* Year of last revaluation

## Properties Held by the Group (Continued)

At 30 September 2020

Location	Tenure	Year Lease Expiring	Titled Area Hectares <sup>#</sup>	Description / Existing Use	Year of Acquisition / Last Revaluation	Age of Buildings (Years)	Net Carrying Amounts RM'000
Ladang Kuala Hau Machang	Freehold Leasehold	– 2326	305 242	Rubber estate	1980*	–	8,759
<b>Sabah</b>							
<b>Tawau Region</b>							
Ladang Jatika	Leasehold	Between 2068 and 2083	3,508	Oil palm estate	1991	–	55,435
Ladang Sigalong	Leasehold	Between 2063 and 2079	2,864	Oil palm estate	1983	–	16,042
Ladang Pangeran	Leasehold	Between 2063 and 2080	2,855	Oil palm estate and palm oil mill	1983	19	40,411
Ladang Sri Kunak	Leasehold	Between 2063 and 2076	2,770	Oil palm estate	1983	–	16,320
Ladang Pang Burong	Leasehold	Between 2063 and 2080	2,548	Oil palm estate	1983	–	15,253
Ladang Pinang	Leasehold	Between 2068 and 2085	2,420	Oil palm estate	1983	–	35,864
Ladang Tundong	Leasehold	Between 2063 and 2073	2,155	Oil palm estate, palm oil mills and biogas power plant	1983	34 and 36 8	27,570
Ladang Ringlet	Leasehold	Between 2065 and 2081	1,834	Oil palm estate	1989	–	21,028
<b>Lahad Datu Region</b>							
Ladang Tunku	Leasehold	2085	3,418	Oil palm estate	1991*	–	43,761
Ladang Bornion	Leasehold	2078	3,233	Oil palm estate and palm oil mill	1992	22	19,403
Ladang Bukit Tabin	Leasehold	2079	2,916	Oil palm estate	1993	–	26,860
Ladang Segar Usaha	Leasehold	2077	2,792	Oil palm estate	1990*	–	40,508
Ladang Rimmer	Leasehold	2085	2,730	Oil palm estate	1991*	–	54,017
Ladang Sungai Silabukan	Leasehold	2079	2,654	Oil palm estate	1993	–	15,592

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

\* Year of last revaluation



## Properties Held by the Group (Continued)

At 30 September 2020

Location	Tenure	Year Lease Expiring	Titled Area Hectares <sup>#</sup>	Description / Existing Use	Year of Acquisition / Last Revaluation	Age of Buildings (Years)	Net Carrying Amounts RM'000
Ladang Lungmanis	Leasehold	2085	1,656	Oil palm estate and palm oil mill	1991*	20	12,365
KLK Premier Oils	Leasehold	2066	4	Kernel crushing plant and refinery	1998	17 13	8,782
	Leasehold	2110	2	PKC warehouse	2007	11	4,748
<b>INDONESIA</b>							
<b>Belitung Island</b>							
Kebun Steelindo Wahana Perkasa	Hak Guna Usaha	Extension in progress	14,065	Oil palm estate, palm oil mill, refinery, kernel crushing plant and biogas power plant	1994	21 7 7 7	85,003
Kebun Parit Sembada	Hak Guna Usaha	Extension in progress	3,990	Oil palm estate and palm oil mill	2003	12	10,892
Kebun Alam Karya Sejahtera	Hak Guna Usaha	2050 and 2053	2,335	Oil palm estate	2010	–	47,032
<b>Sumatra Riau Region</b>							
Kebun Mandau	Hak Guna Usaha	2045	14,834	Oil palm estate, palm oil mill, kernel crushing plant, refinery and biogas power plant	1996	17 13 7 7	143,672
Kebun Nilo	Hak Guna Usaha	2028	12,860	Oil palm estate and palm oil mills	1996	17 and 8	219,932
	Hak Guna Usaha	2054	1,363	Oil palm estate	2005		12,457
Kebun Sekarbumi Alamlestari	Hak Guna Usaha	2024	6,200	Oil palm estate and palm oil mill	2009	24	57,979
<b>North Sumatra Region</b>							
PT Langkat Nusantara Kepong **	Leased property	2039	21,384	Oil palm estate and palm oil mills	2009	6 and 1	306,274
<b>East Kalimantan</b>							
Kebun Jabontara Eka Karsa	Hak Guna Usaha	2033	14,086	Oil palm estate and palm oil mill	2006	5	210,741
Kebun Putra Bongan Jaya	Hak Guna Usaha	2044	11,602	Oil palm estate	2018	–	352,224
	Izin Lokasi	2023	4,460	–	2018	–	

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

# Titled area is in hectares except otherwise indicated

\* Year of last revaluation

## Properties Held by the Group (Continued)

At 30 September 2020

Location	Tenure	Year Lease Expiring	Titled Area Hectares <sup>#</sup>	Description / Existing Use	Year of Acquisition / Last Revaluation	Age of Buildings (Years)	Net Carrying Amounts RM'000
Kebun Malindomas Perkebunan	Hak Guna Usaha	2043	7,971	Oil palm estate	2007	–	104,620
Kebun Hutan Hijau Mas	Hak Guna Usaha	2029 and 2043	7,317	Oil palm estate, palm oil mill and biogas power plant	2007 2009	11 4	81,173
Kebun Satu Sembilan Delapan	Hak Guna Usaha	Between 2029 and 2044	5,728	Oil palm estate and palm oil mill	Between 2008 and 2009	6	97,879
Kebun Tekukur Indah	Hak Guna Usaha	2055	1,497	Oil palm estate	Between 2012 and 2016	–	10,312
<b>Central Kalimantan</b>							
Kebun Karya Makmur Abadi	Hak Guna Usaha	2051	9,397	Oil palm estate and palm oil mill	2007	4	254,140
Kebun Mulia Agro Permai	Hak Guna Usaha	2040	9,056	Oil palm estate and palm oil mill	2006	6	160,435
Kebun Menteng Jaya Sawit Perdana	Izin Lokasi	2021	2,384	Oil palm estate	2007	–	36,755
<b><u>LIBERIA</u></b>							
Palm Bay Estate Grand Bassa County	Leasehold	2057	13,007	Oil palm estate, palm oil mill, bulking installation and kernel crushing plant	2013	2 2 –	174,771
<b><u>MANUFACTURING</u></b>							
<b><u>MALAYSIA</u></b>							
KL-Kepong Oleomas Klang, Selangor	Leasehold	2097	19	Oleochemical factory	2004	11 to 14	37,048
Palm-Oleo Rawang, Selangor	Freehold	–	13	Oleochemical, soap noodles and industrial amides factories	1991 1994	24 and 29	17,026
Malay-Sino Chemical Industries Lot 3557 and 4524 Kawasan Perindustrian Teluk Kalung Kemaman, Terengganu	Leasehold	2056 and 2059	14	Chemical factory	Between 1996 and 2011	9 to 22	18,121
See Sen Chemical Lot 2989 and 3558 Kawasan Perindustrian Teluk Kalung Kemaman, Terengganu	Leasehold	2055	12	Chemical factory	1995	24	5,602

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

## Properties Held by the Group (Continued)

At 30 September 2020

Location	Tenure	Year Lease Expiring	Titled Area Hectares#	Description / Existing Use	Year of Acquisition / Last Revaluation	Age of Buildings (Years)	Net Carrying Amounts RM'000
Palm-Oleo (Klang) Klang, Selangor	Leased property	2088	7	Oleochemical factory	2007	29 and 39	25,951
Malay-Sino Chemical Industries Lot 70810 and 70811 4½ Miles, Jalan Lahat Ipoh, Perak	Leasehold	2074	5	Chemical factory and Methyl Chloride factory	1996* 2011	44 10	3,640 187
B.K.B. Hevea Products Ipoh, Perak	Leasehold	2089	5	Parquet factory	1994	26	3,078
KL-Kepong Rubber Products Ipoh, Perak	Freehold	–	4 3	Industrial land Rubber gloves factory	2020 2012	– 36	8,477 15,074
See Sen Chemical PT 6326, Bandar Sri Sendayan Seremban, Negeri Sembilan	Freehold	–	2	Chemical factory	2013	6	9,135
See Sen Chemical PTD 21873, Pasir Gudang Industrial Estate Pasir Gudang, Johor	Leasehold	2039	2	Chemical factory	1979	35	1,526
KLK Bioenergy Shah Alam, Selangor	Leasehold	2074	1	Biodiesel plant	2009	35	2,934
Richinstock Sawmill Klang, Selangor	Leased property	2097	52	Industrial land	2019	–	185,268
Malay-Sino Chemical Industries Lot 541, Kg Acheh Industrial Estate Sitiawan, Perak	Leasehold	2087	1	Industrial land with warehouse	1996*	31	565
See Sen Chemical Lot 5441, Kawasan Perindustrian Teluk Kalung Kemaman, Terengganu	Leasehold	2056	9,013 sq m	Acid pipeline	2003	–	93
Malay-Sino Properties Lot 9878, Kg Acheh Industrial Estate Sitiawan, Perak	Leasehold	2093	4,282 sq m	Industrial land with warehouse	1996*	25	208
<b>INDONESIA</b>							
PT KLK Dumai Dumai Timur, Riau	Leased property	2031	12,876 sq m	Oleochemical factory	2011	6	16,674

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\* Year of last revaluation

## Properties Held by the Group (Continued)

At 30 September 2020

Location	Tenure	Year Lease Expiring	Titled Area Hectares <sup>#</sup>	Description / Existing Use	Year of Acquisition / Last Revaluation	Age of Buildings (Years)	Net Carrying Amounts RM'000
<b><u>BELGIUM</u></b>							
KLK Tensachem SA Ougree	Freehold	–	10	Surfactant factory	2014	13 to 90	23,190
<b><u>CHINA</u></b>							
Taiko Palm-Oleo (Zhangjiagang) Zhangjiagang City, Jiangsu	Leasehold	2054	20	Oleochemical factory	2004	15	34,535
Shanghai Jinshan Jingwei Chemical Jinshan, Shanghai	Leasehold	2052	2	Oleochemical factory	2008	15	2,623
<b><u>GERMANY</u></b>							
KLK Emmerich Emmerich Am Rhein	Freehold	–	21	Oleochemical factory	2010	27 to 67	15,187
KLK Emmerich Dusseldorf	Leasehold	2104	6	Oleochemical factory	2015	15 to 110	41,936
<b><u>NETHERLANDS</u></b>							
Dr. W. Kolb Netherlands BV Moerdijk	Freehold	–	8	Ethoxylation factory	2007	27	87,472
KLK Kolb Specialties BV Delden	Freehold	–	17	Chemical specialty factory	2018	17 to 73	49,681
<b><u>SWITZERLAND</u></b>							
Dr. W. Kolb AG Hedingen	Freehold	–	2	Ethoxylation factory	2007	20 to 56	74,407
<b>PROPERTIES</b>							
<b><u>MALAYSIA</u></b>							
KL-Kepong Country Homes Ijok, Selangor	Freehold	–	46	Property development	1979	–	47,355
	Freehold	–	666	Property development	1979	–	13,068
	Leasehold	2082, 2108 and 2117	11	operating as oil palm estate	2010 2018		
Colville Holdings Setul, Negeri Sembilan	Freehold	–	421	Property development operating as oil palm estate	1985	–	10,429
KL-Kepong Property Development Gombak, Selangor	Freehold	–	403	Property development operating as oil palm estate	2004	–	143,343
			1	Property development	2020		1,405

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

## Properties Held by the Group (Continued)

At 30 September 2020

Location	Tenure	Year Lease Expiring	Titled Area Hectares <sup>#</sup>	Description / Existing Use	Year of Acquisition / Last Revaluation	Age of Buildings (Years)	Net Carrying Amounts RM'000
Palermo Corporation Bagan Samak, Kedah	Freehold	–	351	Property development operating as oil palm estate	1986	–	13,017
Scope Energy Tanjung Kupang, Johor	Freehold	–	203	Property development	2016	–	883,909
KLK Park Homes Ijok, Selangor	Freehold	–	100 81	Property development Property development operating as oil palm estate	2020	–	19,607
Kompleks Tanjong Malim Hulu Selangor, Selangor	Freehold	–	172	Property development operating as oil palm estate	1979	–	7,825
KL-Kepong Property Management Paloh, Johor	Freehold	–	26	Property development operating as oil palm estate	1979*	–	391
KL-Kepong Complex Sungai Buloh, Selangor	Freehold	–	8	Property development	1979	–	3,053
<b>INVESTMENT PROPERTY</b>							
<b><u>MALAYSIA</u></b>							
Batu Kawan Holdings Menara KLK No 1, Jalan PJU 7/6 Mutiar Damansara Petaling Jaya, Selangor	Freehold	–	5,730 sq m	Office building	2003	11	46,531
<b><u>OTHER PROPERTIES</u></b>							
<b><u>MALAYSIA</u></b>							
Stolthaven (Westport) Klang, Selangor	Leased property	2024	12	Bulking installation	2006 2014	6 and 22	15,289
Circular Agency Lot 202186, 202187 and 202188, Zarib Industrial Park, Lahat Ipoh, Perak	Leasehold	2092	1	Land with office building and workshop	1996*	26	1,895
Wisma Taiko 1, Jalan S.P. Seenivasagam Ipoh, Perak	Freehold	–	2,984 sq m	Head Office building	1983	35	3,277
	Leasehold	2892	2,408 sq m		2000		1,590

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\* Year of last revaluation

## Properties Held by the Group (Continued)

At 30 September 2020

Location	Tenure	Year Lease Expiring	Titled Area Hectares <sup>#</sup>	Description / Existing Use	Year of Acquisition / Last Revaluation	Age of Buildings (Years)	Net Carrying Amounts RM'000
Kelkay Bulking Installation Port Klang, Selangor	Leased property	Pending renewal	3,968 sq m	Bulking installation	1975 2014	45	282
<b>INDONESIA</b>							
SWP Bulking Installation Belitung Island	Hak Guna Bangunan	2035	20	Bulking installation and jetty	2005	11 and 15 14	12,102
PT Steelindo Wahana Perkasa East Belitung	Hak Guna Bangunan	2026	49,875 sq m	Warehouse	2018	15	1,829
PT Hutan Hijau Mas Berau, East Kalimantan	Hak Pakai	2035	8	Jetty	2010	6	1,271
3, 5, 6 & 7, Block C Ruko Puri Mutiara Sunter Agung Tanjung Priok Jakarta Utara	Hak Guna Bangunan	2027	300 sq m	Office building	2007	13	39
<b>AUSTRALIA</b>							
Chilimony Farm Northampton Western Australia	Freehold	–	16,189	Cereal and cattle farm	2012 2013	–	87,196
Wyunga Farm Dandaragan Western Australia	Freehold	–	15,566	Cereal and cattle farm	2013 2014 2016 2020	–	119,906
Erregulla Farm Mingenew Western Australia	Freehold	–	10,238	Cereal and sheep farm	2004* 2018	–	37,854
Warrenning Gully Farm Williams Western Australia	Freehold	–	5,119	Cereal and sheep farm	2004* 2014	–	29,416
Jonlorrie Farm York Western Australia	Freehold	–	4,927	Cereal and sheep farm	2013 2014	–	71,055
Tatchbrook Farm Arthur River Western Australia	Freehold	–	6,516	Cereal and sheep farm	2015 2016 2017	–	53,025

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

\* Year of last revaluation

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# PROXY FORM

# BATU KAWAN BERHAD

196501000504 (6292-U)

No. of Shares Held	CDS Account No.	Tel. No.

I/We \_\_\_\_\_  
(Full Name in Block Letters)

NRIC/Passport/Company No. \_\_\_\_\_

of \_\_\_\_\_  
being (a) member(s) of BATU KAWAN BERHAD hereby appoint

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

\*and/or \_\_\_\_\_ NRIC/Passport No. \_\_\_\_\_  
(Full Name in Block Letters)

or failing him THE CHAIRMAN OF THE MEETING as my/our proxy/proxies to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be conducted entirely through live streaming from the broadcast venue at BKB Boardroom, Level 9, Menara KLK, No. 1, Jalan PJU 7/6, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Thursday, 18 February 2021 at 2.15 p.m. and at any adjournment thereof, and to vote as indicated below:

Resolution	Relating to:	For	Against
1	Re-election of the following Directors in accordance with the Company's Constitution:		
2	Tan Sri Dato' Seri Lee Oi Hian		
3	Tan Sri Rastam bin Mohd Isa		
4	Payment of Directors' fees		
5	Payment of Directors' benefits		
6	Re-appointment of Auditors and their remuneration		
7	Proposed Renewal of Authority to Buy Back Shares		
8	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
	Proposed Renewal of Authority for Directors to Allot and Issue New BKB Shares in relation to the Dividend Reinvestment Plan		

\* Please delete if inapplicable.

Please indicate with a tick (✓) how you wish your vote to be cast

For appointment of two (2) proxies, percentage of shareholding to be represented by the proxies:	
	Percentage (%)
Proxy 1	
Proxy 2	

Signature of Shareholder

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

## Notes:

- The Broadcast Venue of the Annual General Meeting is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairperson of the meeting to be present at the main venue of the meeting. Members/proxies/representatives are not allowed to be physically present at the Broadcast Venue on the day of the Annual General Meeting. Therefore, members are strongly advised to participate and vote remotely at the Annual General Meeting through the live streaming and online remote voting using the Remote Participation and Voting ("RPV") facilities provided by the appointed Poll Administrator for the Annual General Meeting, Tricor Investor & Issuing House Services Sdn Bhd ("Tricor") on its TIH Online website at <https://tth.online>. Please follow the procedures set out in the Administrative Guide for the Annual General Meeting which is available on the Company's website at [www.bkawan.com.my](http://www.bkawan.com.my) to register, participate, speak (in the form of real time submission of typed texts) and vote remotely via the RPV facilities.
- A member of the Company entitled to participate and vote at the meeting is entitled to appoint a proxy to participate and vote in his/her stead. A proxy may, but need not be a member of the Company. A member shall not be entitled to appoint more than two (2) proxies to participate at the same meeting. Where a member appoints two (2) proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.
- Where the proxy form is executed by a corporation, it must be either under the hand of its officer or attorney duly authorised.
- Where a member is an exempt authorised nominee, as defined under the Securities Industry (Central Depositories) Act 1991, who holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- Where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

**Notes: (Continued)**

- (g) The appointment of proxy may be made in hardcopy form or by electronic means as specified below and must be received by the Company not less than twenty-four (24) hours before the time appointed for the taking of the poll:
- **In hardcopy form**  
The original Proxy Form and the power of attorney or other authority, if any, under which it is signed or a notarially certified or office copy of that power or authority shall be deposited to Tricor's office at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Tricor Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.
  - **By Tricor Online System (TIIH Online) [applicable only for members who are individuals]**  
The Proxy Form can be electronically lodged with Tricor via TIIH Online at <https://tiih.online>. Please follow the procedures set out in the Administrative Guide for such lodgement.
- (h) If neither "for" nor "against" is indicated above, the proxy will vote or abstain as he/she thinks fit.
- (i) Only members whose names appear on the General Meeting Record of Depositors or Register of Members as at 10 February 2021 shall be entitled to participate or appoint proxies in his/her stead or in the case of a corporation, a duly authorised representative to participate, speak and vote in his/her stead.

**Personal Data Privacy**

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

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Affix Stamp  
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**BATU KAWAN BERHAD**  
**C/O TRICOR INVESTOR & ISSUING HOUSE SERVICES SDN BHD**  
**Unit 32-01, Level 32, Tower A,**  
**Vertical Business Suite,**  
**Avenue 3,**  
**Bangsar South,**  
**No. 8, Jalan Kerinchi,**  
**59200 Kuala Lumpur,**  
**Malaysia**

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