

# BATU KAWAN BERHAD

196501000504 (6292-U)

ANNUAL REPORT FOR THE YEAR ENDED 30 SEPTEMBER

# 2019

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## Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Fifty-Fifth Annual General Meeting of Batu Kawan Berhad (“BKB” or “Company”) will be held at WEIL Hotel, Ballroom 1, Level 6, 292 Jalan Sultan Idris Shah, 30000 Ipoh, Perak Darul Ridzuan, Malaysia on Tuesday, 18 February 2020 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 2019 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:
 

Dato’ Lee Hau Hian	(Ordinary Resolution 1)
Dato’ Yeoh Eng Khoon	(Ordinary Resolution 2)
3. To approve the payment of Directors’ fees for the financial year ended 30 September 2019 amounting to RM962,068 (2018: RM962,863). (Ordinary Resolution 3)
4. To approve the payment of Directors’ benefits (other than Directors’ fees) for the period from this Fifty-Fifth Annual General Meeting to the Fifty-Sixth Annual General Meeting of the Company to be held in 2021. (Ordinary Resolution 4)
5. To re-appoint Messrs BDO PLT as Auditors of the Company for the financial year ending 30 September 2020 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 pursuant to this resolution does not exceed ten percent (10%) of the total issued and paid-up share capital 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 2019 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").

## Notice of Annual General Meeting (Continued)

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
- (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.”

## Notice of Annual General Meeting (Continued)

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 11 February 2020 shall be entitled to attend or appoint a proxy in his stead or in the case of a corporation, a duly authorised representative to attend, speak and vote in his stead.

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

Ipoh,  
 Perak Darul Ridzuan,  
 Malaysia.

31 December 2019

### NOTES:

- (1) **Audited Financial Statements for financial year ended 30 September 2019**  
 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.
- (2) **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-Fifth Annual General Meeting on the Directors' remuneration in two (2) separate resolutions as below:
- (a) Ordinary Resolution 3 on payment of Directors' fees to the Non-Executive Directors in respect of the financial year 2019 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 Director/Member	130,000	25,000	15,000

- (b) Ordinary Resolution 4 on payment of Directors' benefits for the period from this Fifty-Fifth Annual General Meeting to the next Annual General Meeting in 2021. 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.

## Notice of Annual General Meeting (Continued)

(3) **Voting by Poll**

Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in this notice of Fifty-Fifth Annual General Meeting shall be put to vote on a poll.

(4) **Appointment of Proxy**

- (a) A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his 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 attend at the same meeting. 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 either under the hand of its officer or attorney duly authorised.
- (c) If a member having appointed a proxy to attend a general meeting attends such meeting in person, the appointment of such proxy shall be null and void in respect of such meeting and his proxy shall not be entitled to attend such meeting.
- (d) 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.
- (e) 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.
- (f) The instrument appointing a proxy and the power of attorney or other authority (if any), to be valid, must be deposited at the Registered Office of the Company at Bangunan Mayban Trust Ipoh, Level 9, No. 28, Jalan Tun Sambanthan, 30000 Ipoh, Perak Darul Ridzuan, Malaysia not less than twenty-four (24) hours before the time appointed for the taking of the poll.

(5) **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.

(6) **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.

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 shareholders' approval as and when such Recurrent Related Party Transactions occur is avoided which would reduce substantial administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising the corporate objectives of the Group or adversely affecting the business opportunities available to the Group.

(7) **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 2019 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 Lima akan diadakan di WEIL Hotel, Ballroom 1, Level 6, 292 Jalan Sultan Idris Shah, 30000 Ipoh, Perak Darul Ridzuan, Malaysia pada hari Selasa, 18 Februari 2020 pada pukul 2.15 petang untuk tujuan-tujuan berikut:

### AGENDA

#### Sebagai Urusan Biasa:

1. Untuk menerima Penyata Kewangan yang telah diaudit bagi tahun berakhir 30 September 2019 berserta Laporan Pengarah dan Juruaudit yang berkaitan dengannya.
2. Untuk memilih semula para Pengarah berikut yang akan bersara mengikut giliran menurut Perlembagaan Syarikat:
 

Dato' Lee Hau Hian	(Resolusi Biasa 1)
Dato' Yeoh Eng Khoon	(Resolusi Biasa 2)
3. Untuk meluluskan bayaran fi para Pengarah berjumlah RM962,068 bagi tahun berakhir 30 September 2019 (2018: RM962,863). (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 Lima sehingga Mesyuarat Agung Tahunan Syarikat yang Kelima Puluh Enam yang akan diadakan pada tahun 2021. (Resolusi Biasa 4)
5. Untuk melantik semula Tetuan BDO PLT sebagai Juruaudit Syarikat bagi tahun kewangan berakhir 30 September 2020 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 oleh Syarikat melalui resolusi ini adalah tidak melebihi sepuluh peratus (10%) daripada jumlah modal syer terbitan dan berbayar Syarikat dan dana maksima yang diperuntukkan untuk Cadangan Memberi Kuasa Membeli Balik Syer tidak melebihi jumlah keuntungan terkumpul Syarikat yang terkini dan telah diaudit;



## Notis Mesyuarat Agung Tahunan (Sambungan)

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:

- (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 Appendix II dalam Surat Pekeliling Syarikat kepada para pemegang syer yang bertarikh 31 Disember 2019 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”).

## Notis Mesyuarat Agung Tahunan (Sambungan)

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

- (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 wajaran lima (5) hari (“NHPPW”) yang diselaraskan bagi syer BKB sejeurus 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.”

## Notis Mesyuarat Agung Tahunan (Sambungan)

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

**DENGAN INI JUGA DIMAKLUMKAN BAHAWA** hanya pemegang syer yang namanya terkandung di dalam Rekod Pendeposit atau Rekod Pendaftaran Ahli pada 11 Februari 2020 adalah layak untuk menghadiri mesyuarat ini atau melantik proksi untuk hadir dan mengundi bagi pihaknya atau dalam hal suatu perbadanan, seorang pewakilan kuasa untuk hadir, 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 2019

### NOTA:

- (1) **Penyata Kewangan yang telah Diaudit bagi tahun berakhir 30 September 2019**  
 Penyata Kewangan yang telah diaudit 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.
- (2) **Pembayaran Fi Pengarah dan faedah**  
 Menurut Seksyen 230(1) Akta Syarikat 2016, pembayaran fi pengarah dan apa-apa faedah yang perlu 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 resolusi berasingan berikut pada Mesyuarat Agung Tahunan yang Kelima Puluh Lima:
- (a) Resolusi Biasa 3 mengenai pembayaran fi Pengarah bagi tahun kewangan 2019 kepada Pengarah Bukan Eksekutif 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

- (b) Resolusi Biasa 4 mengenai pembayaran faedah bagi tempoh dari Mesyuarat Agung Tahunan yang Kelima Puluh Lima sehingga Mesyuarat Agung Tahunan Syarikat yang akan diadakan pada tahun 2021. 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

## Notis Mesyuarat Agung Tahunan (Sambungan)

(3) **Mengundi melalui Pengundian**

Menurut Perenggan 8.29A(1) Keperluan Penyenaraian Pasaran Utama Bursa Malaysia Securities Berhad, semua resolusi yang terkandung di dalam Notis harus dilaksanakan dengan pengundian.

(4) **Pelantikan proksi**

- (a) Pemegang syer Syarikat yang layak untuk hadir dan mengundi pada mesyuarat ini berhak melantik seorang proksi untuk hadir dan mengundi bagi pihaknya. Proksi tersebut boleh, tetapi tidak semestinya merupakan pemegang syer Syarikat. Seseorang pemegang syer tidak boleh melantik lebih daripada dua (2) proksi untuk menghadiri mesyuarat yang sama. Sekiranya pemegang syer melantik dua (2) proksi, bahagian pegangan syer yang diwakili oleh setiap proksi hendaklah ditetapkan dalam surat cara pelantikan proksi tersebut.
- (b) Pelantikan proksi yang dilaksanakan oleh pemegang syer korporat harus ditandatangani oleh pegawainya atau pewakilan kuasa.
- (c) Sekiranya seseorang pemegang syer telah melantik proksi untuk menghadiri mesyuarat agung, pelantikan proksi tersebut akan dianggap telah dibatalkan dan tidak sah dalam mesyuarat tersebut dan proksi itu tidak layak untuk menghadiri mesyuarat tersebut.
- (d) 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.
- (e) 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.
- (f) Surat cara pelantikan proksi dan surat kuasa wakil atau kuasa lain (jika ada), supaya ia diiktirafkan sebagai sah, hendaklah diserahkan ke Pejabat Berdaftar Syarikat di Bangunan Mayban Trust Ipoh, Level 9, No. 28, Jalan Tun Sambanthan, 30000 Ipoh, Perak Darul Ridzuan, Malaysia tidak kurang dari dua puluh empat (24) jam sebelum masa yang ditetapkan bagi menjalankan pengundian.

(5) **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 diubahkan oleh Syarikat dalam mesyuarat agung, akan tamat dalam Mesyuarat Agung Tahunan Syarikat berikutnya.

(6) **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 dijimatkan tanpa menjejaskan objektif korporat Kumpulan Syarikat dan peluang perniagaan yang sedia ada kepada Kumpulan Syarikat.

## Notis Mesyuarat Agung Tahunan (Sambungan)

(7) **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 ini.

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, 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 2019 yang boleh didapati di laman web Syarikat, [www.bkawan.com.my](http://www.bkawan.com.my).

## Corporate Information

### BOARD OF DIRECTORS

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

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

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

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

**TAN SRI RASTAM  
BIN MOHD ISA**  
*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

### REGISTERED OFFICE / PRINCIPAL PLACE OF BUSINESS

Bangunan Mayban Trust Ipoh  
Level 9  
No. 28, Jalan Tun Sambanthan  
30000 Ipoh  
Perak Darul Ridzuan, Malaysia  
Tel : +605 – 240 8000  
Fax : +605 – 240 8117  
Email : cosec@bkawan.com.my  
Website : [www.bkawan.com.my](http://www.bkawan.com.my)

### SHARE REGISTRAR

Boardroom Share Registrars Sdn Bhd  
11th 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

### PLACE OF INCORPORATION AND DOMICILE

In Malaysia as a public limited liability  
company

### STOCK EXCHANGE LISTING

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

### AUDITORS

BDO PLT  
Chartered Accountants

### 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



## Profile of Directors (Continued)



*from left to right*

- 1 DATO' LEE HAU HIAN**  
*Managing Director*
- 2 TAN SRI RASTAM BIN MOHD ISA**  
*Independent Non-Executive Director*
- 3 TAN SRI DATO' SERI LEE OI HIAN**  
*Non-Independent Non-Executive Chairman*
- 4 DATO' YEOH ENG KHOON**  
*Senior Independent Non-Executive Director*
- 5 DR. TUNKU ALINA BINTI RAJA MUHD ALIAS**  
*Independent Non-Executive Director*
- 6 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 68, Male, Malaysian*



Tan Sri Dato' Seri 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 Dato' Seri Lee is also the Chief Executive Officer of Kuala Lumpur Kepong Berhad and a member on the Board of Trustees of Perdana Leadership Foundation, Yayasan KLK, UTAR Education Foundation and Yayasan Wesley respectively as well as a director of Equatorial Palm Oil Plc. He was formerly the Chairman of the Malaysian Palm Oil Council.

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



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 Dato' Seri Lee Oi Hian who is the Chairman of BKB. He is deemed connected with Wan Hin Investments Sdn Berhad which is the holding company of Arusha Enterprise Sdn Bhd, 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 66, Male, Malaysian*

**Profile of Directors** (Continued)



**DATO' YEOH ENG KHOON**

*Senior Independent Non-Executive Director  
Chairman of Nomination Committee  
Chairman of Remuneration Committee  
Member of Audit and Risk Committee  
Aged 72, 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/major shareholder of BKB.



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/major shareholder of BKB.



**MR. QUAH CHEK TIN**

*Independent Non-Executive Director  
Chairman of Audit and Risk Committee  
Member of Remuneration Committee  
Aged 68, Male, Malaysian*

**Profile of Directors** (Continued)



**TAN SRI RASTAM BIN MOHD ISA**

*Independent Non-Executive Director  
Member of Audit and Risk Committee  
Aged 68, 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 is the 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 is also a Malaysian member of the Asia-Pacific Economic Cooperation Business Advisory Council - ABAC.

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



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.



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

*Independent Non-Executive Director  
Member of Audit and Risk Committee  
Member of Nomination Committee  
Aged 56, Female, Malaysian*

**Additional Information:**

- Save as disclosed in the Profile of Directors, none of the Directors has any conflict of interest with BKB.
- 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 DATO' SERI LEE OI HIAN**  
*Non-Independent Non-Executive Chairman of Batu Kawan Berhad ("BKB")  
 Chief Executive Officer of Subsidiary of BKB,  
 Kuala Lumpur Kepong Berhad ("KLK")  
 Aged 68, Male, Malaysian*

Tan Sri Dato' Seri 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 Dato' Seri Lee is shown in the Profile of Directors.



**DATO' LEE HUI HIAN**  
*Managing Director of BKB  
 Aged 66, Male, Malaysian*

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



**PATRICK KEE CHUAN PENG**  
*Group Plantations Director of Subsidiary of BKB, KLK  
 Aged 60, Male, Malaysian*

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/major shareholder of BKB.



**MR. MADHEV A/L BALA SUBRAMANIAM**  
*Managing Director, Oleochemical Division of  
 Subsidiary of BKB, KLK  
 Aged 59, Male, Malaysian*

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 29 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/major shareholder of BKB.



## Profile of Key Senior Management (Continued)



**DATO' DAVID TAN THEAN THYE**

*Executive Director, Property Development of Subsidiary of BKB, KLK  
Aged 65, Male, Malaysian*

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

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

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

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



**GOH SWEE ENG**

*Chief Financial Officer of BKB  
Aged 47, Male, Malaysian*

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 in 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/major shareholder of BKB.

**Additional Information:**

- Save as disclosed above, none of the Key Senior Management has any conflict of interest with BKB.
- Save for Tan Sri Dato' Seri Lee Oi Hian and Dato' Lee Hau Hian, none of the Key Senior Management has any directorship in public companies and/or listed issuers.
- None of the 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

For the financial year ended 30 September 2019 ("FY 2019"), Batu Kawan Berhad ("BKB" or "Company") achieved a Group pre-tax profit of RM929.31 million against a RM1,116.09 million the previous year. Revenues were lower at RM16.04 billion (2018: RM18.95 billion). The Group pre-tax profit included a RM145.32 million impairment charge by our main subsidiary – Kuala Lumpur Kepong Berhad ("KLK"), on an estate in Liberia. Excluding this impairment charge, your Group's pre-tax profit would have been 16% higher.

Net profit (after tax and non-controlling interest) attributable to BKB shareholders was at RM363.49 million compared to RM365.68 million last year. Earnings per share ("EPS") achieved was 91.7 sen, marginally higher than last year's 91.1 sen and helped by our share buyback programme.

Your Board has decided to declare a final single tier dividend of 45 sen per share ("Final Dividend") for this financial year, making a total payout of 60 sen (2018: 55 sen) for the full year. This year's total dividends will be equivalent to a payout of some 65% of net earnings (2018: 60%).

Pursuant to the Dividend Reinvestment Plan ("DRP") approved by you at our Annual General Meeting held on 13 February 2018, your Board has decided to apply the DRP to the Final Dividend declared. Under the DRP, you thus may elect for new BKB shares, to be issued at a 3% discount to the relevant period market price, in lieu of receiving cash, in whole or in part, for the Final Dividend. The DRP will provide you the opportunity to enhance your equity participation in the Company for the long term.

During the financial year, a further 8,024,100 (2018: 2,301,500) shares in the Company were bought back under our share buyback programme at an average price of RM16.31 per share (2018: RM19.51 per share), thus increasing the number of shares held as Treasury shares to 43,403,831.

### SUBSIDIARIES' PERFORMANCE

#### MAIN SUBSIDIARY – Kuala Lumpur Kepong Berhad ("KLK")

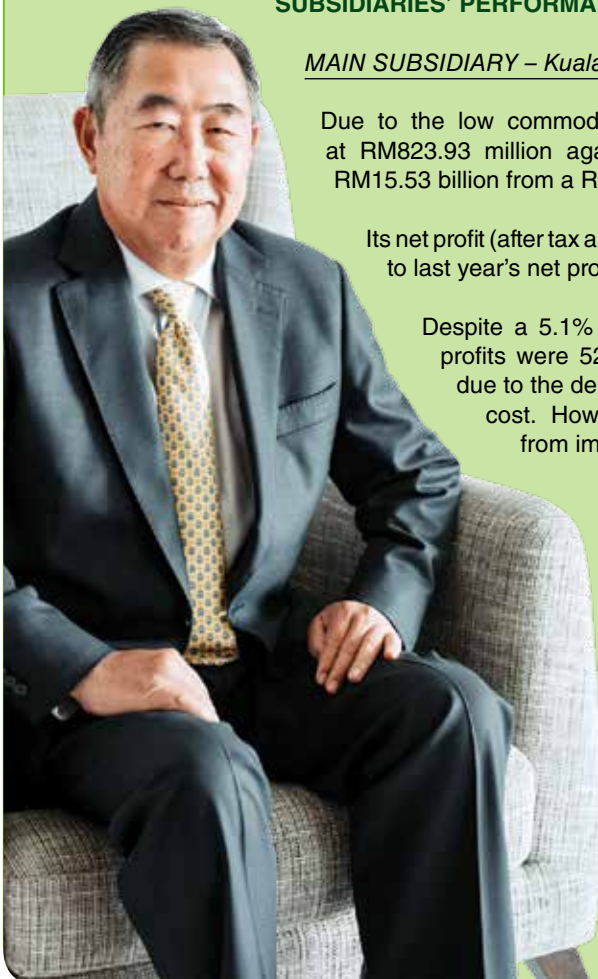
Due to the low commodity prices during the year, KLK's pre-tax profit was 17% lower at RM823.93 million against a RM988.79 million last year, while revenues reduced to RM15.53 billion from a RM18.38 billion last year.

Its net profit (after tax and non-controlling interest) was higher at RM617.51 million compared to last year's net profit of RM609.37 million. EPS was 58.0 sen (2018: 57.2 sen)

Despite a 5.1% higher FFB production of 4.10 million tonnes, Plantation pre-tax profits were 52% lower at RM394.63 million than last year's RM826.15 million, due to the depressed commodity prices as well as our higher palm oil production cost. However, the processing and trading operations achieved higher profits from improved margins due to lower feedstock prices.

The Oleochemical operations recorded marginally higher profit of RM376.35 million (2018: RM371.39 million). Oleochemical's result was contributed by stronger performance from the Malaysia and China oleo operations which reported better profits but were offsetted by weaker results in Europe operations where one of the European operations was affected by unusually low water levels of the River Rhine disrupting its raw materials deliveries.

The contribution from Property division was higher at RM47.36 million (2018: RM37.84 million) due to profit recognition timing from projects with higher margins, despite a lower revenue of RM170.36 million (2018: RM177.68 million). The main activity continues to be the development of the Bandar Seri Coalfields township.



## Chairman's Statement (Continued)

### INDUSTRIAL CHEMICALS SUBSIDIARIES

BKB's own chemical and related logistics operations reported pre-tax profits of RM101.70 million, some 28% lower than last year, impacted by lower selling prices of products, especially caustic soda, and higher energy costs from removal of a special industrial electricity tariff and imposition of cost surcharges by Tenaga Nasional Berhad. Our chlor-alkali subsidiary, Malay-Sino Chemical Industries, will implement a co-generation project to manage the cost of electricity, which is a key production cost component.

The sulphuric acid operations, under See Sen Chemical, and our chemical transport companies continue to operate satisfactorily.

### PLANTATION SUBSIDIARIES

Of our non-KLK-owned Plantation subsidiaries, PT Satu Sembilan Delapan reported a pre-tax loss (after interest) of RM3.45 million (2018: RM15.46 million profit) due to weaker CPO and PK prices, despite higher sales volume. Its plantation in Kalimantan of 5,384 fully matured hectares has its own palm oil mill. Our other Indonesian subsidiary, PT Tekukur Indah, has 2,030 hectares of land to be developed into an oil palm plantation, which planting activities should start in 2020 once processing for the final land titles ("Hak Guna Usaha") has been completed and the titles issued.

### OTHER INVESTMENTS

For some years, the Group has been investing in several property development projects in Australia, as a joint venture partner or minority shareholder. To-date the Group has invested AUD65.70 million in seven (7) property development projects there, with five (5) in Melbourne, Victoria and two (2) in Perth, Western Australia. Three (3) of these projects (namely, Greenvale and Mickleham in Melbourne and Forrestfield in Perth) have started development while the remaining four (4) are largely in master planning and/or planning approval submission stages and thus will not be cash generative for some time. In October 2019, after the financial year end, the Group participated in a new residential development project situated in Pakenham, Melbourne. Most of these projects are expected to complete between 2024 and 2031, and the capital commitment for financial year ending 2020 is AUD 29.62 million. For FY 2019, our Australian property investments contributed a RM8.84 million after-tax profit (2018: RM10.87 million) to the Group.

The Group's sole office building in Mutiara Damansara is 81% tenanted (2018: 83%) and pre-tax profit contribution remains stable at RM2.95 million (2018: RM2.85 million), amidst a soft outlook for office rentals due to high supply of new office buildings.

### **OUTLOOK**

Current CPO and PK prices have recovered significantly from their low levels on an improved outlook supported by anticipated higher biodiesel policies. Thus the Group's Plantation profit is expected to improve for financial year 2020.

The performance of the Group's Oleochemical division should be maintained with additional capacities coming onstream. As for the Group's Industrial Chemicals, profits from both the chlor-alkali and sulphuric acid businesses are projected to be satisfactory.

Overall, the Group expects a higher profit for the financial year 2020.

### **APPRECIATION**

On your behalf, I would like to extend my thanks to my fellow Directors, Management and employees of the Group for their contributions and efforts during the year.

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

*Note: Comparative figures (FY 2018) have been restated to reflect the financial impact on transitioning from Financial Reporting Standards to Malaysian Financial Reporting Standards framework.*

## Kenyataan Pengerusi

Bagi tahun kewangan berakhir 30 September 2019 (“TK 2019”), Batu Kawan Berhad (“BKB” atau “Syarikat”) telah mencapai keuntungan Kumpulan sebelum cukai berjumlah RM929.31 juta berbanding RM1,116.09 juta bagi tahun sebelumnya. Perolehan telah susut kepada RM16.04 bilion (2018: RM18.95 bilion). Keuntungan sebelum cukai Kumpulan adalah termasuk RM145.32 juta kemerosotan nilai dalam pelaburan yang dibuat ke atas ladang di Liberia, oleh anak syarikat utama – Kuala Lumpur Kepong Berhad (“KLK”). Tanpa kemerosotan nilai ini, keuntungan sebelum cukai Kumpulan anda sepatutnya 16% lebih tinggi.

Untung bersih (selepas cukai dan kepentingan tidak dikawal) yang boleh diagihkan kepada pemegang-pemegang syer BKB adalah RM363.49 juta berbanding RM365.68 juta bagi tahun lepas. Pendapatan Sesyer (“EPS”) yang dicapai adalah 91.7 sen, tinggi sedikit daripada 91.1 sen yang dicatat bagi tahun lepas dan dibantu oleh program pembelian balik syer kita.

Lembaga Pengarah anda telah membuat keputusan mengistiharkan dividen akhir peringkat tunggal sebanyak 45 sen sesyer (“Dividen Akhir”) bagi tahun kewangan ini, menjadikan jumlah pembayaran sebanyak 60 sen (2018: 55 sen) untuk keseluruhan tahun. Jumlah dividen tahun ini adalah bersamaan dengan pembayaran 65% dari pendapatan bersih (2018: 60%).

Menurut Pelan Pelaburan Semula Dividen (“PPSD”) yang diluluskan oleh anda ketika Mesyuarat Agung Tahunan pada 13 Februari 2018, Lembaga Pengarah anda telah membuat keputusan untuk melaksanakan PPSD bagi Dividen Akhir ini. Di bawah PPSD ini, anda boleh memilih untuk syer baru yang BKB terbitkan pada 3% diskaun ke atas harga pasaran semasa yang berkaitan, sebagai gantian dari menerima bayaran tunai, sepenuhnya atau sebahagian daripada Dividen Akhir. PPSD akan memberi anda peluang untuk mempertingkatkan penyertaan ekuiti anda dalam Syarikat untuk jangka masa panjang.

Sepanjang tahun kewangan ini, sebanyak 8,024,100 (2018: 2,301,500) syer Syarikat telah dibelibalik di bawah program pembelian balik syer kita pada harga purata RM16.31 sesyer (2018: RM19.51 sesyer), dengan itu meningkatkan pegangan syer Perbendaharaan kepada 43,403,831.

### PRESTASI ANAK-ANAK SYARIKAT

#### ANAK SYARIKAT UTAMA – Kuala Lumpur Kepong Berhad (“KLK”)

Disebabkan harga-harga komoditi yang rendah sepanjang tahun ini, keuntungan sebelum cukai KLK merosot sebanyak 17% kepada RM823.93 juta berbanding RM988.79 juta pada tahun lepas, sementara perolehan menurun kepada RM15.53 bilion dari RM18.38 bilion yang dicatat tahun lepas.

Keuntungan bersihnya (selepas cukai dan kepentingan tidak dikawal) meningkat kepada RM617.51 juta berbanding RM609.37 juta yang dicatat tahun lepas. EPS adalah 58.0 sen (2018: 57.2 sen).

Walaupun pengeluaran BTS 5.1% lebih tinggi pada tahap 4.10 juta ton, keuntungan-keuntungan sebelum cukai Perladangan berjumlah RM394.63 juta adalah 52% lebih rendah daripada RM826.15 juta bagi tahun lepas, disebabkan harga-harga komoditi yang meleset serta kos pengeluaran minyak sawit kita yang lebih tinggi. Walau bagaimanapun, operasi-operasi pemprosesan dan perdagangan mencapai keuntungan lebih tinggi dari peningkatan margin disebabkan oleh harga-harga bahan mentah yang lebih rendah.

Operasi oleokimia mencatat keuntungan dengan peningkatan yang tidak ketara pada RM376.35 juta (2018: RM371.39 juta). Keputusan oleokimia dicapai melalui sumbangan prestasi yang lebih mantap daripada operasi-operasi oleo di Malaysia dan China yang melaporkan keuntungan yang lebih baik. Ianya mengimbangi hasil-hasil yang lemah dari operasi-operasi di Eropah, di mana salah satu daripadanya telah terjejas akibat paras air rendah di Sungai Rhine yang telah mengganggu penghantaran bahan-bahan mentah.

Sumbangan daripada bahagian Hartanah adalah lebih tinggi pada tahap RM47.36 juta (2018: RM37.84 juta) disebabkan pengiktirafan keuntungan semasa daripada projek-projek dengan margin yang lebih tinggi, walaupun perolehan lebih rendah sebanyak RM170.36 juta (2018: RM177.68 juta). Pembangunan Bandar Seri Coalfields terus menjadi aktiviti utamanya.



## Kenyataan Pengerusi (Sambungan)

### ANAK-ANAK SYARIKAT INDUSTRI KIMIA

Operasi-operasi kimia BKB serta logistik yang berkaitan melaporkan keuntungan sebelum cukai sebanyak RM101.70 juta, kira-kira 28% lebih rendah dari tahun lepas akibat daripada harga-harga jualan produk yang rendah, khususnya soda kaustik. Kesan kos tenaga yang tinggi daripada penghapusan tarif elektrik khas untuk industri dan kos surcay yang dikenakan oleh Tenaga Nasional Berhad. Anak syarikat klor-alkali kita, Malay-Sino Chemical Industries, akan melaksanakan projek penjana kuasa sendiri bagi mengurus kos elektrik, di mana ia merupakan komponen kos pengeluaran utama.

Operasi-operasi asid sulfurik dibawah See Sen Chemical dan syarikat-syarikat pengangkutan kimia kita terus beroperasi dengan memuaskan.

### ANAK-ANAK SYARIKAT LADANG

Diantara anak-anak syarikat Perladangan yang bukan dimiliki KLK, PT Satu Sembilan Delapan melaporkan kerugian sebelum cukai (selepas faedah) berjumlah RM3.45 juta (2018: RM15.46 juta keuntungan) disebabkan harga-harga MSM dan IS yang lemah, walaupun volum jualan meningkat. Ladang kelapa sawit yang telah matang sepenuhnya di Kalimantan seluas 5,384 ha mempunyai kilang minyak sawitnya sendiri. Satu lagi anak syarikat kita di Indonesia, PT Tekukur Indah, memiliki 2,030 ha tanah untuk dibangunkan sebagai ladang kelapa sawit, di mana aktiviti penanaman akan bermula pada tahun 2020 sebaik sahaja pemprosesan hak milik tanah selesai ("Hak Guna Usaha") dan Hak Guna Usaha dikeluarkan.

### PELABURAN-PELABURAN LAIN

Setelah beberapa tahun Kumpulan melabur dalam sebilangan projek pembangunan hartanah di Australia, sebagai rakan usaha sama atau pemegang kecil syer. Setakat ini Kumpulan telah melabur AUD65.70 juta dalam tujuh (7) projek pembangunan hartanah disana, termasuk lima (5) di Melbourne, Victoria dan dua (2) di Perth, Western Australia. Tiga (3) dari projek tersebut (iaitu Greenvale and Mickleham di Melbourne dan Forrestfield di Perth) telah mula dibangunkan manakala yang empat (4) lagi masih dalam peringkat perancangan induk dan/atau pada tahap permohonan kelulusan perancangan. Justeru itu, projek-projek tersebut tidak akan membawa pulangan tunai dalam masa terdekat. Pada bulan Oktober 2019, selepas akhir tahun kewangan, Kumpulan telah melabur dalam sebuah projek baru pembangunan residensi di Pakenham, Melbourne. Kebanyakan projek-projek tersebut dijangka akan siap antara tahun 2024 dan 2031 dan komitmen dana untuk TK 2020 adalah AUD29.62 juta. Bagi TK 2019, pelaburan hartanah kita di Australia menyumbang sebanyak RM8.84 juta keuntungan selepas cukai (2018: RM10.87 juta) kepada Kumpulan.

Satu-satunya bangunan pejabat milik Kumpulan di Mutiara Damansara telah disewakan sebanyak 81% (2018: 83%) dan sumbangan keuntungan sebelum cukai kekal stabil ditahap RM2.95 juta (2018: 2.85 juta), walaupun tinjauan bagi sewa pejabat adalah lemah disebabkan bekalan bangunan pejabat baru yang berlebihan.

### **TINJAUAN**

Harga-harga semasa MSM dan IS secara nyata telah pulih dengan ketara dari paras yang rendah di atas tinjauan yang lebih baik dan disokong oleh jangkaan polisi-polisi bagi penggunaan biodiesel yang lebih tinggi. Dengan itu, keuntungan Perladangan Kumpulan dijangka akan meningkat bagi tahun kewangan 2020.

Prestasi bahagian Oleokimia Kumpulan sepatutnya kekal pada tahap sekarang dengan pertambahan kapasiti pada masa akan datang. Bagi bahagian Industri Kimia pula, keuntungan dari kedua-dua perniagaan klor-alkali dan asid sulfurik dijangka memuaskan.

Pada keseluruhannya, Kumpulan menjangka keuntungan yang lebih tinggi bagi tahun kewangan 2020.

### **PENGHARGAAN**

Bagi pihak anda, saya ingin menghulurkan rasa terima kasih kepada rakan Pengarah, Pengurusan dan kakitangan Kumpulan atas sumbangan dan usaha mereka disepanjang tahun ini.

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

*Nota: Angka-angka perbandingan tahun kewangan 2018 telah dinyatakan semula bagi mencerminkan impak kewangan keatas peralihan dari rangka kerja "Financial Reporting Standards" kepada "Malaysian Financial Reporting Standards".*

## Management Discussion and Analysis



### Corporate Background

Batu Kawan Berhad (“BKB”), founded in December 1965, is an investment holding company listed on the Main Market of Bursa Malaysia Securities Berhad, the Malaysian stock exchange.

BKB commenced operations as a plantation company when it took over the assets and liabilities of its UK-incorporated predecessor company, Batu Kawan Rubber and Coconuts Plantations Ltd in 1971 under a reconstruction scheme. Over the years, BKB has diversified from its core plantation business into the manufacturing of industrial chemicals. In 1992, BKB sold all its plantation assets to Kuala Lumpur Kepong Berhad (“KLK”) in exchange for shares, resulting in KLK becoming BKB’s largest investment in which it currently owns a 47% equity stake.

Today, BKB is a diversified group with a market capitalisation of RM6.15 billion and total assets of RM21.82 billion reported on the balance sheet as at 30 September 2019.

### Business Activities

The Group’s main business activity is Plantation, which is carried out by its subsidiary, KLK. It involves the cultivation of oil palm and rubber estates, processing of Fresh Fruit Bunches (“FFB”) into Crude Palm Oil (“CPO”) and Palm Kernel (“PK”), processing and sales of rubber, kernel crushing and trading of palm products. Over the years, KLK has expanded downstream into resource-based manufacturing, and is now a global oleochemical producer supplying to over 120 countries. BKB also has two subsidiaries in West Kalimantan, Indonesia which operates oil palm estates and a palm oil mill. The Group’s integrated business model provides some degree of natural hedge which mitigates the impact of cyclical commodity prices.

The other subsidiaries are involved in the manufacturing of industrial chemicals mainly, chlor-alkali and sulphur-derivative products, logistics, ownership of a commercial building, property development and investment holding.

In 2015, BKB has 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.



Plantation



Oleochemical



Industrial Chemicals



Property Development



Property Development Investments









Investment Property

Management Discussion and Analysis (Continued)

FINANCIAL PERFORMANCE REVIEW

FY 2019 Key Performance Highlights

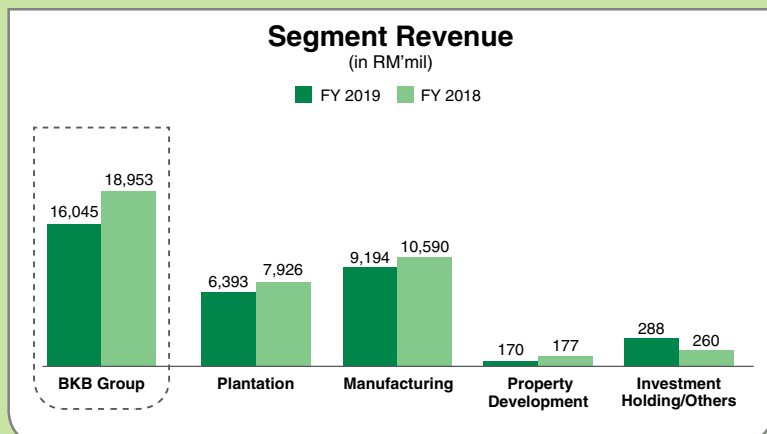
<p><b>Revenue</b></p>  <p>RM <b>16.04</b> Billion</p> <p>FY 2018 - RM18.95 Billion</p>	<p><b>Profit before Taxation</b></p>  <p>RM <b>929.31</b> Million</p> <p>FY 2018 - RM1,116.09 Million</p>	<p><b>Profit Attributable to Equity holders of the Company</b></p>  <p>RM <b>363.50</b> Million</p> <p>FY 2018 - RM365.68 Million</p>
<p><b>Earnings Per Share</b></p>  <p><b>91.7</b> Sen</p> <p>FY 2018 - 91.1 sen</p>	<p><b>Dividends Per Share</b></p>  <p><b>60.0</b> Sen</p> <p>FY 2018 - 55.0 sen</p>	<p><b>Return on Shareholders' Equity</b></p>  <p><b>6.4</b> Percent (%)</p> <p>FY 2018 - 6.0%</p>

Note: Comparative figures (FY 2018) have been restated to reflect the financial impact on transitioning from Financial Reporting Standards ("FRS") to Malaysian Financial Reporting Standards ("MFRS") framework.

Revenue

For the financial year ("FY") ended 30 September 2019, Group revenue was RM16.04 billion compared to RM18.95 billion recorded in the previous year. This was due to weaker results from both the Group's Plantation and Manufacturing segments.

Despite higher sales volume, revenue from the Plantation segment fell 19% y-o-y, as CPO and PK prices were weak this year – averaging at RM1,920 per mt (FY 2018: RM2,333 per mt) and RM1,210 per mt (FY 2018: RM1,957 per mt) respectively.



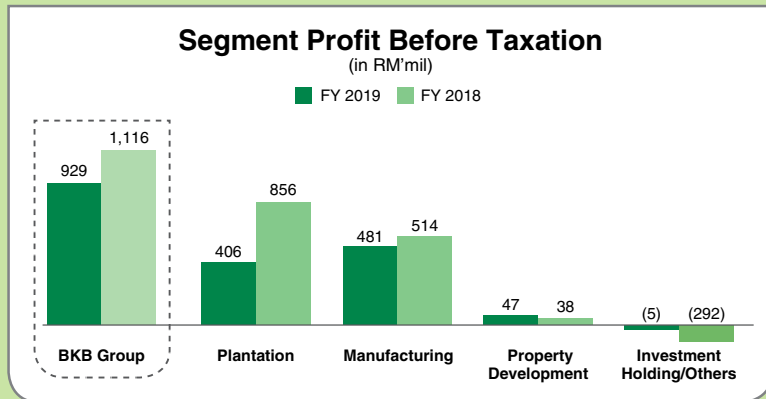
The Manufacturing segment's revenue declined 13% from FY 2018 as average selling prices came under pressure due to severe competition from other oleochemical producers.

## Management Discussion and Analysis (Continued)

### Profit Before Taxation (“PBT”)

This year’s PBT fell by 17% to RM929.31 million from RM1.12 billion in FY 2018.

In addition to the impact of lower commodity prices, the Group also took an impairment charge of RM145.32 million on an oil palm estate in Liberia. Recent High Carbon Stock and High Conservation Value assessments have shown that there is insufficient plantable area in that estate, making it neither feasible nor sustainable to continue operations.



Excluding the effects of this one-off impairment, the Group would have reported an adjusted PBT of RM1.07 billion.

### Borrowings/Gearing

During the financial year, a subsidiary, KLK, had issued RM2.00 billion Islamic Medium Term Notes (“IMTN”) with tenures of 10 and 15 years under a Sukuk Wakalah programme. This new issuance, which was assigned an AA1/ Stable rating by the RAM credit rating agency, will help build KLK’s cash reserves as it seeks potential expansion opportunities over the long term.

As a result of this new issuance, the Group’s Debt to Equity Ratio (“DE Ratio”) increased to 0.58 times (FY 2018: 0.37 times), with the Net Debt to Equity Ratio at 0.25 times (FY 2018: 0.23 times) at year end. Net Debt is calculated based on Total Borrowings less Short Term Funds and Cash and Cash Equivalents.

### Cash and Cash Equivalents

Cash and Cash Equivalents (“C&CE”) increased to RM2.32 billion as at 30 September 2019 from RM1.56 billion last year. C&CE excludes RM1.66 billion of Short Term Funds which are deposits placed with licensed banks.

When combined, this would give the Group a healthy liquidity position of RM3.98 billion cash and liquid instruments compared to short term borrowings of RM1.35 billion.

### Capital Expenditure

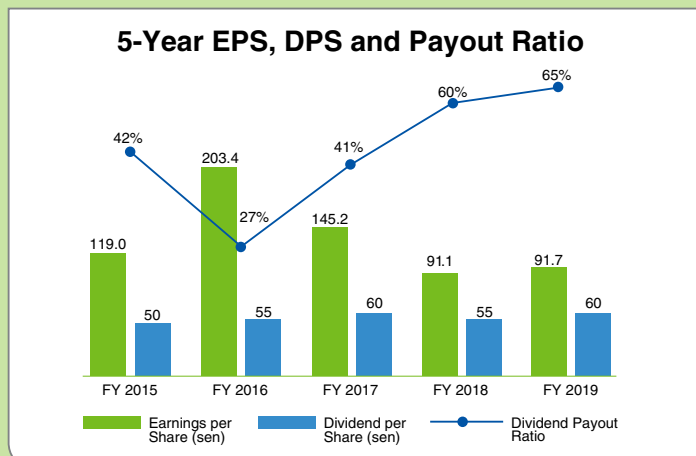
The Group has budgeted a total sum of RM1.18 billion for FY 2020, mainly allocated to the following major segments:

- Plantation – RM715.17 million
- Manufacturing:
  - Oleochemical – RM382.26 million
  - Industrial Chemicals – RM46.07 million

### Dividends

BKB has declared a final single tier dividend of 45 sen per share (FY 2018: 40 sen) for FY 2019, bringing the total dividend for FY 2019 to 60 sen per share (FY 2018: 55 sen). This represents a payout ratio of 65% based on net earnings for the year (FY 2018: 60%)

The Dividend Reinvestment Plan (“DRP”) which was approved by shareholders in 2018 will apply to the final dividend for FY 2019. This grants shareholders the option to reinvest their dividends in new shares in lieu of receiving cash.



**Management Discussion and Analysis** (Continued)

**Five-Year Group Financial Statistics**

	2019 RM'000 MFRS	2018 RM'000 MFRS	2017 RM'000 MFRS *	2016 RM'000 FRS	2015 RM'000 FRS
Revenue	16,045,591	18,953,236	21,548,322 *	16,969,251	14,055,308
Profit before taxation	929,312	1,116,090	1,622,131 *	1,822,586	1,241,522
Profit attributable to equity holders of the Company	363,499	365,682	586,646 *	825,168	484,840
Total assets	21,824,464	20,301,174	20,864,922	19,815,216	18,620,360
Share capital	435,951	435,951	435,951	435,951	435,951
Treasury shares	(623,059)	(491,740)	(446,671)	(403,272)	(382,208)
Reserves	5,850,081	6,137,589	6,183,916	6,047,130	5,554,449
Total equity attributable to equity holders of the Company	5,662,973	6,081,799	6,173,195	6,079,809	5,608,192
Non-controlling interests	6,457,280	6,836,873	6,926,775	6,090,872	5,289,444
Total equity	12,120,253	12,918,672	13,099,970	12,170,681	10,897,636
Total liabilities	9,704,211	7,382,502	7,764,952	7,644,535	7,722,724
Total equity and liabilities	21,824,464	20,301,174	20,864,922	19,815,216	18,620,360
Cash & cash equivalents and Short Term funds	3,976,675	1,757,565	2,334,233	2,617,621	2,696,606
Total borrowings	7,023,835	4,783,213	4,942,764	5,040,030	5,096,161
Net debt	3,047,160	3,025,648	2,608,531	2,422,409	2,399,555
Basic earnings per share (sen)	91.7	91.1	145.2 *	203.4	119.0
Dividend per share (sen)	60.0	55.0	60.0	55.0	50.0
Share price as at 30 September (RM)	15.68	17.00	19.12	18.18	16.78
Historical price earnings ratio (times)	17.1	18.7	13.2 *	8.9	14.1
Dividend yield (%) <sup>1</sup>	3.8	3.2	3.1 *	3.0	3.0
Dividend cover (times) <sup>2</sup>	1.5	1.7	2.4 *	3.7	2.4
Dividend payout ratio (%) <sup>3</sup>	65.4	60.4	41.3 *	27.0	42.0
Net assets per share attributable to equity holders of the Company (RM)	14.43	15.19	15.32	15.01	13.80
Return on shareholders' equity (%) <sup>4</sup>	6.4	6.0	9.5	13.6	8.6
Return on total assets (%) <sup>5</sup>	1.7	1.8	2.8	4.2	2.6
Net debt-to-equity ratio (times) <sup>6</sup>	0.25	0.23	0.20	0.20	0.22

<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 Short Term Funds and Cash and Cash Equivalents) divided by Total Equity

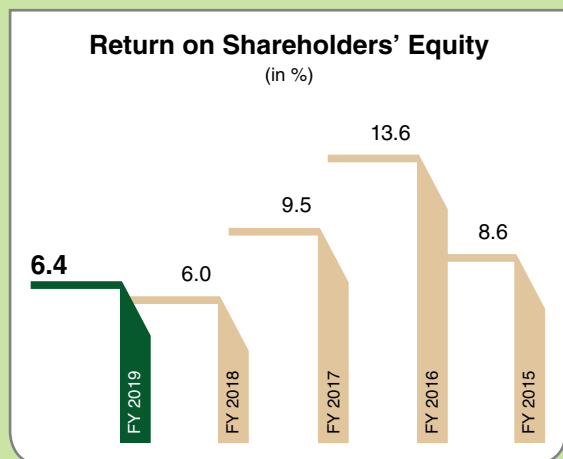
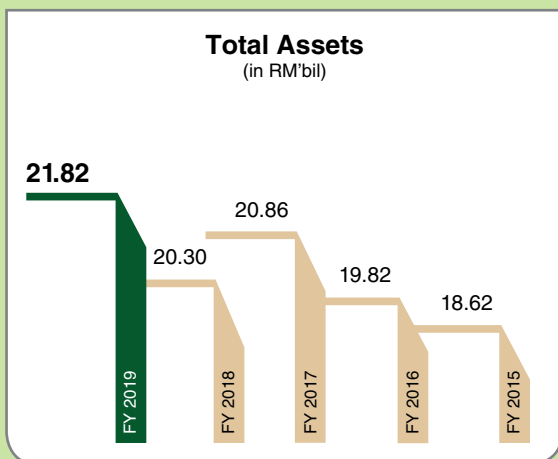
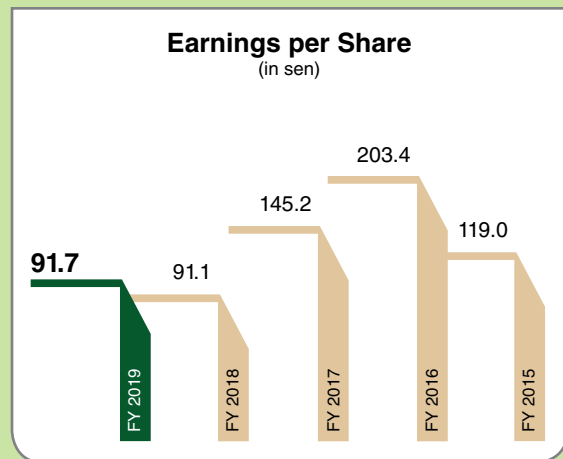
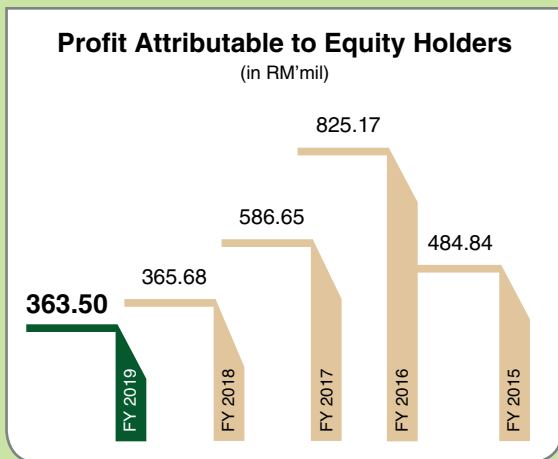
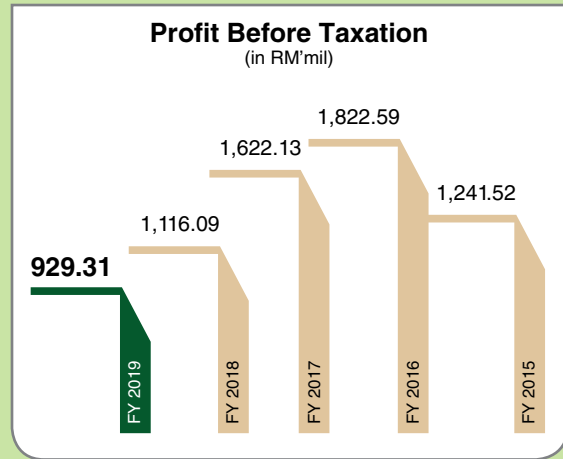
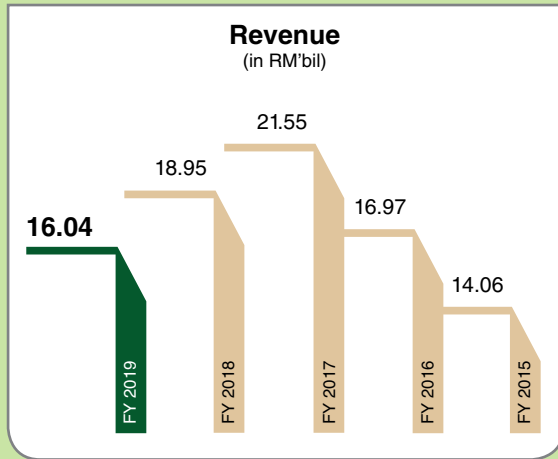
Note: FY 2017 figures have been restated to reflect the MFRS transition, except otherwise indicated as (\*)

Quarterly Financial Highlights	FY 2019 RM'000	Fourth Quarter RM'000	Third Quarter RM'000	Second Quarter RM'000	First Quarter RM'000
Revenue	16,045,591	3,922,332	3,824,675	4,079,585	4,218,999
Profit before taxation	929,312	266,056	81,679	218,728	362,849
Profit attributable to equity holders of the Company	363,499	96,701	50,826	79,288	136,684
Basic earnings per share (sen)	91.7	24.4	12.8	19.9	34.6
Dividends per share (sen)	60.0	45.0 <sup>^</sup>	-	15.0	-

<sup>^</sup> Note: Final Dividend declared by the Board on 26 November 2019.

Management Discussion and Analysis (Continued)

Five-Year Group Financial Statistics (continued)





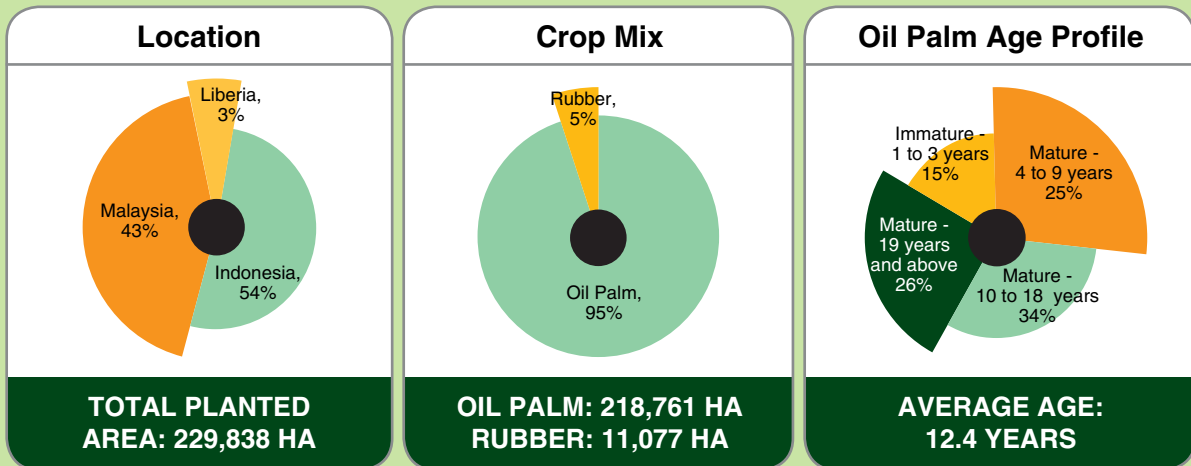
Management Discussion and Analysis (Continued)

PLANTATION – OPERATIONAL REVIEW AND OUTLOOK



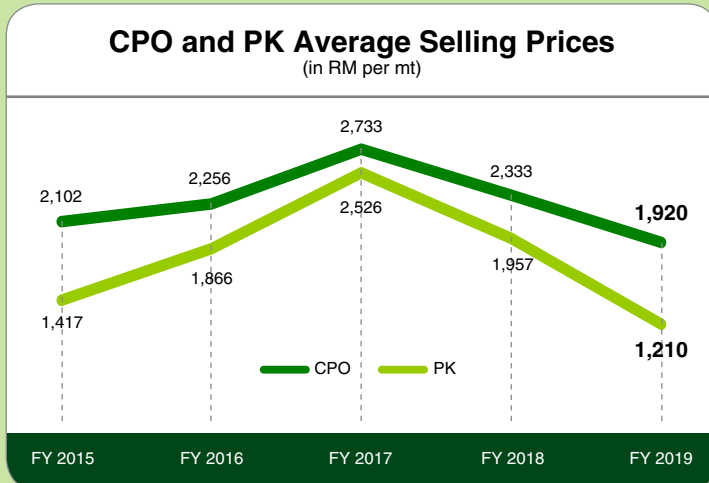
The Plantation segment remains a major profit contributor to the Group, although with lower y-o-y results. This year, it contributed 44% of Group profits, which was mainly derived from BKB’s subsidiary, KLK – a globally integrated plantation company involved in both upstream and downstream activities.

The Group owns a total plantation landbank of 283,186 hectares diversified across three regions – Malaysia (Peninsular and Sabah), Indonesia (Belitung Island, Sumatra and Central and East Kalimantan), and Liberia (Palm Bay).



Overall Operational Review

The Plantation segment reported a 53% drop in profit before tax for the year to RM406.33 million from RM855.65 million a year ago, due to lower palm product prices as mentioned in the Group’s Revenue commentary section.



Despite the Group’s higher FFB production which resulted in improved sales volume in FY 2019, the weaker prices as a result of high palm oil inventory levels and dampened global demand for edible oils amidst the US-China trade dispute, had largely offset the impact of higher sales volume.

Average profit per mature hectare for palm oil fell significantly to RM1,850 from RM4,603 last year, mainly due to low palm product prices which eventually led to lower margins.

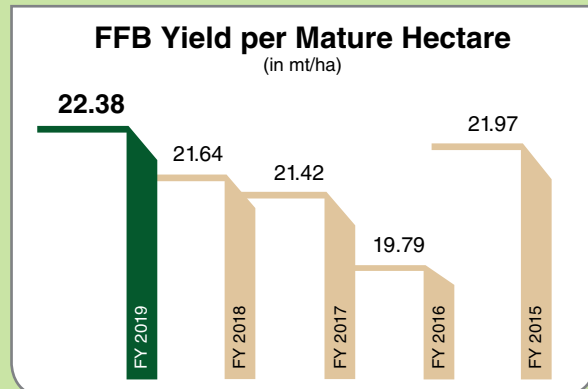
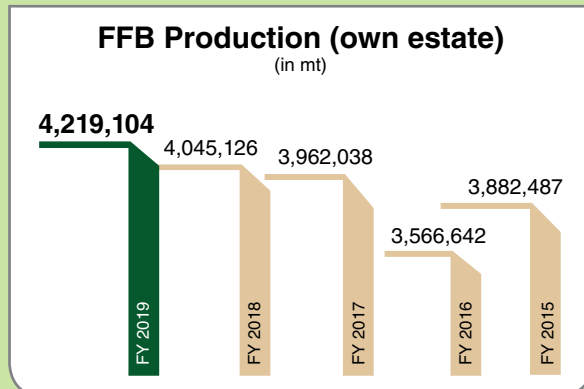
Meanwhile, the refining, crushing and trading operations reported positive contributions from lower feedstock (CPO) cost.

## Management Discussion and Analysis (Continued)

### Crop Production

FFB harvested this year was 4.22 million mt, up 4% from the previous year, partly owing to an increase in mature area of some 2,600 hectares this year.

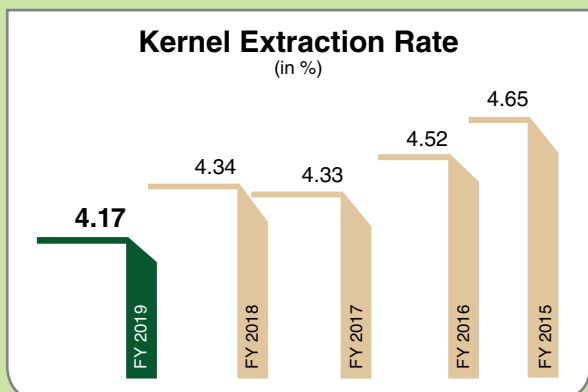
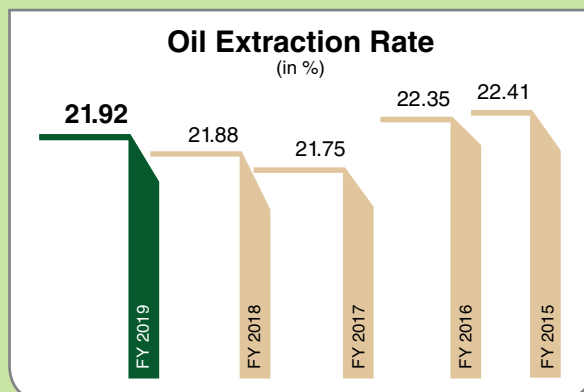
For FY 2019, the average FFB yield recorded a 3% improvement to 22.38 mt per hectare (FY 2018: 21.64 mt per hectare) on the back of improved efficiency, although these could have been better if not for the intermittent shortage of harvesters and late delivery of machineries which caused a delay in mechanisation conversion.



### Crop Processed

This year, the Group's CPO output increased by 3% to 1.08 million mt from 1.05 million mt achieved in FY 2018. However, PK production fell by 2% to approx. 205,000 mt during the year. The average CPO yield for the year was 4.90 mt per mature hectare (FY 2018: 4.73 mt per mature hectare).

The Group's 26 mills achieved an average oil extraction rate ("OER") of 21.92% for CPO (FY 2018: 21.88%) and an average kernel extraction rate ("KER") of 4.17% (FY 2018: 4.34%). Management expects both the OER and KER to improve in the new financial year with better harvesting efficiency after mechanisation initiatives and more thorough loose fruit collection.



### Replanting and New Plantings

During the year, some 11,000 hectares were replanted, mainly in Lahat Datu (Sabah), Peninsular Malaysia, Belitung and North Sumatra (Indonesia).

The Group's long-term replanting policy remains a top priority. The age profile remains favourable at this stage, with young and prime palms constituting 59% of planted area and another 15% of immature palms. Therefore, the planning of replanting activities remains a crucial aspect of plantation management as failure in implementing replanting on a timely basis will result in stagnating yields and declining production in the forthcoming years. For instance, Management has been converting (through replanting) old and unproductive rubber areas to oil palms in view of a weakening global demand for natural rubber.

Next year's program will involve replanting some 14,000 hectares of old palms and 500 hectares of new plantings which will be funded internally. All estates adhere to a strict 'zero-burning policy' for all its replanting and new planting activities, where the old palms are felled, chipped and left to decompose on site rather than burned.



## Management Discussion and Analysis (Continued)

### Outlook

As with other plantation companies, the Group is susceptible to cyclical palm oil prices and continued pressure on environmental issues (e.g. deforestation being a major threat to climate change and global warming). In addition, the Group also faces a tough operating environment, especially on labour shortages and rising operating costs partly from impact of higher wages.

Nonetheless, the plantation sector is expected to make a comeback after two years of downcycle, as CPO prices gradually recover in anticipation of falling global palm oil inventories on the back of higher demand from key markets such as China and India, as well as an increase in CPO usage by the biodiesel industry in Malaysia and Indonesia.

Further, Management is actively implementing initiatives through yield improvement programmes, quality replantings and mechanisation to increase operational efficiency and productivity in a sustainable manner. This will help to cushion the impact from rising production costs.

Given this backdrop, Management anticipates a higher profit for the Plantation segment in the new financial year.

Five-Year Plantation Statistics		2019	2018	2017	2016	2015
<b>OIL PALM</b>						
<b>FFB Production</b>						
- Own estates	(mt)	<b>4,219,104</b>	4,045,126	3,962,038	3,566,642	3,882,487
- Sold	(mt)	<b>143,245</b>	140,572	86,929	58,461	36,373
- Purchased	(mt)	<b>840,001</b>	894,992	861,508	764,749	936,140
- Total processed	(mt)	<b>4,915,860</b>	4,799,546	4,736,617	4,272,930	4,782,254
<b>Weighted Average Hectare</b>						
- Mature	(ha)	<b>188,492</b>	186,886	184,934	180,186	176,730
- Immature	(ha)	<b>41,308</b>	41,996	35,188	36,685	37,816
Total Planted	(ha)	<b>229,800</b>	228,882	220,122	216,871	214,546
<b>FFB Yield per Mature Hectare</b>	(mt/ha)	<b>22.38</b>	21.64	21.42	19.79	21.97
<b>CPO Yield per Mature Hectare</b>	(mt/ha)	<b>4.90</b>	4.73	4.65	4.42	4.92
<b>Mill Production</b>						
- CPO	(mt)	<b>1,077,341</b>	1,050,164	1,029,990	955,198	1,071,527
- PK	(mt)	<b>205,201</b>	208,339	205,241	192,995	222,203
<b>Oil Extraction Rate</b>						
- CPO	(%)	<b>21.92</b>	21.88	21.75	22.35	22.41
- PK	(%)	<b>4.17</b>	4.34	4.33	4.52	4.65
<b>Cost of Production</b>						
- FFB	(RM/mt ex-estate)	<b>260</b>	245	240	244	223
- CPO	(RM/mt ex-mill)	<b>1,456</b>	1,371	1,387	1,381	1,271
(exclude windfall profit levy and Sabah sales tax)						
<b>Average Selling Prices</b>						
- CPO	(RM/mt ex-mill)	<b>1,920</b>	2,333	2,733	2,256	2,102
- PK	(RM/mt ex-mill)	<b>1,210</b>	1,957	2,526	1,866	1,417
<b>Average Profit per Mature Hectare</b>	(RM)	<b>1,850</b>	4,603	6,793	3,977	4,360

**Management Discussion and Analysis** (Continued)

Five-Year Plantation Statistics (cont'd)		2019	2018	2017	2016	2015
<b>RUBBER Production</b>						
- Own estates	('000 kg)	10,786	10,807	12,975	16,007	15,224
- Purchased	('000 kg)	2,401	2,011	1,803	1,282	1,314
- Total processed	('000 kg)	13,187	12,818	14,778	17,289	16,538
<b>Weighted Average Hectareage</b>						
- Mature	(ha)	8,640	9,047	9,746	10,305	10,777
- Immature	(ha)	3,243	3,367	3,309	3,364	3,500
Total Planted	(ha)	11,883	12,414	13,055	13,669	14,277
<b>Yield per Mature Hectare</b>	(kg/ha)	1,248	1,194	1,331	1,553	1,413
<b>Cost of Production</b>	(sen/kg ex-estate)	484	467	420	382	409
<b>Average Selling Prices</b> (net of cess)	(sen/kg)	713	803	895	667	681
<b>Average (Loss)/Profit per Mature Hectare</b>	(RM)	(233)	(868)	3,256	974	404

Plantation Area Statement		FY 2019			FY 2018		
Age in Years	Hectares	% Under Crop	% of Total Planted Area	Hectares	% Under Crop	% of Total Planted Area	
<b>OIL PALM</b>	4 to 9	53,863	25	58,151	27		
	10 to 18	74,628	34	68,158	31		
	19 and above	57,976	26	57,557	26		
	Mature	186,467	85	183,866	84	80	
	Immature	32,294	15	35,295	16	15	
	Total	218,761	100	219,161	100	95	
<b>RUBBER</b>	6 to 10	994	9	879	7		
	11 to 15	2,094	19	2,177	18		
	16 to 20	2,357	21	2,714	23		
	21 and above	3,055	28	3,304	29		
	Mature	8,500	77	9,074	77	4	
	Immature	2,577	23	2,709	23	1	
	Total	11,077	100	11,783	100	5	
<b>TOTAL PLANTED</b>		229,838	100	230,944		100	
Plantable Reserves		17,929		29,029			
Conservation Areas		29,079		24,637			
Building sites, etc		6,340		7,662			
<b>GRAND TOTAL</b>		283,186		292,272			

## Management Discussion and Analysis (Continued)

### MANUFACTURING – OPERATIONAL REVIEW AND OUTLOOK



#### Oleochemical

Through its subsidiary, KLK, the Group has been expanding its downstream operations and is now one of the world's major oleochemical producer. It involves refining processed palm oil and palm kernel oil into oleochemical products such as fatty acids, glycerine, fatty alcohols and fatty esters.

Over the years, the Oleochemical division has diversified into specialty products such as sulphonated methyl esters, surfactants and phytonutrients.

These products are used in various applications, including home & personal health care, cosmetics & toiletries, food, flavours & fragrances, lubricants and industrial chemicals.

**15** MANUFACTURING SITES  
[MALAYSIA CHINA EUROPE INDONESIA]

ANNUAL PRODUCTION CAPACITY OF  
**3.3 MIL** MT

SUPPLIES TO MORE THAN  
**120** COUNTRIES



#### Industrial Chemicals

The Industrial Chemicals division is involved in the manufacture of chlor-alkali products, sulphuric acid, sulphur derivatives, and methyl chloride.

The chlor-alkali products are caustic soda, hydrochloric acid, liquid chlorine, sodium hypochlorite and ferric chloride which are mainly used in the production of soap & detergent, rubber gloves, pulp & paper, bleaches & disinfectants, as well as for water treatment and the food industry, while sulphuric acid and its derivatives largely cater to the semi-conductor, petrochemical, automotive and water treatment industries.

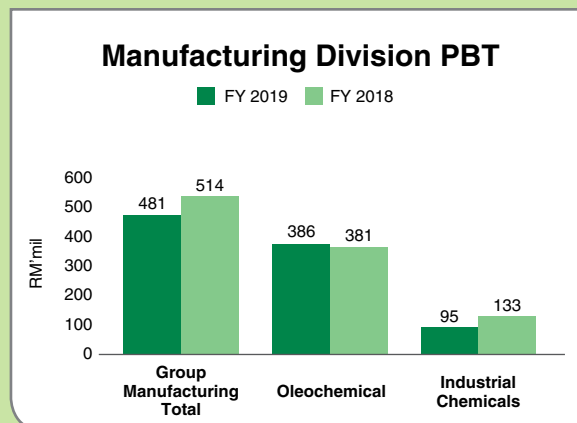
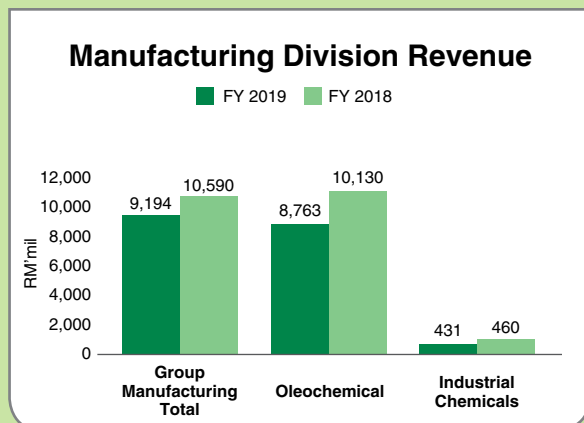
**5** MANUFACTURING SITES  
[MALAYSIA]

ANNUAL PRODUCTION CAPACITY OF  
**145,000** MT

**3** LOGISTIC DEPOTS

## Management Discussion and Analysis (Continued)

### Overall Operational Review



The Group's Manufacturing segment PBT declined by 6% to RM480.74 million compared to RM514.51 million the previous year. Details of the divisional contributions are as follows:

Despite a 13% decrease in revenue due to lower selling prices, the Oleochemical division posted a marginally higher PBT of RM385.62 million in FY 2019 (FY 2018: RM381.12 million), largely supported by cheaper raw material prices and improved operational efficiencies. While the Malaysia and China business units reported stronger results than the previous year, the division's overall performance was affected by weaker performance from the Europe operations. The business units in Europe suffered from stiff competition mainly due to lower vegetable oil prices and margin erosions caused by cheaper products brought in by Indonesian manufacturers enjoying import duty exemption via the EU Generalised System of Preferences ("GSP"). In addition to that, one European site was also impacted by a volume shortfall in the First Quarter, during which low water levels in the River Rhine in Germany had rendered parts of it unnavigable. As a result, additional transport costs had to be incurred, which further added to cost burden.

On the other hand, the Industrial Chemicals division registered a 28% decline in PBT to RM95.12 million from RM133.38 million last year. This was due to a decline in selling prices of one of the division's main chlor-alkali products i.e. caustic soda, as well as higher utilities cost as a result of the removal of a special industrial tariff and the Imbalance Cost Pass Through ("ICPT") surcharge by Tenaga Nasional Berhad. Generally, local chlor-alkali producers have been enjoying favourable caustic soda prices for the previous two years due to better supply and demand. However, there has been an oversupply in the caustic market this year which was caused by cheaper cargoes from Northeast Asia where favourable prices of polyvinyl chloride (PVC) products have driven many integrated manufacturers to increase plant run rates in order to produce more chlorine – a feedstock for PVC. As a result, this had led to an oversupply of chlorine's co-product, which is caustic soda.

### Outlook

The outlook for Oleochemicals is still positive, despite operating in a challenging environment plagued by overcapacity and volatile feedstock costs. Margins are expected to narrow as feedstock prices recover in the new financial year, while at the same time, the export business will bear higher freight charges from the enforcement of low sulfur content fuel imposed by the International Maritime Organisation. With these upcoming challenges, Management will continue to focus its efforts on achieving operational efficiencies and broadening its product range in the new financial year.

Looking ahead into FY 2020, the Industrial Chemicals division anticipates that caustic soda prices will remain at existing levels due to softer demand from the Chinese alumina industry – a key user of caustic soda. At the same time, operational cost will go up with the removal of the E2 special industrial tariff by TNB, higher natural gas tariff rates, and higher cost of industrial salt. Despite these challenging domestic and external conditions, the division's strategy remains focused on its core business and Management will continue to seek to build stakeholders' value by manufacturing and delivering competitively priced quality chemicals to all its customers. Various green initiatives will be employed with the aim of enhancing energy efficiency and reducing energy consumption.



## Management Discussion and Analysis (Continued)

### PROPERTY DEVELOPMENT – OPERATIONAL REVIEW AND OUTLOOK



The Group's Property Development arm currently undertakes the development of its second township, namely Bandar Seri Coalfields ("BSC") – a low-density, integrated township located in Sungai Buloh, Selangor. Through its subsidiary, KLK Land Sdn Bhd, the Group continues to expand its property portfolio by developing a further 1,000 acres of land bank in Sungai Buloh to build North Haven Coalfields – another integrated development within BSC.

In FY 2019, the Property Development segment reported a lower revenue of RM170.36 million compared to RM177.68 million last year. However, PBT was 25% higher at RM47.36 million for FY 2019 compared to RM37.84 million in the previous year due to recognition of profits from projects with higher margins, such as the Hemingway Residences which forms part of the 1,000-acre upscale master plan township of North Haven Coalfields.

The Malaysian property market is expected to weaken in the coming year, in view of anticipated oversupply of properties. However, various government-driven initiatives such as the National Housing Policy 2.0 and Home Ownership Campaign ("HOC") may help to improve homeownership and mitigate this problem. In view of this, Management continues to focus on building its brand while striving to deliver quality products and services.

### OTHER INVESTMENTS – OPERATIONAL REVIEW AND OUTLOOK



#### Property Development Investments

As at end FY 2019, BKB, through its wholly owned subsidiary Caruso Australia Ventures Pty Ltd ("CAV"), had invested in a total of seven (7) property development projects in Australia, five (5) of which are situated in Melbourne, Victoria, while the other two (2) in Perth, Western Australia. Subsequently in October 2019, CAV further invested in a new residential development project situated in Pakenham, an established suburb on Melbourne's south eastern fringe.

BKB partners with Satterley Property Group, a reputable Australian real estate land developer to carry out most of these projects and they are expected to complete between 2024 and 2031.

## Management Discussion and Analysis (Continued)

During the financial year, CAV's investments registered a PBT of RM11.02 million – marginally higher than the RM10.92 million the preceding year. This result reflected a healthy recovery in Melbourne's property market which facilitated higher sales settlements for several of CAV's ongoing projects.

Moving into 2020/21, house prices in Melbourne are expected to rebound arising from the combination of lower interest rates, improved access to credit and increased consumer sentiment. However, the pace of property price recovery in Perth is expected to be slow due to housing oversupply and sluggish migration rates.

### Investment Property



BKB's investment property – the 11-storey "Menara KLK" building located in Mutiara Damansara, Petaling Jaya had an occupancy rate of 81% as at 30 September 2019 (FY 2018: 83%). As the majority of the tenants' contracts will only expire in FY 2021, Management does not foresee significant changes to its lease profile during the new financial year.

With an expected oversupply of office space, Management will focus on maintaining a stable occupancy for Menara KLK, while trying to attract new tenants. As part of its leasing strategy for FY 2020, there will be improvements and refurbishment works done to ensure that the 10-year old building's facilities remain in good condition.

## Sustainability Statement

### ABOUT THIS STATEMENT

Batu Kawan Berhad (“BKB”) Group places great importance on Sustainability and sustainability-related matters are important drivers of BKB Group’s business growth. The structure and content of this Sustainability Statement (“Statement”) is in line with Bursa Malaysia Securities Berhad’s (“Bursa Malaysia”) Sustainability Reporting Framework and it is intended to provide a statement on non-financial information for BKB Group, complementing those other parts in the 2019 Annual Report which details BKB Group’s business operations and financial performance. This year, the Statement is enhanced on the basis of its scope and has improved on the sustainability governance structure and systematic process in identification of material sustainability matters, and the corresponding management approaches in monitoring the performance across key environmental, economic and social matters of BKB Group. 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 2018 to 30 September 2019, unless otherwise stated.

### THE SUSTAINABILITY SCOPE

BKB Group is an investment holding company. The activities of the BKB Group include oil palm and rubber plantations, downstream plantation-related manufacturing, property development, manufacture of industrial chemicals, chemicals transport services and investment.

Due to the diverse 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 its 98%-owned Malay-Sino Chemical Industries Sendirian Berhad Group of companies and its 61%-owned See Sen Chemical Berhad (the latter collectively referred to as “BKB Chemical Group”), and where applicable, the 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 subsidiary, Kuala Lumpur Kepong Berhad (“KLK”), the third largest listed Malaysian plantations company with plantations in Malaysia, Indonesia and Liberia. KLK has developed a comprehensive sustainability policy, which has been in place since 2014, to guide its group-wide management in their approaches towards the environment and communities in which they operate. KLK abides by the certification standards of the Roundtable on Sustainable Palm Oil, Malaysian Sustainable Palm Oil, Indonesia Sustainable Palm Oil and International Sustainability and Carbon Certification, which strictly adhere by the zero-burning principle. In fact, KLK has adopted zero-burning practice regarding all new planting, replanting 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 their 2019 Annual Report, which is available on KLK’s corporate website, [www.klk.com.my](http://www.klk.com.my).

### THE SUSTAINABILITY GOVERNANCE STRUCTURE

At BKB, Sustainability is a fundamental aspect of how BKB conducts its business and requires strong and effective governance, leadership and firm commitment to sustainable practices. BKB’s Board of Directors (“Board”) drives the sustainability approach by embedding sustainability matters into BKB Group’s business strategies. Guided by the Board, duties of the Group Risk Management Committee is led by BKB Managing Director to oversee the overall implementation and management of sustainability initiatives. During the year under review, the Group Risk Management Committee has formed a Sustainability sub-Committee, chaired by the Chief Financial Officer to lead and supervise day-to-day operational sustainability performance.

The Sustainability sub-Committee, which is consist of BKB Chemical Group’s Managing Director, the respective General Managers 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 operating centres and report their achievements and improvement opportunities to the BKB Chemical Group’s Managing Director on a monthly basis via a scorecard system.

## Sustainability Statement (Continued)

Our Sustainability Governance structure is as follows:



### THE SUSTAINABILITY FRAMEWORK

This year, BKB Chemical Group had conducted an exercise to identify new and re-align prioritised sustainability matters in a structured manner via sustainability questionnaires and moderated sessions to obtain constructive feedback on sustainability matters that internal stakeholders consider the BKB Chemical Group should manage and focus. The sustainability matters taken up were based on the impact to the business and their importance to stakeholders.

### Stakeholder Engagement

The BKB Chemical Group's approach to Sustainability takes into consideration the impact of its activities to stakeholders and their expectations. In financial year 2019, a wide range of key stakeholders were engaged through various channels:

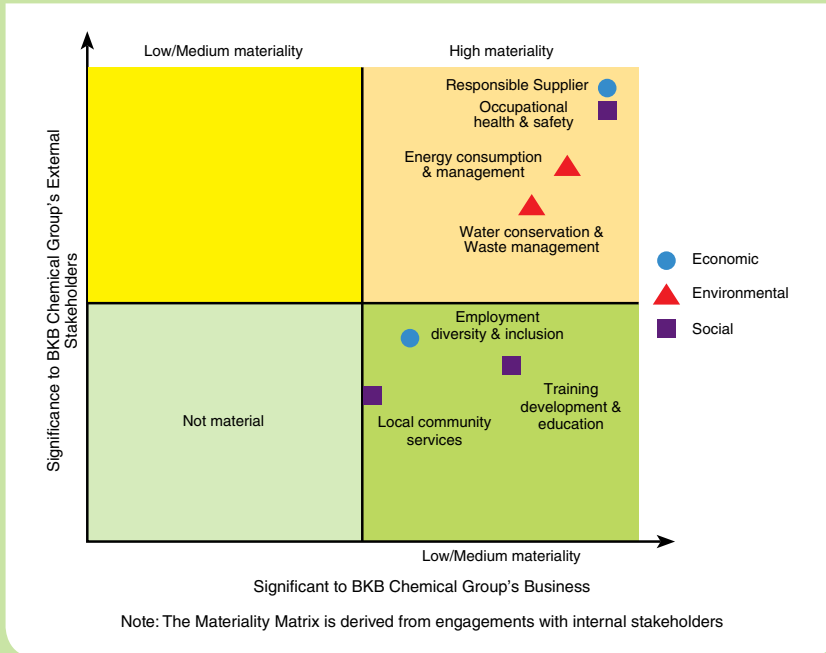
Key Stakeholder Group	Engagement Channels	Frequency	Area of Interest
Government Authorities and Regulators, Industry Associations	Site visits and inspections	Periodic	1) Compliance with regulations 2) Compilation of information for statistical analysis 3) Relevant issues and updates on the industry
	Two-way dialogue through organised seminar	Periodic	
Investors and shareholders, Fund Managers, Bankers	Annual General Meeting and Annual Report	Once a year	1) Update on business strategy and latest financial results 2) Update on corporate changes and decisions made 3) Update on latest business progress and performance
	Quarterly Announcements	Quarterly	
	Corporate website	Updated as and when needed	
	Site visits	At least once a year	
Customers/ Vendors	Active correspondences to address queries, press releases and interviews	As and when needed	1) Augmenting relationships and establishing long term business partnerships 2) Raising awareness on BKB Chemical Group's policies and practices
	Meeting, interview, phone call and correspondence via email	As and when needed	
	Customer Satisfaction Assessment	Once a year	
	Site visits	As and when needed	
Employee and Management	Product training	As and when needed	1) Enhancing and enriching inclusiveness and teamwork 2) Constructive feedbacks and comments for improvements 3) Positive engagements with employees, creating a shared destiny culture
	Town-hall meetings	At least 2 times a year	
	Workshop discussion, briefing and training	Periodic	
	Various operational and committee meetings	Periodic	
	Get-together events and sporting activities	Periodic festive celebration	
Annual Appraisal	Twice a year		



## Sustainability Statement (Continued)

### Materiality Matrix

BKB Chemical Group's Materiality Matrix is illustrated as below:



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.

### BUSINESS PERFORMANCE OF BKB CHEMICAL GROUP

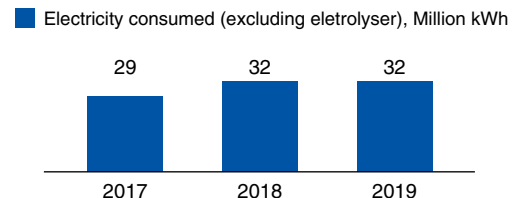
#### Environmental

In 2019, the BKB Chemical Group embarked on the journey to be fully ISO14000 compliant. With this in mind, various initiatives were launched to minimise environment impact from our activities, products and services through continual assessments to mitigate and minimise environment impact from the businesses, as well as adopting continuous improvement in waste management and waste generation (“Reduce, Reuse, Recycle”) as part of its journey towards Operational Excellence.

#### Energy Consumption

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 is a key cost component in our chlor-alkali business. Our electricity consumption efficiency remains satisfactory as in previous years.

#### Electricity Consumption



Last year, as part of the BKB Chemical Group's Green Initiative, our Kemaman plant has embarked on on-site power generation (“Co-generation”) project which will be more efficient in energy generation as it substantially reduces carbon footprint compared to generating steam alone and importing electric power from the Grid. This Co-generation project is due for completion by end 2020.

This year, the BKB Chemical Group continues to focus on going Green by investing in better technology in its key electrolyser process for its chlor-alkali operations over next few years. Such new investment will enhance energy efficiency by reducing energy consumption per unit product produced. At the same time, at the shopfloor level, LED and solar lightings are being adopted.

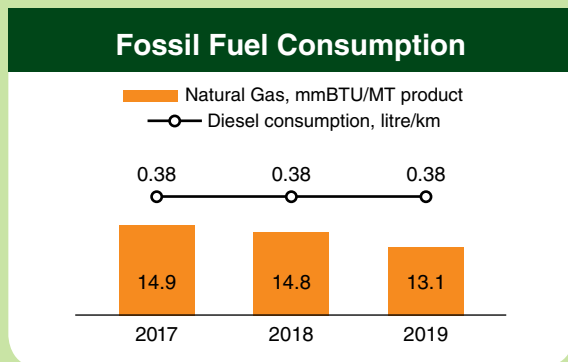
## Sustainability Statement (Continued)

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

#### Environmental (continued)

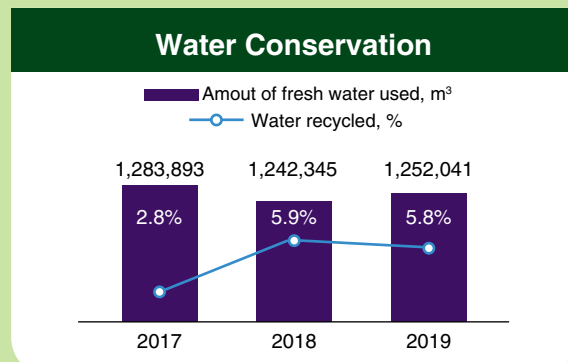
##### Energy Consumption (continued)

For the transportation operating centres, through a fleet management and monitoring system, vehicle diesel fuel consumption is being monitored for its trucks, resulting in some recent improvements.



##### Water Conservation and Waste Management

The rapid pace of urbanisation and industrialisation has put enormous stress on water resources. 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 utilised. Water is one of the vital components of life and is an essential ingredient for the nourishment of all life.



With the expanding demand for our products, the BKB Chemical Group ensures all its sites operate with full compliance to the Environmental Quality Act 1974 at all times. The efficiency on the water conservation is satisfactorily maintained. One of the initiatives is the reprocessing and reuse of waste water back into production. In 2019, a total of nearly 6% of fresh water used was recycled, equivalent to 77,172 cubic meters of water.

As part of the ISO14000 initiatives, the storekeeper in each operating centre segregates and categorises packing waste from suppliers for recycling, and resells used carton boxes. The Administration Department has implemented "zero" plastic and polystyrene food packaging material in our various plant canteens.

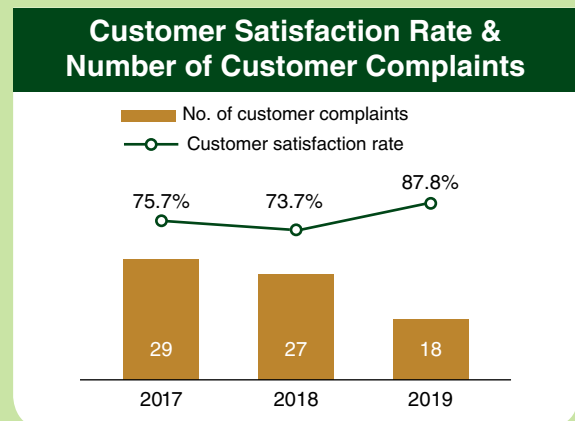
#### Economic

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

##### Responsible Supplier

The BKB Chemical Group is a major producer and transporter of inorganic-based chemicals used in potable water treatment as well as other industries. We provide quality products and services to ensure good quality of potable water supplied to household nationwide.

Our 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 and to enhance customer satisfaction. A target of at least 85% customer satisfaction rate was set and achieved in 2019 with 33% reduction in customer complaints to 18 cases.



##### Customer Safety and Health Awareness

The BKB Chemical Group actively engages our customers to create awareness and ensure the safe use of our chemical products. In 2019, 851 man hours (2018: 574 man hours) of training and site audits were conducted at customers' premises. As more efforts and resources are invested into customer training, there has been an increase in man hours for customer audits.

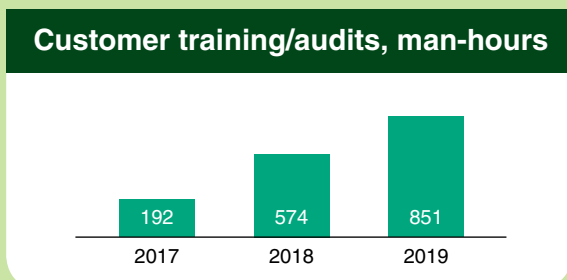
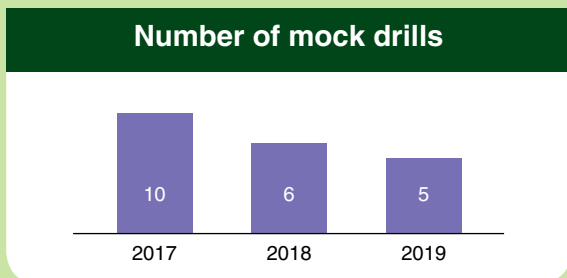
## Sustainability Statement (Continued)

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

#### Economic (continued)

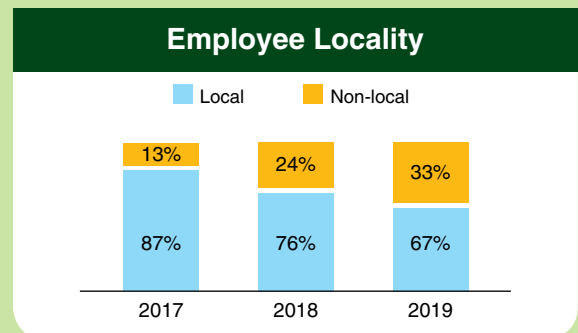
##### Customer Safety and Health Awareness (continued)

In addition, annual safety events were organised to create occupational safety awareness among employees and opportunities to engage the public and regulatory bodies via dialogues and plant visits. In 2019, there were five (5) mock safety drills conducted at the plant premises, as more effort and resources were diverted into customer safety training.



#### Employment Diversity

The BKB Chemical Group promotes diversity and encourages contributions from each individual to bring their own uniqueness to the Group. We encourage balanced participation of female employees in our chemical operations. However, a common pattern in the chemical manufacturing industry is to have predominantly male workers. There were only 3% of female workers in plant operations for the past 3 years (2017 to 2019) while in our various offices, female workers in 2019 contribute 44% of office employees (2017: 42% and 2018: 43%).



We continue to promote and seek to attract talent from the local communities within each State in which we operate. However, as the BKB Chemical Group expands, it needs to expand its horizon in search of the right talent to fulfill its organisational needs. Hence, there was slight decrease in local employees number in 2019.

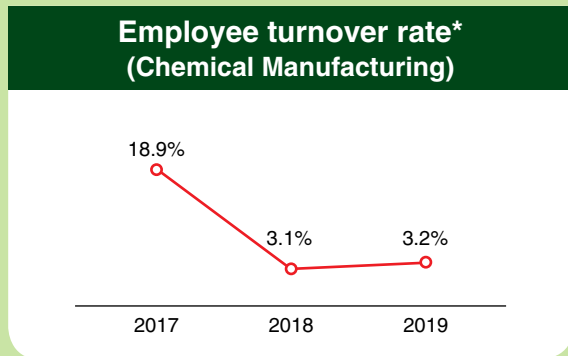
The BKB Chemical Group emphasises effective communication with employees to create a stable workforce. Chemical Manufacturing has over 500 employees and Management communicates with them via electronic mail newsletters or bulletin boards, as well as townhall meetings, to have two-way communication and feedback from the employees for further improvements. The employee turnover rate marginally higher at 3.2% in 2019 (2018: 3.1%) and the relatively higher turnover rate of 18.9% in 2017 was due to a restructuring of sulphuric acid business of BKB's subsidiary, See Sen Chemical Berhad, with some employees retrenchment.

## Sustainability Statement (Continued)

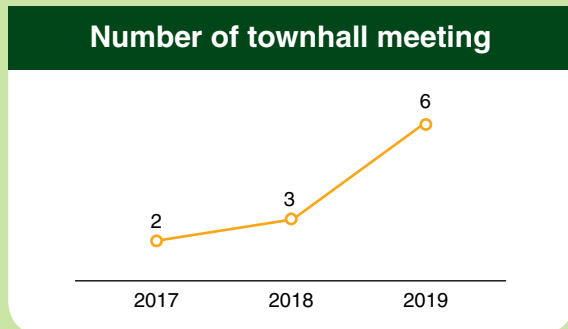
### BUSINESS PERFORMANCE OF BKB CHEMICAL GROUP (continued)

#### Economic (continued)

##### Employment Diversity (continued)



\* For our 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.



#### Social

A sustainable business enriches its people and communities.

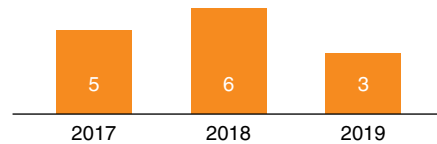
##### Occupational Health and Safety

The BKB Chemical Group is committed to secure a safe and healthy workplace for all employees and contractors engaged. An important measure of occupational health and safety is reflected in our reporting on Loss Time Frequency.

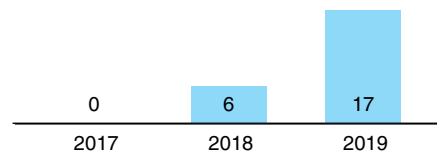
In 2019, one of our subsidiaries, See Sen Chemical Berhad achieved 1.6 million man hours worked without Lost Time Injuries, over the period 2017 to 2019 and involving a total of two hundreds and nine (209) direct and indirect personnel at its sites. This was a commendable accomplishment. The key success to this accomplishment is the hard work and dedication of all departments within the organisation.



##### Loss Time Injuries Frequency Rate (Chemical Manufacturing)



##### Loss Time Injuries Frequency Rate (Transport)



\*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.

However, there has been an increasing trend in Lost Time Injuries for our chemical transport logistics units, Circular Agency and North South Transport. The statistics show that the majority of incidents occur during high-risk hours (12.00am to 6.00am) for the drivers, mainly due to drivers' micro sleep and fatigue factors. Hence, both units have implemented driver fatigue management plans, to better manage trip scheduling and rostering, thus ensuring drivers having sufficient rest before dispatching. A policy of no vehicle movements between the high-risk hours has also been implemented.

##### Training Development and Education

Employees are expected to grow with the BKB Chemical Group with the aim to bring forth their full potential and enabling a satisfying career for each of them. In 2019, an average of fifteen (15) training hours per employee was set and 42% of training was related to safety training.

##### Local Community Services

In line with United Nations SDGs No 4 on achieving Quality Education, BKB Group is focusing on supporting educational programmes as part of its Corporate Social Responsibility ("CSR") initiatives.



## Sustainability Statement (Continued)

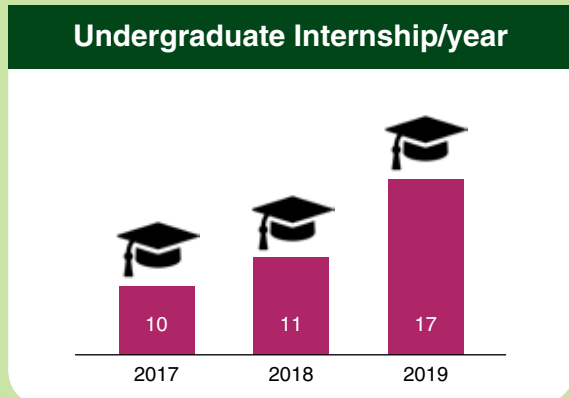
### BUSINESS PERFORMANCE OF BKB CHEMICAL GROUP (continued)

#### Social (continued)

##### Local Community Services (continued)

The Group sponsors an educational programme called “Education on Wheels” by EIShaddai Centre Berhad, which is a mobile library to reach out to different communities to promote English learning and other interactive learning programmes. The mobile library travels around seven (7) EIShaddai’s community centres and several partnering Rohingya Madrasahs. This programme is mainly aimed to engage with children who have an interest to learn but are unable to receive formal education as well as support the teaching in learning centres deprived of good resources, whether for children or adults.

The next generation of the Youth is the BKB Chemical Group’s future. Hence, it is investing in the millennials and cultivating the next generation of workforce via the undergraduate internship programmes. Seventeen (17) undergraduates were accepted in 2019 from different universities, with the aim to share and better prepare them for the working world when they graduate.



A school adoption program is another key CSR initiative undertaken by Malay-Sino Chemical Industries Sendirian Berhad, Kemaman Plant (“MSCIK”) since 2018. A collaboration was formed between Sekolah Menengah Binjai and MSCIK with the aim to create an exciting method in career studies to learn about career path to motivate students to further their studies and pursue their dreams. As a continual effort of the programme, MSCIK had organised a career talk and plant tour of MSCIK for forty (40) Form 5 students, seven (7) teachers and the Principal of SMK Binjai on 19 February 2019, which covers Human Resources, Process, Maintenance, Health, Safety and Environment (“HSE”), Information Technology, Accounts and Quality Assurance, to expose the students with the different functions while helping them to choose their desired fields of study. Besides, MSCIK had also conducted safety talk and first aid seminar for the students.



In 2019, Malay-Sino Chemical Industries Sendirian Berhad, Lahat Plant (“MSCIL”) had two (2) outreach educational-related programmes with nearby SJKC Bukit Merah with the sponsorship of selected five (5) underprivilege students and donation of twenty (20) long fiberglass tables and forty (40) matching benches for its canteen.



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. In 2019, it is proud to witness that its employees had contributed forty-nine (49) volunteer hours per employee, up by 390% from ten (10) volunteer hours per employee in 2018 (2017: eleven (11) volunteer hours per employee), in various initiatives where they get involved and contributed in areas they are passionate such as children’s shelter home, orphanage home and other charitable events.



## 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 statement on the overview of the corporate governance practices of the Company during the financial year ended 30 September 2019. This overview statement explains how BKB Group has applied the three (3) principles which are 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 is to 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 facilitates effective, thorough and considered discharge of the Board’s statutory and fiduciary duties and responsibilities.

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

#### 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) annual review of succession planning for business continuity;
- (e) delegation of day-to-day management of the business to the Managing Director and Management; and
- (f) embedding sustainability and corporate responsibility practices as part of Group strategy.

## 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 2019, 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 <sup>1</sup>	Attended
Tan Sri Dato' Seri Lee Oi Hian	4	4
Dato' Lee Hau Hian	4	4
R. M. Alias <sup>2</sup>	2	2
Dato' Yeoh Eng Khoon	4	4
Mr. Quah Chek Tin	4	4
Tan Sri Rastam Bin Mohd Isa	4	3
Dr. Tunku Alina Binti Raja Muhd Alias	4	4

<sup>1</sup> reflects the number of meetings held during the period the Directors held office

<sup>2</sup> R. M. Alias retired as a Director on 19 February 2019.

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.

## 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)

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 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.

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.

##### Whistleblowing Policy

The Company has adopted a 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. 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.

For the financial year 2019, 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. The conferences, seminars and training programmes attended by Directors were as follows:

Conference / Seminar / Workshop	Presenter / Organiser
Palm Oil Conference	Bursa Malaysia Berhad
CIMB 11 <sup>th</sup> Annual Malaysia Corporate Day	CIMB Investment Bank Berhad
Tan Sri Lee Loy Seng Annual Lecture Series – New Confucianism & the 21 <sup>st</sup> Century Civilisational Dialogue	University of Malaya
Post-Budget Dialogue with YB Tony Pua	Kuala Lumpur Business Club
Malaysian Financial Reporting Standards Briefing on: MFRS 9 – Financial Instruments, MFRS 15 – Revenue from Contracts with Customers, MFRS 16 – Leases and MFRS 141 – Agriculture	BDO PLT

## Corporate Governance Overview Statement (Continued)

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

#### I. Board Leadership (Continued)

##### Directors' Training (Continued)

Conference / Seminar / Workshop	Presenter / Organiser
7 <sup>th</sup> World Peace Forum	ABAC Papua New Guinea and ABAC Chinese Taipei
4 <sup>th</sup> ABAC Meeting 2018 & APEC CEO Summit 2018	ABAC Papua New Guinea
9 <sup>th</sup> International Planters Conference 2019	The Incorporated Society of Planters
CEO Forum 2019	Perdana Leadership Foundation
Future of Work Conference	Asia School of Business in collaboration with MIT Sloan
National Economic Forum 2019	National Chamber of Commerce and Industry Malaysia
Independence Director's Programme: The Essence of Independence	Bursa Malaysia Berhad
MFRS and Non-Financial Disclosures Part 1	Malaysian Institute of Accountants
Oils & Fats International Congress 2018	Malaysian Oils Scientists & Technologists Association
AML/CTF Training Financial Institutions Directors Education Program Module B	The Iclif Leadership and Governance Centre
Accounting, Auditing and Taxation for Islamic Transactions	Securities Industry Development Corporation
Corporate Liability	Wong & Partners
Directors' Duties & Powers – Recent Developments in the Law and how it affects you	Raja Darryl & Loh
BNM-FIDE Forum Dialogue with Deputy Governor on Risk Management in IT	FIDE Forum
Avoiding Competition Law Violates – Formulating an Effective Compliance Policy	Zain & Co
Value Based Intermediation: Directors' Role	FIDE Forum
Women in Leadership Network	British Malaysian & Chamber of Commerce
New Malaysia Summit	International Strategy Institute
The 2019 Budget Proposals Seminar	Deloitte Tax Services Sdn Bhd
Related Party Transactions & Conflict of Interest, including the "arms-length issue" on transactions	Malaysian Institute of Corporate Governance
Governance Symposium 2019 – Building a Governance Eco-System	Malaysian Institute of Accountants
Advocacy Program on Integrated Reporting: Communicating Value Creation	Malaysian Institute of Accountants
Demystifying the Diversity Conundrum: The Road to Business Excellence	Bursa Malaysia Berhad



## Corporate Governance Overview Statement (Continued)

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

#### I. Board Leadership (Continued)

##### 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 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 37 to 43 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.

##### 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 Khoo, who has served on the Board as an Independent Director, exceeding a cumulative term of twelve (12) years, remain unbiased, objective and independent in expressing his opinions and in participating in decision-making of the Board. The length of his service on the Board has not in any way interfered with his objective and independent judgement in carrying out his role as members of the Board and Board Committees. Furthermore, his pertinent expertise, skills and detailed knowledge of the Group's businesses and operations enable him to make significant contributions actively and effectively to the Company's decision-making during deliberations or discussions.

## Corporate Governance Overview Statement (Continued)

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

#### II. Board Composition (Continued)

##### Independent Directors (Continued)

In this respect, the Board has approved the continuation of Dato' Yeoh Eng Khoon as an Independent Director 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
R. M. Alias <sup>1</sup>	–	Independent Non-Executive Director
Dr. Tunku Alina Binti Raja Muhd Alias <sup>1</sup>	–	Independent Non-Executive Director

<sup>1</sup> Dr. Tunku Alina was appointed as a Nomination Committee member on 15 May 2019 to replace R. M. Alias who ceased office on 19 February 2019, following his retirement as a Board member on the same day.

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, a total of two (2) Nomination Committee meetings were held and the attendance of the members for the meetings held are as detailed below:

Name of Directors	Number of Meetings	
	Held <sup>1</sup>	Attended
Dato' Yeoh Eng Khoon	2	2
Tan Sri Dato' Seri Lee Oi Hian	2	2
R. M. Alias	1	1
Dr. Tunku Alina Binti Raja Muhd Alias	0	0

<sup>1</sup> reflects the number of meetings held during the period the Committee member held office

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 composition of the Nomination and Remuneration Committees, and recommended to the Board the appointment of Dr. Tunku Alina binti Raja Muhd Alias and Dato' Yeoh Eng Khoon to the Nomination Committee and Remuneration Committee respectively;
- (2) 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");
- (3) Reviewed the composition of the Board based on its required mix of skills, experience and other qualities which are considered important by the Board;
- (4) Reviewed the changes to the composition of the subsidiaries' boards;
- (5) Reviewed and assessed the board balance of its size, structure and composition on their compliances with the provisions of the relevant guidelines and regulations;

## Corporate Governance Overview Statement (Continued)

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

#### II. Board Composition (Continued)

##### Nomination Committee (Continued)

- (6) Assessed the individual Director, overall Board and its Board Committees' performance and effectiveness as a whole;
- (7) Reviewed and assessed the independence of Independent Directors and their tenure of services;
- (8) Reviewed the succession plans of the Board and Senior Management;
- (9) Assessed Directors' training needs to ensure all Directors receive appropriate continuous development programmes; and
- (10) 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.

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.

## Corporate Governance Overview Statement (Continued)

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

#### 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 <sup>1</sup> (Chairman)	– Senior Independent Non-Executive Director
R. M. Alias <sup>1</sup>	– Independent Non-Executive Director
Tan Sri Dato' Seri Lee Oi Hian	– Non-Independent Non-Executive Director
Mr. Quah Chek Tin	– Independent Non-Executive Director

<sup>1</sup> Dato' Yeoh Eng Khoon was appointed as the Remuneration Committee Chairman on 15 May 2019 to replace R. M. Alias who ceased office on 19 February 2019, following his retirement as a Board member on the same day.

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, two (2) Committee meeting were held and the attendance of the members for the meeting held is as detailed below:

Name of Directors	Number of Meetings	
	Held <sup>1</sup>	Attended
Dato' Yeoh Eng Khoon	0	0
R. M. Alias	1	1
Tan Sri Dato' Seri Lee Oi Hian	2	2
Mr. Quah Chek Tin	2	2

<sup>1</sup> reflects the number of meetings held during the period the Committee member held office

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.

## Corporate Governance Overview Statement (Continued)

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

#### III. Remuneration (Continued)

##### Remuneration Committee (Continued)

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:

##### Company

Category	Fees (RM'000)	Salaries (RM'000)	Incentive (RM'000)	Other Emoluments (RM'000)
<i>Executive Director</i>				
- Dato' Lee Hau Hian	-	2,700	1,610	772
<i>Non-Executive Directors</i>				
- Tan Sri Dato' Seri Lee Oi Hian	225	-	-	12
- Dato' Yeoh Eng Khoon	185	-	-	16
- R. M. Alias <sup>1</sup>	64	-	-	4
- Mr. Quah Chek Tin	173	-	-	19
- Tan Sri Rastam Bin Mohd Isa	155	-	-	16
- Dr. Tunku Alina Binti Raja Muhd Alias	161	-	-	24

##### Group

Category	Fees (RM'000)	Salaries (RM'000)	Incentive (RM'000)	Other Emoluments (RM'000)
<i>Executive Director</i>				
- Dato' Lee Hau Hian	282	2,700	1,610	797
<i>Non-Executive Directors</i>				
- Tan Sri Dato' Seri Lee Oi Hian	225	4,380	2,920	1,423
- Dato' Yeoh Eng Khoon	480	-	-	52
- R. M. Alias <sup>1</sup>	579	-	-	60
- Mr. Quah Chek Tin	173	-	-	19
- Tan Sri Rastam Bin Mohd Isa	155	-	-	16
- Dr. Tunku Alina Binti Raja Muhd Alias	161	-	-	24

<sup>1</sup> R. M. Alias retired as a Director on 19 February 2019

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.

### 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. In line with good corporate governance practices, the Board approved the rotation of the Audit and Risk Committee Chairman position where Dato' Yeoh Eng Khoon has stepped down as the Chairman and Mr. Quah Chek Tin was appointed as the new Audit and Risk Committee Chairman in February 2019. 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.



## Corporate Governance Overview Statement (Continued)

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

#### I. Audit and Risk Committee (Continued)

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

At the Company's Annual General Meeting held on 19 February 2019, the Company appointed Messrs BDO PLT ("BDO") in place of the retiring external auditors, Messrs KPMG PLT. The appointment of BDO demonstrates the good corporate governance practice of revisiting the appointment of the Company's external auditors from time to time.

In the third quarter of 2019, BDO presented for the Audit and Risk Committee's review its 2019 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 2020 at the forthcoming Annual General Meeting in 2020.

##### 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.

#### 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 2019;
- (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) Sustainability reporting; and
- (h) Group's HSE performance and notable incidents.

## Corporate Governance Overview Statement (Continued)

### 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.

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.

##### Directors Responsibility Statement

The Directors are required by the Companies Act 2016 to prepare financial statements for each financial year which gives a true and fair view of the financial position of the Group and of the Company as at the financial year end and of the results and the cash flows of the Group and of the Company for that financial year.

The Directors consider that, in preparing the financial statements of Batu Kawan Berhad for the financial year ended 30 September 2019, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Directors also consider that all applicable Malaysian Financial Reporting Standards have been followed and confirmed that the financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that the Group and the Company keep accounting records which disclose with reasonable accuracy of the financial position of the Group and of the Company at any time and which enable them to ensure that the financial statements comply with the provisions of the Companies Act 2016. The Directors are also responsible for taking such steps that are reasonably open to them to safeguard the assets of the Group.

## Corporate Governance Overview Statement (Continued)

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

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

##### 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.

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-Fourth AGM of the Company held on 19 February 2019, all seven (7) 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 recognises that such systems are designed to manage the Group’s risks within an acceptable level, rather than eliminate the risk of failure to achieve the policies, goals and objectives of the Group. It can therefore only provide reasonable, rather than absolute assurance of effectiveness against material misstatement of management and financial information, financial losses, fraud and breaches of laws or regulations. 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 2019 (“FY 2019”) have been reviewed by Kuala Lumpur Kepong Berhad’s Board.

The principal risks for FY 2019 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.

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

### CONTROL ENVIRONMENT & ACTIVITIES (Continued)

**(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 has been implemented to recover and protect the business IT infrastructure in adverse events.

- **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 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.



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

### CONTROL ENVIRONMENT & ACTIVITIES (Continued)

- **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 Procedures Manuals that are continuously being revised and updated to meet operational needs.

- **Whistleblowing Policy**

A 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).

- **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. Routine reviews are being conducted on operating centres under the Group's business segments. Appropriate recommendations are made to address the issues and weaknesses highlighted and they are subsequently followed up upon to ensure proper implementation.

### REVIEW OF STATEMENT BY EXTERNAL AUDITORS

The External Auditors have reviewed this Statement 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 2019, 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:

- 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
- 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 11 December 2019.

## 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 2019.

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 2019. 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) <sup>1</sup> - Independent Non-Executive Director	5	5
Dato’ Yeoh Eng Khoon <sup>1</sup> - Senior Independent Non-Executive Director	5	5
Tan Sri Rastam bin Mohd Isa - Independent Non-Executive Director	5	4
Dr. Tunku Alina binti Raja Muhd Alias - Independent Non-Executive Director	5	5

<sup>1</sup> Mr. Quah Chek Tin was appointed as the Audit and Risk Committee Chairman to replace Dato’ Yeoh Eng Khoon who has stepped down as Chairman on 19 February 2019. Dato’ Yeoh Eng Khoon remains as an Audit and Risk Committee member.

The Audit and Risk Committee meets regularly and the Chief Financial Officer, the Head of Internal Audit and occasionally, representatives of the External Auditors, normally attend these meetings. Other members of the Board may attend the meetings upon the invitation of the Audit 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 the Management.

The Company Secretary is the Secretary of the Audit and Risk Committee. The Secretary 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 2019 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.

#### 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) Having reviewed the annual performance assessment, the Audit and Risk Committee recommended to the Board for shareholders' approval the appointment of BDO PLT as external auditors, in place of the retiring external auditors, KPMG PLT. At the 2019 Annual General Meeting ("AGM"), BKB shareholders approved the appointment of BDO PLT as the External Auditors to hold office until the conclusion of the next AGM.
- (c) 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.
- (d) In the third quarter of 2019, BDO PLT presented for the ARC's review its 2019 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 2020 at the forthcoming AGM in 2020.
- (e) Met with the External Auditors once without the presence of the Management to exchange free and honest views and opinions on audit issues.
- (f) 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 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. 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.

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 2019 were RM5,251,000.

## 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, Messrs BDO PLT and its affiliates, by the Group during the financial year are as follows:

	Group RM'000	Company RM'000
Audit Fees	2,208	143
Non-Audit Fees	67	20

### 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	Aggregate Value of Transactions 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>	189,226
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>	30,486
Malay-Sino Group	Purchase and sale 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>	5,598



**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	Aggregate Value of Transactions RM'000
See Sen Chemical Berhad ("See Sen")	Purchase of raw materials, finished goods, other products and services	TMK Group	11,756
	Sale of finished goods and other products and services	<u>Interested Directors *</u> LOH, LHH  <u>Interested major shareholders #</u>	60,427
See Sen	Purchase and sale of products and services	CAC	3,950
		<u>Interested Directors *</u> LOH, LHH  <u>Interested major shareholders #</u>	
See Sen	Purchase and sale of products and services	Taiko Chemical Industries Sdn. Bhd. ("TCI") Group	238
		<u>Interested Directors *</u> LOH, LHH  <u>Interested major shareholders #</u>	
See Sen	Sale of electricity and provision of other chemical-based products and services	BASF See Sen Sdn Bhd	9,891
		<u>Interested Directors *</u> LOH, LHH  <u>Interested major shareholders #</u>	
PT Satu Sembilan Delapan ("PT SSD")	Sale of fresh fruit bunches and palm products	Kuala Lumpur Kepong Berhad ("KLK") Group	42,209
		<u>Interested Directors *</u> LOH, LHH  <u>Interested major shareholders #</u>	
PT SSD	Purchase of fresh fruit bunches and palm products	KLK Group	14,070
		<u>Interested Directors *</u> LOH, LHH  <u>Interested major shareholders #</u>	

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.

## Additional Compliance Information (Continued)

### 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 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.

### 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 (a substantial shareholder of BKB 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 also director of Malay-Sino.

#### 6. BASF See Sen Sdn Bhd

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

#### 7. KLK Group

- (a) KLK is a 47% subsidiary of BKB, based on assessment performed under MFRS 10 *Consolidated Financial Statements*.
- (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.

**Reports and Audited Financial Statements**

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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 2019.

### 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	929,312	326,528
Taxation	(201,871)	(777)
Profit for the year	<u>727,441</u>	<u>325,751</u>
Attributable to:		
Equity holders of the Company	363,499	325,751
Non-controlling interests	363,942	-
	<u>727,441</u>	<u>325,751</u>

### DIVIDENDS

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

- (a) a final single tier dividend of 40 sen per share amounting to RM158,547,748 in respect of the financial year ended 30 September 2018 was paid on 6 March 2019; and
- (b) an interim single tier dividend of 15 sen per share amounting to RM59,283,520 in respect of the financial year ended 30 September 2019 was paid on 8 August 2019.

The Directors have declared the payment of a final single tier dividend of 45 sen per share amounting to RM176,560,000 for the year ended 30 September 2019 ("Final Dividend"). The Dividend Reinvestment Plan ("DRP"), which was approved by the shareholders of the Company at its Annual General Meeting held on 13 February 2018 will apply to the entire portion of the Final Dividend. Under the DRP, the shareholders will be given the option of electing to reinvest up to 100% of the Final Dividend in the new shares of the Company. The details of the DRP are disclosed in Note 11 to the financial statements.

The payment of the Final Dividend will be made within one month from the books closure date which will be announced in due course.

### 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 32 and 34 to the financial statements.

## Report of the Directors (Continued)

### TREASURY SHARES

During the financial year, the Company bought back a total of 8,024,100 of its issued shares from the open market for a total cost of RM131,319,240. Details of the shares bought back and retained as treasury shares were as follows:

Month	No. of shares bought back	Highest price paid per share RM	Lowest price paid per share RM	Average price paid per share RM	Total consideration RM
October 2018	109,000	17.00	16.80	16.96	1,855,991
November 2018	31,500	16.80	16.50	16.68	527,844
December 2018	4,015,300	16.80	16.20	16.40	66,076,475
January 2019	25,300	16.62	16.58	16.60	422,048
February 2019	29,600	17.30	17.10	17.25	512,645
March 2019	111,400	17.06	16.90	17.01	1,902,408
April 2019	100,400	16.98	16.78	16.81	1,693,622
May 2019	173,000	16.82	16.60	16.72	2,905,225
June 2019	631,700	16.80	16.68	16.72	10,603,431
July 2019	528,800	16.70	16.36	16.45	8,730,549
August 2019	1,126,500	16.38	15.60	16.01	18,098,553
September 2019	1,141,600	15.90	15.50	15.70	17,990,449
	<u>8,024,100</u>				<u>131,319,240</u>

As at 30 September 2019, the Company retained as treasury shares a total of 43,403,831 of its 435,951,000 issued shares. The Company has not made any share cancellation nor resold its treasury shares during the financial year ended 30 September 2019. Such treasury shares are held at a carrying amount of RM623,059,647 and further details are disclosed in Note 31 to the financial statements.

The mandate given by the shareholders at the Annual General Meeting ("AGM") held on 19 February 2019 to approve the Company's plan to repurchase its own shares will expire at the forthcoming AGM and an ordinary resolution will be tabled at the forthcoming AGM for shareholders to renew the mandate for another year.

### DIRECTORS OF THE COMPANY

The Directors in office since the beginning of the financial year to the date of this report are shown on page 12.

### 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.

### 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 2018	Additions Number of shares	(Disposals)	Balance as at 30 September 2019
<b>Company: Batu Kawan Berhad</b>				
<b>Direct interest</b>				
Tan Sri Dato' Seri Lee Oi Hian	854,355	116,000	-	970,355
Dato' Lee Hau Hian	1,425,530	116,000	-	1,541,530
Dato' Yeoh Eng Khoon	315,000	-	-	315,000
<b>Deemed interest</b>				
Tan Sri Dato' Seri Lee Oi Hian	213,728,705	25,607,000	(29,000,000)	210,335,705
Dato' Lee Hau Hian	212,531,980	25,607,000	(29,000,000)	209,138,980
Dato' Yeoh Eng Khoon	15,491,000	6,311,250	-	21,802,250

## Report of the Directors (Continued)

	Balance as at 1 October 2018	Additions (Disposals) Number of shares	Balance as at 30 September 2019
<b>Subsidiary:</b>			
<b>Kuala Lumpur Kepong Berhad</b>			
<b>Direct interest</b>			
Tan Sri Dato' Seri Lee Oi Hian	72,000	-	72,000
Dato' Lee Hau Hian	83,250	-	83,250
Dato' Yeoh Eng Khoon	335,000	-	335,000
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	-	501,372,027
Dato' Lee Hau Hian	501,372,027	-	501,372,027
Dato' Yeoh Eng Khoon	3,189,850	1,575,000	4,764,850

By virtue of their deemed interests in the shares of the Company, Tan Sri Dato' Seri Lee Oi Hian and Dato' Lee Hau Hian are deemed to have an interest in the shares of the other subsidiaries of the Company to the extent of the Company's interest in the respective subsidiaries as disclosed in Note 42 to the financial statements.

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

### DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received 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 38 to the financial statements.

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

### 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.



**Report of the Directors** (Continued)**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 2019 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.

**EVENTS SUBSEQUENT TO REPORTING DATE**

Details of events subsequent to reporting date are disclosed in Note 46 to the financial statements.

## Report of the Directors (Continued)

### 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 2019 are disclosed in Note 5 to the financial statements.

BDO PLT (LLP0018825-LCA & AF 0206) was registered on 2 January 2019 and with effect from that date, BDO (AF 0206), a conventional partnership was converted to a limited liability partnership.

Signed on behalf of the Board in accordance with a resolution of the Directors, dated 11 December 2019.

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

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

## Statements of Profit or Loss

For The Year Ended 30 September 2019

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue	4	<b>16,045,591</b>	18,953,236	<b>362,743</b>	482,036
Cost of sales		<b>(14,223,392)</b>	(16,572,071)	-	-
Gross profit		<b>1,822,199</b>	2,381,165	<b>362,743</b>	482,036
Other operating income		<b>376,324</b>	241,231	<b>19,042</b>	16,535
Distribution costs		<b>(259,117)</b>	(265,937)	-	-
Administration expenses		<b>(524,627)</b>	(543,283)	<b>(9,621)</b>	(8,799)
Other operating expenses		<b>(317,041)</b>	(507,023)	<b>(25,386)</b>	(30,275)
Operating profit	5	<b>1,097,738</b>	1,306,153	<b>346,778</b>	459,497
Finance costs	6	<b>(186,009)</b>	(195,271)	<b>(20,250)</b>	(20,334)
Share of profits of equity accounted associates, net of tax		<b>15,446</b>	12,643	-	-
Share of profits/(losses) of equity accounted joint ventures, net of tax		<b>2,137</b>	(7,435)	-	-
Profit before taxation		<b>929,312</b>	1,116,090	<b>326,528</b>	439,163
Taxation	9	<b>(201,871)</b>	(366,287)	<b>(777)</b>	(567)
Profit for the year		<b>727,441</b>	749,803	<b>325,751</b>	438,596
Attributable to:					
Equity holders of the Company		<b>363,499</b>	365,682	<b>325,751</b>	438,596
Non-controlling interests		<b>363,942</b>	384,121	-	-
		<b>727,441</b>	749,803	<b>325,751</b>	438,596
		<b>Sen</b>	Sen	<b>Sen</b>	Sen
Basic/Diluted earnings per share	10	<b>91.7</b>	91.1	<b>82.1</b>	109.3

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

## Statements of Other Comprehensive Income

For The Year Ended 30 September 2019

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Profit for the year</b>	<b>727,441</b>	749,803	<b>325,751</b>	438,596
<b>Other comprehensive income/(loss) that will be reclassified subsequently to profit or loss, net of tax</b>				
Currency translation differences	42,396	(293,306)	-	-
<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	(858,288)	69,733	1,877	2,261
Remeasurement of defined benefit plans (Note 34)	(46,258)	1,835	-	-
<b>Total other comprehensive (loss)/income for the year</b>	<b>(862,150)</b>	(221,738)	<b>1,877</b>	2,261
<b>Total comprehensive (loss)/income for the year</b>	<b>(134,709)</b>	528,065	<b>327,628</b>	440,857
Attributable to:				
Equity holders of the Company	(38,826)	260,178	327,628	440,857
Non-controlling interests	(95,883)	267,887	-	-
	<b>(134,709)</b>	528,065	<b>327,628</b>	440,857

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

## Statements of Financial Position

As At 30 September 2019

	Note	2019 RM'000	Group 2018 RM'000	2017 RM'000	2019 RM'000	Company 2018 RM'000	2017 RM'000
<b>Assets</b>							
Property, plant and equipment	12	8,066,866	8,080,487	7,953,337	564	666	163
Investment property	13	47,463	48,393	49,263	-	-	-
Prepaid lease payments	14	351,082	386,003	321,985	-	-	-
Inventories	15	1,108,296	1,100,407	1,091,471	-	-	-
Goodwill on consolidation	16	345,127	343,595	352,949	-	-	-
Intangible assets	17	22,081	23,358	15,325	-	-	-
Investments in subsidiaries	18	-	-	-	942,886	958,186	859,649
Investments in associates	19	1,516,482	185,565	177,680	-	901	901
Investments in joint ventures	20	267,307	259,300	251,737	-	-	-
Other investments	21	568,733	2,542,109	2,445,475	67,562	65,684	63,868
Other receivable	22	247,772	220,110	237,516	-	-	-
Amounts owing by subsidiaries	18	-	-	-	138,346	112,950	110,037
Deferred tax assets	23	450,299	389,617	445,666	-	-	-
<b>Total non-current assets</b>		<b>12,991,508</b>	<b>13,578,944</b>	<b>13,342,404</b>	<b>1,149,358</b>	<b>1,138,387</b>	<b>1,034,618</b>
Inventories	15	2,188,303	2,333,185	2,011,409	-	-	-
Biological assets	24	99,829	103,277	118,462	-	-	-
Trade receivables	25	1,301,888	1,454,686	1,911,075	-	-	-
Other receivables, deposits and prepayments	26	849,579	601,995	669,586	47	96	11
Amounts owing by subsidiaries	18	-	-	-	3,731	3,225	1,653
Contract assets	27	14,867	48,737	280	-	-	-
Tax recoverable		114,107	62,305	39,582	13	36	-
Other investments	21	253,695	291,246	327,143	79,138	112,849	87,025
Derivative financial assets	28	34,013	69,234	110,748	-	-	-
Short term funds	29	1,659,207	195,579	578,489	36	-	-
Cash and cash equivalents	30	2,317,468	1,561,986	1,755,744	183,217	182,654	158,920
<b>Total current assets</b>		<b>8,832,956</b>	<b>6,722,230</b>	<b>7,522,518</b>	<b>266,182</b>	<b>298,860</b>	<b>247,609</b>
<b>Total assets</b>		<b>21,824,464</b>	<b>20,301,174</b>	<b>20,864,922</b>	<b>1,415,540</b>	<b>1,437,247</b>	<b>1,282,227</b>
<b>Equity</b>							
Share capital	31	435,951	435,951	435,951	435,951	435,951	435,951
Reserves	32	5,850,081	6,137,589	6,183,916	1,091,874	982,077	781,722
		6,286,032	6,573,540	6,619,867	1,527,825	1,418,028	1,217,673
Less: Cost of treasury shares	31	(623,059)	(491,740)	(446,671)	(623,059)	(491,740)	(446,671)
<b>Total equity attributable to equity holders of the Company</b>		<b>5,662,973</b>	<b>6,081,800</b>	<b>6,173,196</b>	<b>904,766</b>	<b>926,288</b>	<b>771,002</b>
Non-controlling interests		6,457,280	6,836,872	6,926,774	-	-	-
<b>Total equity</b>		<b>12,120,253</b>	<b>12,918,672</b>	<b>13,099,970</b>	<b>904,766</b>	<b>926,288</b>	<b>771,002</b>
<b>Liabilities</b>							
Other payables	37	383	82	-	-	-	-
Deferred tax liabilities	23	444,586	436,884	386,345	-	-	-
Deferred income	33	110,320	119,004	117,365	-	-	-
Provision for retirement benefits	34	550,153	477,323	488,288	103	31	30
Borrowings	35	5,669,833	3,562,099	3,567,168	500,000	500,000	500,000
<b>Total non-current liabilities</b>		<b>6,775,275</b>	<b>4,595,392</b>	<b>4,559,166</b>	<b>500,103</b>	<b>500,031</b>	<b>500,030</b>
Trade payables	36	532,242	564,044	802,345	-	-	-
Other payables	37	879,761	825,896	758,183	10,671	10,544	10,939
Amount owing to a subsidiary	18	-	-	-	-	384	-
Contract liabilities	27	93,010	54,842	57,924	-	-	-
Deferred income	33	8,196	7,947	7,808	-	-	-
Borrowings	35	1,354,002	1,221,114	1,375,596	-	-	-
Tax payable		41,167	49,048	99,287	-	-	256
Derivative financial liabilities	28	20,558	64,219	104,643	-	-	-
<b>Total current liabilities</b>		<b>2,928,936</b>	<b>2,787,110</b>	<b>3,205,786</b>	<b>10,671</b>	<b>10,928</b>	<b>11,195</b>
<b>Total liabilities</b>		<b>9,704,211</b>	<b>7,382,502</b>	<b>7,764,952</b>	<b>510,774</b>	<b>510,959</b>	<b>511,225</b>
<b>Total equity and liabilities</b>		<b>21,824,464</b>	<b>20,301,174</b>	<b>20,864,922</b>	<b>1,415,540</b>	<b>1,437,247</b>	<b>1,282,227</b>

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

## Consolidated Statement of Changes in Equity

For The Year Ended 30 September 2019

	← Attributable to equity holders of the Company →					← Distributable →		Non-Controlling Interests RM'000	Total Equity RM'000		
	Share Capital RM'000	Treasury Shares RM'000	Revaluation Reserve RM'000	Capital Reserve* RM'000	Exchange Fluctuation Reserve RM'000	Fair Value Reserve RM'000	General Reserve RM'000			Retained Earnings RM'000	Total RM'000
At 1 October 2017	498,760	(446,671)	4,716	825,907	261,380	821,177	7,035	4,725,469	6,697,773	6,672,039	13,369,812
Effects on adoption of MFRSs	(62,809)	-	(4,716)	(185,024)	(166,438)	90,268	(7,035)	(188,823)	(524,577)	254,735	(269,842)
At 1 October 2017 (Restated)	435,951	(446,671)	-	640,883	94,942	911,445	-	4,536,646	6,173,196	6,926,774	13,099,970
Net change in fair value of equity instruments	-	-	-	-	-	30,851	-	-	30,851	38,882	69,733
Realisation on fair value of equity instruments	-	-	-	-	-	(6,703)	-	6,703	-	-	-
Transfer of reserves	-	-	-	1,150	-	598	-	(1,430)	318	(318)	-
Remeasurement of defined benefit plans (Note 34)	-	-	-	-	-	-	-	1,163	1,163	672	1,835
Currency translation differences	-	-	-	(317)	(137,519)	-	-	-	(137,836)	(155,470)	(293,306)
Total other comprehensive income/(loss) for the year	-	-	-	833	(137,519)	24,746	-	6,436	(105,504)	(116,234)	(221,738)
Profit for the year	-	-	-	-	-	-	-	365,682	365,682	384,121	749,803
Total comprehensive income/(loss) for the year	-	-	-	833	(137,519)	24,746	-	372,118	260,178	267,887	528,065
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	15,285	15,285
Acquisitions through business combination	-	-	-	-	-	-	-	-	-	3,652	3,652
Redemption of redeemable preference shares	-	-	-	10,929	-	-	-	(10,929)	-	-	-
Effect of changes in shareholdings in subsidiaries	-	-	-	-	-	-	-	(66,003)	(66,003)	(54,314)	(120,317)
Shares buy back	-	(45,069)	-	-	-	-	-	-	(45,069)	-	(45,069)
Dividends paid - 2017 final	-	-	-	-	-	-	-	(180,400)	(180,400)	-	(180,400)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(60,102)	(60,102)	-	(60,102)
Total transactions with owners of the Company	-	(45,069)	-	10,929	-	-	-	(317,434)	(351,574)	(357,789)	(709,363)
At 30 September 2018	435,951	(491,740)	-	652,645	(42,577)	936,191	-	4,591,330	6,081,800	6,836,872	12,918,672

Note 32

Note 31

\* Included in Capital Reserve is RM247,545,000 which is distributable.



## Consolidated Statement of Changes in Equity (Continued)

For The Year Ended 30 September 2019

	Attributable to equity holders of the Company					Total RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Treasury Shares RM'000	Capital Reserve * RM'000	Exchange Fluctuation Reserve RM'000	Fair Value Reserve RM'000			
At 30 September 2018	435,951	(491,740)	652,645	(42,577)	936,191	4,591,330	6,836,872	12,918,672
Net change in fair value of equity instruments	-	-	-	-	(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	-
Remeasurement of defined benefit plans (Note 34)	-	-	-	-	-	(21,827)	(24,431)	(46,258)
Currency translation differences	-	-	68	18,094	-	-	24,234	42,396
Total other comprehensive (loss)/income for the year	-	-	(4,920)	17,913	(396,020)	(19,299)	(459,824)	(862,150)
Profit for the year	-	-	-	-	-	363,499	363,942	727,441
Total comprehensive (loss)/income for the year	-	-	(4,920)	17,913	(396,020)	344,200	(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)	-
Effect of changes in shareholdings in subsidiaries	-	-	-	-	-	(30,871)	(14,072)	(44,943)
Shares buy back	-	(131,319)	-	-	-	-	-	(131,319)
Dividends paid - 2018 final	-	-	-	-	-	(158,548)	-	(158,548)
Dividends paid - 2019 interim	-	-	-	-	-	(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)	(283,710)	(663,710)
At 30 September 2019	435,951	(623,059)	658,546	(24,664)	540,171	4,676,028	6,457,280	12,120,253

Note 31 ← → Note 32

\* Included in Capital Reserve is RMP242,625,000 which is distributable.

*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 2019

	← Non-distributable →			← Distributable →				Total RM'000
	Share Capital RM'000	Treasury Shares RM'000	Revaluation Reserve RM'000	Fair Value Reserve RM'000	Capital Reserve RM'000	General Reserve RM'000	Retained Earnings RM'000	
At 1 October 2017	435,951	(446,671)	16	9,137	32,555	6,739	696,083	733,810
Effects on adoption of MFRSs	-	-	(16)	36,934	-	(6,739)	7,013	37,192
At 1 October 2017 (Restated)	435,951	(446,671)	-	46,071	32,555	-	703,096	771,002
Net change in fair value of equity instruments	-	-	-	2,261	-	-	-	2,261
Realisation on fair value of equity instruments	-	-	-	(445)	-	-	445	-
Total other comprehensive income for the year	-	-	-	1,816	-	-	445	2,261
Profit for the year	-	-	-	-	-	-	438,596	438,596
Total comprehensive income for the year	-	-	-	1,816	-	-	439,041	440,857
Shares buy back	-	(45,069)	-	-	-	-	-	(45,069)
Dividends paid - 2017 final	-	-	-	-	-	-	(180,400)	(180,400)
- 2018 interim	-	-	-	-	-	-	(60,102)	(60,102)
Total transactions with owners of the Company	-	(45,069)	-	-	-	-	(240,502)	(285,571)
At 30 September 2018	<b>435,951</b>	<b>(491,740)</b>	-	<b>47,887</b>	<b>32,555</b>	-	<b>901,635</b>	<b>926,288</b>
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>

← Note 31 →

← Note 32 →

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

## Consolidated Statement of Cash Flows

For The Year Ended 30 September 2019

	2019 RM'000	2018 RM'000
<b>Cash flows from operating activities</b>		
Profit before taxation	929,312	1,116,090
Adjustments for:		
Depreciation of property, plant and equipment	587,796	561,171
Amortisation of prepaid lease payments	12,635	7,091
Depreciation of investment property	946	943
Amortisation of intangible assets	3,504	2,395
Amortisation of deferred income	(8,188)	(7,926)
Impairment of property, plant and equipment	99,419	26,251
Impairment of prepaid lease payments	32,235	-
Impairment loss on investment in an associate	123	-
Property, plant and equipment written off	2,474	4,009
Prepaid lease payments written off	6,025	-
Deferred income written off	(1,019)	-
Gain on disposal of property, plant and equipment	(2,090)	(2,470)
Surplus on government acquisition of land	(91,209)	(24,034)
Surplus on disposal of land	(2,513)	(2,445)
Surplus on disposal of a subsidiary	(210)	-
Loss on disposal of other investments	1,079	1,099
Reversal of impairment on prepaid lease payments	-	(58)
Provision for retirement benefits	49,652	45,151
Write off of trade receivables	123	165
Impairment of trade receivables	7,527	1,822
Reversal of impairment of trade receivables	(6,766)	(5,356)
Impairment of other receivables	1,814	-
Other receivables written off	335	-
Write down of inventories	62,117	43,386
Write back of slow moving inventories	(3,000)	(1,208)
Write back of inventories written down to net realisable value	(7,624)	(7,877)
Finance costs	186,009	195,271
Dividend income	(66,053)	(64,821)
Interest income	(76,551)	(88,338)
Exchange (gain)/loss	(17,377)	316,743
Net change in fair value of derivatives	(8,158)	2,179
Net change in fair value of financial assets	(316)	471
Net change in fair value of debt instruments	(1,151)	-
Share of profits of equity accounted associates, net of tax	(15,446)	(12,643)
Share of (profits)/losses of equity accounted joint ventures, net of tax	(2,137)	7,435
Fair value loss on biological assets	2,523	13,583
Fair value gain on rental deposit received	(21)	(34)
Operating profit before working capital changes	1,675,819	2,128,045
Working capital changes:		
Inventories	86,238	(362,559)
Biological assets	638	(6,583)
Trade and other receivables	(117,478)	540,814
Contract assets	33,870	(48,716)
Trade and other payables	19,612	(568,072)
Contract liabilities	36,397	5,274
Deferred income	907	9,826
Cash generated from operations	1,736,003	1,698,029
Interests received	6,072	4,014
Interests paid	(193,304)	(222,437)
Tax paid	(275,574)	(399,485)
Retirement benefits paid	(32,537)	(31,398)
Net cash generated from operating activities	1,240,660	1,048,723

**Consolidated Statement of Cash Flows** (Continued)  
For The Year Ended 30 September 2019

	2019 RM'000	2018 RM'000
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(655,381)	(612,436)
Net adjustments to property, plant and equipment	(910)	-
Addition to investment property	(16)	(73)
Payments of prepaid lease	(9,078)	(5,428)
Property development expenditure	(7,889)	(8,936)
Subscription of shares in an associate	(7,500)	-
Subscription of shares in joint ventures	(7,008)	(3,989)
Purchase of shares in subsidiaries, net of cash acquired (Note B)	-	(206,025)
Purchase of shares from non-controlling interests	(46,429)	(120,317)
Purchase of other investments	(885,471)	(607,380)
Purchase of intangible assets	(3,405)	(1,762)
Proceeds from disposal of property, plant and equipment	34,065	5,580
Compensation from government on land acquired	92,578	25,404
Proceeds from disposal of shares in subsidiaries	2,673	-
Proceed from distribution by an associate in liquidation	793	-
Proceeds from disposal of other investments	678,027	591,439
(Increase)/Decrease in short term funds	(1,462,321)	375,106
Dividends received	102,297	67,884
Interests received	51,538	74,127
Repayment from associates	2,920	-
Advances to joint ventures	(14,015)	(27,969)
Advances to investee companies	(5,906)	(12,066)
Net cash used in investing activities	<b>(2,140,438)</b>	<b>(466,841)</b>
<b>Cash flows from financing activities</b>		
Term loans received (Note 35)	245,468	218,800
Issuance of Islamic medium term notes (Note 35)	2,000,000	-
Repayment of term loans (Note 35)	(175,642)	(57,277)
Drawdown/(Repayment) of short term borrowings (Note 35)	160,560	(251,138)
Dividends paid to shareholders of the Company	(217,831)	(240,502)
Dividends paid to non-controlling interests	(307,280)	(322,412)
Issuance of shares to non-controlling interests	37,663	15,285
(Increase)/Decrease in other receivable	(1,520)	17,191
Shares buy back	(131,319)	(45,069)
Net cash generated from/(used in) financing activities	<b>1,610,099</b>	<b>(665,122)</b>
Net increase/(decrease) in cash and cash equivalents	<b>710,321</b>	<b>(83,240)</b>
Effects of exchange rate changes	13,338	(75,429)
Cash and cash equivalents at beginning of year	1,472,952	1,631,621
Cash and cash equivalents at end of year (Note A)	<b>2,196,611</b>	<b>1,472,952</b>

**Consolidated Statement of Cash Flows** (Continued)  
For The Year Ended 30 September 2019

	2019 RM'000	2018 RM'000
<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 30)	1,277,741	942,162
Fixed income trust funds (Note 30)	328,811	53,584
Cash and bank balances (Note 30)	710,916	566,240
	<hr/>	<hr/>
Cash and cash equivalents (Note 30)	2,317,468	1,561,986
Bank overdrafts (Note 35)	(120,857)	(89,034)
	<hr/>	<hr/>
	2,196,611	1,472,952
	<hr/>	<hr/>
<b>B. Analysis of purchase of shares in subsidiaries</b>		
Property, plant and equipment	-	480,200
Prepaid lease payments	-	81,634
Intangible assets	-	9,322
Other receivable – Advance to Plasma plantation projects	-	11,559
Net current liabilities	-	(277,962)
Net deferred tax liabilities	-	(38,863)
Provision for retirement benefits	-	(1,814)
	<hr/>	<hr/>
Fair values of identifiable net assets of subsidiaries acquired	-	264,076
Non-controlling interests	-	(3,652)
	<hr/>	<hr/>
Purchase price satisfied by cash	-	260,424
Less: Cash and cash equivalents of subsidiaries acquired	-	(54,399)
	<hr/>	<hr/>
Net cash outflow on acquisitions of subsidiaries	-	206,025
	<hr/>	<hr/>

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

## Statement of Cash Flows of the Company

For The Year Ended 30 September 2019

	2019 RM'000	2018 RM'000
<b>Cash flows from operating activities</b>		
Profit before taxation	326,528	439,163
Adjustments for:		
Depreciation of property, plant and equipment	121	106
Provision for retirement benefits	72	1
Impairment loss on investment in an associate	108	-
Exchange loss	6,829	14,309
Finance costs	20,250	20,334
Dividend income	(352,805)	(473,621)
Interest income	(9,938)	(8,415)
Impairment on amount owing by a subsidiary	75	9
Loss on disposal of property, plant and equipment	9	61
Net fair value (gain)/loss on other investments	(186)	506
Loss/(Gain) on disposal of other investments	313	(98)
Operating loss before working capital changes	(8,624)	(7,645)
Working capital changes:		
Other receivables	42	(537)
Amount owing by/(to) subsidiaries	6,229	384
Other payables	(497)	(460)
Cash used in operations	(2,850)	(8,258)
Interests received	3,145	1,386
Interests paid	(20,305)	(20,334)
Tax paid	(74)	(157)
Net cash used in operating activities	(20,084)	(27,363)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(199)	(708)
Purchase of other investments	(300,534)	(277,124)
Additional investments in subsidiaries	-	(120,317)
Proceeds from disposal of other investments	334,118	251,337
Proceeds from disposal of property, plant and equipment	171	38
Increase in investment in short term funds	(36)	-
Dividends received	352,817	473,620
Proceed from distribution by an associate in liquidation	793	-
Loan to subsidiaries	(33,872)	(36,070)
Repayment from subsidiaries	634	8,725
Net cash generated from investing activities	353,892	299,501
<b>Cash flows from financing activities</b>		
Redemption of redeemable preference shares	15,300	39,910
Dividends paid to shareholders of the Company	(217,831)	(240,502)
Shares buy back	(131,319)	(45,069)
Net cash used in financing activities	(333,850)	(245,661)
Net (decrease)/increase in cash and cash equivalents	(42)	26,477
Effects of exchange rate changes	605	(2,743)
Cash and cash equivalents at beginning of year	182,654	158,920
Cash and cash equivalents at end of year (Note A)	183,217	182,654
<b>Note to the statement of cash flows</b>		
<b>A. Cash and cash equivalents (Note 30)</b>		
Cash and cash equivalents consist of:		
Cash and bank balances	183,217	182,620
Deposits with licensed banks	-	34
	183,217	182,654

*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 2019 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 Group was a transitioning entity as defined by Malaysian Accounting Standards Board (“MASB”) and its financial statements for the years up to and including the year ended 30 September 2018 were presented in accordance with Financial Reporting Standards (“FRS”) framework.

The financial statements of the Group for the financial year ended 30 September 2019 are the first set of financial statements prepared in accordance with the MFRS framework. In adopting the new MFRS framework, the Group applied the transition requirements in MFRS 1 *First-Time Adoption of Malaysian Financial Reporting Standards*. In addition to the adoption of the new MFRS framework, the following new MFRSs, Amendments to the MFRSs and IC Interpretation issued by MASB and effective for annual periods beginning on or after 1 January 2018 were adopted by the Group during the financial year:

- MFRS 9 *Financial Instruments (IFRS as issued by IASB in July 2014)*
- MFRS 15 *Revenue from Contracts with Customers*
- Clarification to MFRS 15
- Amendments to MFRS 1 *Annual Improvements to MFRS Standards 2014 – 2016 Cycle*
- Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4 *Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128 *Annual Improvements to MFRS Standards 2014 – 2016 Cycle*
- Amendments to MFRS 140 *Transfers of Investment Property*
- IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

The Group has consistently applied the same accounting policies in its opening MFRS statements of financial position as at 1 October 2017, being the transition date, and throughout all years presented, as if these policies had always been in effect. Comparative information in this financial statements has been restated to reflect the financial impact on transition from FRS framework to MFRS framework as disclosed in Note 47.

## Notes to the Financial Statements (Continued)

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

### **MFRS, Interpretation and Amendments to MFRSs effective for annual periods beginning on or after 1 January 2019**

- MFRS 16 *Leases*
- IC Interpretation 23 *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3 *Definition of a Business (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)*
- Amendments to MFRS 9 *Prepayment Features with Negative Compensation*
- Amendments to MFRS 11 *Accounting for Acquisitions of Interests in Joint Operations (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)*
- Amendments to MFRS 112 *Recognition of Deferred Tax Assets for Unrealised Losses (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)*
- Amendments to MFRS 119 *Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123 *Borrowing Costs (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)*
- Amendments to MFRS 128 *Long-term Interests in Associates and Joint Ventures*

### **MFRS and 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*
- *MFRS 17 Insurance Contracts*
- *Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark*

### **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, amendments and interpretations to have a significant impact on the financial statements, except for MFRS 16 *Leases* as described below:

#### **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 will apply this MFRS for the annual period beginning on 1 October 2019.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short term leases and leases of low-value items.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The Group is in the process of assessing the impact on the financial statements arising from the adoption of MFRS 16.

## Notes to the Financial Statements (Continued)

### 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 the following notes:

- Notes 12, 14 and 16 - Measurement of the recoverable amounts of cash-generating units
- Note 15 - Impairment/Write down of inventories
- Note 24 - Measurement of biological assets
- Note 25 and 26 - Impairment on trade and other receivables
- Notes 34 and 41 - Provision for retirement benefits and contingencies

## 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 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.

## Notes to the Financial Statements (Continued)

### (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 issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

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

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

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

### (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.

**Notes to the Financial Statements** (Continued)

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 cost of the investments include transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

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

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

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

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

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

**(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.

## Notes to the Financial Statements (Continued)

### (i) Transactions eliminated on consolidation

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

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

### 3.2 Foreign currency

#### (a) Foreign currency transactions

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

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

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

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

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

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

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



## Notes to the Financial Statements (Continued)

### 3.3 Property, plant and equipment

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

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

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

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

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

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.

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. Leasehold land is amortised over the shorter of the lease term and its useful life unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. The amortisation of leasehold plantation land is capitalised as part of the cost of bearer plants from the stage of land clearing up to the stage of maturity. 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:

Long term leasehold land	Over the lease period ranging from 53 to 931 years
Bearer plants	5% per annum
Buildings	2% to 40% per annum
Plant and machinery	3 <sup>1</sup> / <sub>3</sub> % to 100% per annum
Vehicles	5% to 25% per annum
Equipment, fittings, etc.	2 <sup>1</sup> / <sub>2</sub> % to 50% per annum

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

## Notes to the Financial Statements (Continued)

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

### 3.4 Investment property

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

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

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

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

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

### 3.5 Leases

#### (a) Operating leases

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

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

#### (b) Prepaid lease payments

Leases of land which in substance are operating leases and land use rights are classified as prepaid lease payments which are amortised over the lease period ranging from 14 to 88 years for the current and comparative periods.

### 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.

## Notes to the Financial Statements (Continued)

### (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.

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

Investments in unit trust funds are public 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 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.

## Notes to the Financial Statements (Continued)

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.

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.

## Notes to the Financial Statements (Continued)

### (b) Property development costs

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

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

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

### (c) Other inventories

Inventories of developed properties held for sale, which are held for sale, are stated at the lower of cost 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 cost 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.

### 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.

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 assets. For those in which the credit risk has not increased significantly since initial recognition of the financial assets, 12-month ECL is recognised. For those in which credit risk has increased significantly, lifetime ECL is recognised.

## Notes to the Financial Statements (Continued)

Impairment 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 the 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.

The Group defined significant increase in credit risk based on operating performance of the receivables, changes to contractual terms, payment delays 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.



## Notes to the Financial Statements (Continued)

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.

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

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

## Notes to the Financial Statements (Continued)

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

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

**(c) Funded defined benefit plan**

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

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

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

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

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

**(d) Short term employee benefits**

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

### 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.

**(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.

## Notes to the Financial Statements (Continued)

### 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) Sale 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 chemicals products.

Revenue from sales of goods are 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.

#### (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.

## Notes to the Financial Statements (Continued)

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.

**(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.

## Notes to the Financial Statements (Continued)

### 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.

### 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.

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**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Revenue from contracts with customers</b>				
Sale of goods				
Palm products	<b>6,305,533</b>	7,825,894	-	-
Rubber	<b>87,466</b>	99,909	-	-
Manufacturing	<b>9,167,431</b>	10,567,830	-	-
Others	<b>142,383</b>	101,642	-	-
	<b>15,702,813</b>	18,595,275	-	-
Property development	<b>170,359</b>	177,675	-	-
Rendering of services	<b>1,182</b>	2,682	-	-
	<b>15,874,354</b>	18,775,632	-	-
<b>Other revenue</b>				
Rental income from storage of bulk liquid	<b>26,459</b>	22,284	-	-
Rental income from investment property	<b>2,174</b>	2,161	-	-
Interest income from financial assets not at fair value through profit or loss	<b>76,551</b>	88,338	<b>9,938</b>	8,415
Dividend income (Note 8)	<b>66,053</b>	64,821	<b>352,805</b>	473,621
	<b>16,045,591</b>	18,953,236	<b>362,743</b>	482,036
Timing of revenue recognition from contract with customers				
At point in time	<b>15,744,646</b>	18,607,621	-	-
Over time	<b>129,708</b>	168,011	-	-
	<b>15,874,354</b>	18,775,632	-	-

Disaggregation of revenue from contracts with customers which has been presented based on business segments and geographical locations of customers is set out in Note 43.

**Notes to the Financial Statements** (Continued)

**5. OPERATING PROFIT**

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Operating profit is arrived at after charging and (crediting) the following:				
Auditors' remuneration				
- BDO (2018: KPMG)				
current year	965	1,020	134	135
over provision in prior year	-	(19)	-	-
audit related work	9	455	9	29
non-audit work	12	10	2	8
- overseas affiliates of BDO (2018: KPMG)				
current year	1,219	792	-	-
under/(over) provision in prior year	8	(5)	-	-
audit related work	15	-	-	-
non-audit work	-	148	-	-
- other auditors				
current year	1,420	2,237	-	-
under provision in prior year	48	13	-	-
audit related work	40	83	(2)	-
non-audit work	302	758	22	50
Lease rentals				
- land and buildings	23,765	28,789	85	96
- plant and machinery	45,427	44,864	-	-
Depreciation of property, plant and equipment (Note 12)	587,796	561,171	121	106
Depreciation of investment property (Note 13)	946	943	-	-
Amortisation of prepaid lease payments (Note 14)	12,635	7,091	-	-
Amortisation of intangible assets (Note 17)	3,504	2,395	-	-
Net change in fair value of biological assets (Note 24)	2,523	13,583	-	-
Impairment of				
- property, plant and equipment (Note 12)	99,419	26,251	-	-
- prepaid lease payments (Note 14)	32,235	-	-	-
- trade receivables (Note 25)	7,527	1,822	-	-
- other receivables (Note 26)	1,814	-	-	-
- amount owing by subsidiaries (Note 18)	-	-	75	9
Impairment loss on				
- investment in an associate (Note 19)	123	-	108	-
Reversal of impairment of				
- prepaid lease payments (Note 14)	-	(58)	-	-
- trade receivables (Note 25)	(6,766)	(5,356)	-	-
Write off of				
- property, plant and equipment	2,474	4,009	-	-
- prepaid lease payments	6,025	-	-	-
- trade receivables	123	165	-	-
- other receivables	335	-	-	-

**Notes to the Financial Statements** (Continued)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Personnel expenses (excluding key management personnel)				
- salary	1,276,797	1,170,467	1,859	1,321
- employer's statutory contributions	128,745	119,030	208	154
- defined contribution plans	13,707	10,568	-	-
Research and development expenditure	17,166	23,922	-	-
Provision of retirement benefits (Note 34)	49,652	45,151	72	1
Write down of inventories (Note 15)	62,117	43,386	-	-
Write back of slow moving inventories (Note 15)	(3,000)	(1,208)	-	-
Write back of inventories written down to net realisable value (Note 15)	(7,624)	(7,877)	-	-
Amortisation of deferred income (Note 33)	(8,188)	(7,926)	-	-
Deferred income written off (Note 33)	(1,019)	-	-	-
(Gain)/Loss on disposal of property, plant and equipment	(2,090)	(2,470)	9	61
Surplus on government acquisition of land	(91,209)	(24,034)	-	-
Surplus on disposal of land	(2,513)	(2,445)	-	-
Loss/(Surplus) on disposal of other investments	1,079	1,099	313	(98)
Net (gain)/loss in foreign exchange	(64,487)	43,440	6,829	14,128
Rental income from land and buildings	(2,141)	(2,193)	-	-
Rental income from investment property (Note 13)	(2,174)	(2,161)	-	-
Gain on redemption of short term funds	(1,591)	(25)	-	-

**6. FINANCE COSTS**

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 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	14,358	13,063	-	-
Advances from a subsidiary	-	-	-	6
Bank overdraft and other interest	36,927	48,328	-	78
	51,285	61,391	-	84
Profit payment on Islamic medium term notes	134,724	133,880	20,250	20,250
	186,009	195,271	20,250	20,334

**Notes to the Financial Statements** (Continued)

**7. KEY MANAGEMENT PERSONNEL COMPENSATION**

The key management personnel compensation is as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Short term benefits</b>				
Directors' remuneration				
Fees provided	2,055	1,954	963	835
Other emoluments	13,833	15,568	5,142	5,141
Benefits-in-kind	168	167	31	29
	<b>16,056</b>	<b>17,689</b>	<b>6,136</b>	<b>6,005</b>

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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Gross dividends from:</b>				
Equity instruments				
Investment in unquoted shares	7,781	578	6,086	13
Investment in shares quoted in Malaysia	1,006	1,295	-	-
Investment in shares quoted outside Malaysia	43,131	53,258	228	221
Investment in unit trust funds quoted in Malaysia	9,056	8,541	3,258	3,516
Fixed income trust funds	5,079	1,149	-	-
Quoted subsidiaries	-	-	225,406	250,451
Unquoted subsidiaries	-	-	117,827	219,420
	<b>66,053</b>	<b>64,821</b>	<b>352,805</b>	<b>473,621</b>

**Notes to the Financial Statements** (Continued)

**9. TAXATION**

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Components of taxation</b>				
Current tax expense				
Malaysian taxation	115,950	189,149	97	73
Overseas taxation	109,478	148,764	680	702
	<b>225,428</b>	337,913	<b>777</b>	775
(Over)/Under provision of taxation in respect of previous years				
Malaysian taxation	(17,483)	(8,737)	-	(208)
Overseas taxation	12,009	8,886	-	-
	<b>(5,474)</b>	149	-	(208)
	<b>219,954</b>	338,062	<b>777</b>	567
Deferred tax				
Origination and reversal of temporary differences	(16,882)	16,821	-	-
Relating to change in tax rates	(1,731)	-	-	-
Under provision in respect of previous years	530	11,404	-	-
	<b>(18,083)</b>	28,225	-	-
	<b>201,871</b>	366,287	<b>777</b>	567
<b>Reconciliation of effective taxation</b>				
Profit before taxation	<b>929,312</b>	1,116,090	<b>326,528</b>	439,163
Taxation at Malaysian income tax rate of 24% (2018: 24%)	<b>223,035</b>	267,862	<b>78,367</b>	105,399
Effect of different tax rates	<b>(16,919)</b>	(2,961)	<b>(951)</b>	(984)
Withholding tax on foreign dividend and interest income	<b>22,239</b>	18,780	-	-
Expenses not deductible for tax purposes	<b>111,659</b>	204,297	<b>13,244</b>	14,228
Tax exempt and non-taxable income	<b>(111,465)</b>	(131,999)	<b>(89,883)</b>	(117,868)
Tax incentives	<b>(4,756)</b>	(3,548)	-	-
Deferred tax assets/(liabilities) not recognised during the year	<b>2,250</b>	(1,621)	-	-
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	<b>(18,252)</b>	(419)	-	-
Tax effect on associates' and joint ventures' results	<b>(4,220)</b>	(1,250)	-	-
Recognition of deferred tax assets not taken up previously	<b>(532)</b>	(62)	-	-
Effect of changes in tax rates on deferred tax	<b>(1,722)</b>	(399)	-	-
(Over)/Under provision of taxation in respect of previous years	<b>(5,474)</b>	149	-	(208)
Under provision of deferred tax in respect of previous years	<b>530</b>	11,404	-	-
Others	<b>5,498</b>	6,054	-	-
	<b>201,871</b>	366,287	<b>777</b>	567

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 RM363,499,000 (2018: RM365,682,000) for the Group and RM325,751,000 (2018: RM438,596,000) for the Company by the weighted average number of 396,572,000 (2018: 401,232,000) shares of the Company in issue during the year.

Diluted earnings per share equals basic earnings per ordinary share.

**11. DIVIDENDS**

	<b>Group/Company</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Dividends recognised in the current year are:		
Final single tier dividend of 40 sen per share for the financial year ended 30 September 2018 was paid on 6 March 2019 (2018: single tier dividend of 45 sen per share as paid on 15 March 2018)	<b>158,548</b>	180,400
Interim single tier dividend of 15 sen per share for the financial year ended 30 September 2019 was paid on 8 August 2019 (2018: single tier dividend of 15 sen per share was paid on 9 August 2018)	<b>59,283</b>	60,102
	<b>217,831</b>	240,502

A final single tier dividend of 45 sen (2018: 40 sen) per share amounting to RM176,560,000 (2018: RM158,547,748) ("Final Dividend") has been declared by the Directors in respect of the financial year ended 30 September 2019. The Directors have also determined that the Dividend Reinvestment Plan ("DRP") as stated in Note 31(iii) will apply to the entire portion of the Final Dividend. Under the DRP, the shareholders will be given the option of electing to reinvest up to 100% of the Final Dividend in the new shares of the Company.

The issue price of the new shares of the Company to be issued pursuant to the DRP will be determined on a price fixing date ("Price Fixing Date") based on the 5-day volume weighted average market price ("VWAMP") of the Company shares immediately preceding the Price Fixing Date, with a discount of 3% to the theoretical ex-dividend VWAMP.

Under the DRP, shareholders of the Company will have the following options:

- (i) to elect to participate in the reinvestment option by reinvesting the entire electable portion for the new shares of the Company;
- (ii) to elect to participate in the reinvestment option by reinvesting part of the electable portion for the new shares of the Company and to receive the balance of the electable portion in cash; or
- (iii) to elect not to participate in the reinvestment option and thereby receive the entire Final Dividend entitlement in cash.

The Company will submit an application to Bursa Malaysia Security Berhad ("Bursa Securities") for the listing of and quotation for the new shares of the Company on the Main Market of Bursa Securities pursuant to the DRP.

The payment for the Final Dividend will be made within one month from the books closure date which will be announced in due course.

The Final Dividend will be recognised in the subsequent financial year.



**Notes to the Financial Statements (Continued)**
**12. PROPERTY, PLANT AND EQUIPMENT**

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>Cost/Valuation</b>									
At 1 October 2017	928,732	266,079	-	1,508,871	5,467,586	437,921	485,522	207,307	9,302,018
Effects on adoption of MFRSs	-	-	3,588,413	-	-	-	-	-	3,588,413
At 1 October 2017 (Restated)	928,732	266,079	3,588,413	1,508,871	5,467,586	437,921	485,522	207,307	12,890,431
Reclassification	-	-	-	29,949	165,868	1,854	3,484	(201,155)	-
Additions	29,371	-	234,534	28,430	111,668	39,548	14,430	159,143	617,124
Acquisitions through business combination	30,366	-	182,236	21,831	103,457	1,563	107,675	33,072	480,200
Disposals	(415)	(297)	-	(82)	(3,278)	(10,956)	(810)	-	(15,838)
Written off	-	-	(23,698)	(4,811)	(15,278)	(6,080)	(10,062)	(729)	(60,658)
Currency translation differences	(37,265)	(490)	(214,962)	(94,644)	(155,368)	(19,636)	(21,081)	(9,492)	(552,938)
At 30 September 2018	<b>950,789</b>	<b>265,292</b>	<b>3,766,523</b>	<b>1,489,544</b>	<b>5,674,655</b>	<b>444,214</b>	<b>579,158</b>	<b>188,146</b>	<b>13,358,321</b>
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>
<b>Accumulated depreciation/ amortisation and impairment losses</b>									
At 1 October 2017	-	70,246	-	656,325	2,321,440	360,895	311,319	-	3,720,225
Accumulated depreciation/ amortisation	-	8,027	-	3,505	80,025	-	2,770	-	94,327
Accumulated impairment losses	-	78,273	-	659,830	2,401,465	360,895	314,089	-	3,814,552
Effects on adoption of MFRSs	-	-	1,122,542	-	-	-	-	-	1,122,542
At 1 October 2017 (Restated)	-	70,246	1,122,542	656,325	2,321,440	360,895	311,319	-	4,842,767
Accumulated depreciation/ amortisation	-	8,027	-	3,505	80,025	-	2,770	-	94,327
Accumulated impairment losses	-	78,273	1,122,542	659,830	2,401,465	360,895	314,089	-	4,937,094
Reclassification	-	-	-	(4,479)	4,479	-	-	-	-
Depreciation/Amortisation charge	-	3,156	131,359	59,500	305,328	26,486	40,030	-	565,859
Disposals	-	-	-	(19)	(1,981)	(9,496)	(493)	-	(11,989)
Impairment losses	-	-	-	411	25,840	-	-	-	26,251
Written off	-	-	(23,698)	(3,324)	(14,348)	(6,178)	(9,101)	-	(56,649)
Currency translation differences	-	(188)	(52,929)	(32,901)	(69,375)	(16,402)	(10,937)	-	(182,732)
At 30 September 2018	-	73,370	1,177,274	675,193	2,546,660	355,305	330,890	-	5,158,692
Accumulated depreciation/ amortisation	-	7,871	-	3,825	104,748	-	2,698	-	119,142
Accumulated impairment losses	-	81,241	1,177,274	679,018	2,651,408	355,305	333,588	-	5,277,834
Adjustment/Reclassification	-	-	-	5,274	(4,773)	6	(53)	-	454
Depreciation/Amortisation charge	-	3,156	147,964	62,384	314,216	25,706	39,451	-	592,877
Disposals	-	-	(2,692)	(4,470)	(5,133)	(7,694)	(771)	-	(20,760)
Impairment loss	-	-	97,043	2,235	103	-	38	-	99,419
Written off	-	-	(36,675)	(4,530)	(29,583)	(9,854)	(14,985)	-	(95,627)
Currency translation differences	-	(50)	31,289	6,922	(31,210)	8,016	1,940	-	16,907
At 30 September 2019	-	76,498	1,315,959	741,449	2,790,178	371,485	356,474	-	5,652,043
Accumulated depreciation/ amortisation	-	7,849	98,244	5,384	104,850	-	2,734	-	219,061
Accumulated impairment losses	-	84,347	1,414,203	746,833	2,895,028	371,485	359,208	-	5,871,104
<b>Carrying amounts</b>									
At 1 October 2017	928,732	187,806	2,465,871	849,041	3,066,121	77,026	171,433	207,307	7,953,337
At 30 September 2018	950,789	184,051	2,589,249	810,526	3,023,247	88,909	245,570	188,146	8,080,487
At 30 September 2019	<b>911,248</b>	<b>180,629</b>	<b>2,830,890</b>	<b>815,888</b>	<b>2,879,362</b>	<b>97,969</b>	<b>170,659</b>	<b>180,221</b>	<b>8,066,866</b>

**Notes to the Financial Statements** (Continued)

	<b>Group</b>	
	<b>2019</b>	2018
	<b>RM'000</b>	RM'000
<b>Depreciation/Amortisation charge for the year is allocated as follows:</b>		
Recognised in statement of profit or loss (Note 5)	<b>587,796</b>	561,171
Capitalised in bearer plants	<b>5,081</b>	4,688
	<b>592,877</b>	565,859

**Impairment testing**

Property, plant and equipment are tested for impairment by comparing the carrying amount 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 (20) years.

There are three (3) sub-subsidiaries which used cash flow projections covering periods of fifteen (15) to twenty (20) years due to long period of gestation of their businesses.

**Impairment losses**

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 14) on prepaid lease payments for financial year ended 30 September 2019 was due to cessation of plantation operations of an estate in Liberia. Recent High Carbon Stock and High Conservation Value assessments have shown that there is limited plantable area in this estate, thus making it no longer feasible to continue operations.

The impairment loss of the Group amounted to RM26,251,000 for financial year ended 30 September 2018 were for methyl chloride plant and turbine alternator of subsidiaries amounted to RM2,341,000 and RM2,285,000 respectively which were no longer in use due to the unfavourable demand of its products. In addition, impairment loss of RM21,625,000 on plant and machinery of a subsidiary was due to under performance of a specialised oleochemical plant.

The impairment losses were included in other operating expenses.

**Notes to the Financial Statements** (Continued)

	Vehicles RM'000	Equipment, Fittings, Etc RM'000	Total RM'000
<b>Company Cost</b>			
At 1 October 2017	798	176	974
Additions	694	14	708
Disposals	(631)	-	(631)
	<b>861</b>	<b>190</b>	<b>1,051</b>
At 30 September 2018	<b>190</b>	<b>9</b>	<b>199</b>
Additions	<b>(349)</b>	<b>(5)</b>	<b>(354)</b>
Disposals	-	<b>(7)</b>	<b>(7)</b>
Written off			
	<b>702</b>	<b>187</b>	<b>889</b>
At 30 September 2019			
<b>Accumulated depreciation</b>			
At 1 October 2017	640	171	811
Depreciation charge	98	8	106
Disposals	(532)	-	(532)
	<b>206</b>	<b>179</b>	<b>385</b>
At 30 September 2018	<b>111</b>	<b>10</b>	<b>121</b>
Depreciation charge	<b>(169)</b>	<b>(5)</b>	<b>(174)</b>
Disposals	-	<b>(7)</b>	<b>(7)</b>
Written off			
	<b>148</b>	<b>177</b>	<b>325</b>
At 30 September 2019			
<b>Carrying amounts</b>			
At 1 October 2017	158	5	163
At 30 September 2018	655	11	666
At 30 September 2019	<b>554</b>	<b>10</b>	<b>564</b>

Certain property, plant and equipment of the Group with total carrying amount of RM129,845,000 (2018: RM139,848,000) as at the financial year ended 30 September 2019 were charged to banks as security for borrowings (Note 35).

The ownership of certain property, plant and equipment of subsidiaries with carrying amount of RM638,000 (2018: RM750,000) are held in trust by third parties.

The details of the properties held by the Group are shown on pages 188 to 197.

**Notes to the Financial Statements** (Continued)

**13. INVESTMENT PROPERTY**

	Freehold Land RM'000	Building RM'000	Total RM'000
<b>Group Cost</b>			
At 1 October 2017	11,149	46,428	57,577
Additions	-	73	73
At 30 September 2018	<b>11,149</b>	<b>46,501</b>	<b>57,650</b>
Additions	-	16	16
At 30 September 2019	<b>11,149</b>	<b>46,517</b>	<b>57,666</b>
<b>Accumulated depreciation</b>			
At 1 October 2017	-	8,314	8,314
Depreciation charge	-	943	943
At 30 September 2018	-	<b>9,257</b>	<b>9,257</b>
Depreciation charge	-	<b>946</b>	<b>946</b>
At 30 September 2019	-	<b>10,203</b>	<b>10,203</b>
<b>Carrying amounts</b>			
At 1 October 2017	11,149	38,114	49,263
At 30 September 2018	11,149	37,244	48,393
At 30 September 2019	<b>11,149</b>	<b>36,314</b>	<b>47,463</b>
		<b>Group</b>	
		<b>2019</b>	<b>2018</b>
		<b>RM'000</b>	<b>RM'000</b>
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 (Note 40). Subsequent renewals are negotiated with the lessee and on average renewal periods of 1 to 3 years. No contingent rents are charged.

The fair 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 values. 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.

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

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Rental income	<b>2,174</b>	2,161
Direct operating expenses	<b>(3,983)</b>	(3,900)

The details of the investment property are shown in page 196.

**Notes to the Financial Statements** (Continued)

**14. PREPAID LEASE PAYMENTS**

	Group	
	2019 RM'000	2018 RM'000
<b>Land leases at cost</b>		
At beginning of the year	471,721	402,481
Additions	9,078	5,428
Acquisitions through business combination	-	81,634
Disposal of a subsidiary	(4,568)	-
Written off	(6,104)	-
Currency translation differences	8,611	(17,822)
At end of the year	<b>478,738</b>	471,721
<b>Accumulated amortisation and impairment losses</b>		
At beginning of the year		
Accumulated amortisation	65,249	59,969
Accumulated impairment losses	20,469	20,527
Amortisation charge	85,718	80,496
Impairment loss (Note 12)	12,635	7,091
Reversal of impairment	-	(58)
Disposal of a subsidiary	(3,479)	-
Written off	(79)	-
Currency translation differences	626	(1,811)
At end of the year	<b>75,557</b>	65,249
Accumulated amortisation	52,099	20,469
Accumulated impairment losses	127,656	85,718
<b>Carrying amounts</b>	<b>351,082</b>	386,003

**Impairment testing**

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

The details of the prepaid lease payments of the Group are shown on pages 188 to 197.

**15. INVENTORIES**

	Group	
	2019 RM'000	2018 RM'000
<b>Non-current</b>		
Land held for property development	1,108,296	1,100,407
<b>Current</b>		
Property development costs	144,761	140,621
Other inventories	2,043,542	2,192,564
	<b>2,188,303</b>	2,333,185
	<b>3,296,599</b>	3,433,592

**Notes to the Financial Statements** (Continued)

	Group	
	2019 RM'000	2018 RM'000
<b>(a) Land held for property development</b>		
<b>Freehold land at cost</b>		
At beginning of the year	1,068,286	1,067,095
Additions	-	1,191
At end of the year	<b>1,068,286</b>	<b>1,068,286</b>
<b>Development expenditure at cost</b>		
At beginning of the year	32,121	24,376
Additions	7,889	7,745
At end of the year	<b>40,010</b>	<b>32,121</b>
<b>Total</b>	<b>1,108,296</b>	<b>1,100,407</b>

The details of the land held for property development by the Group are shown on pages 195 to 196.

	Group	
	2019 RM'000	2018 RM'000
<b>(b) Property development costs</b>		
Property development costs comprise:		
Land costs	25,868	17,874
Development costs	523,772	365,840
	<b>549,640</b>	<b>383,714</b>
Costs incurred during the year:		
Land costs	-	7,994
Development costs	98,315	157,932
	<b>98,315</b>	<b>165,926</b>
	<b>647,955</b>	<b>549,640</b>
Costs recognised as an expense in profit or loss:		
Previous years	(353,591)	(225,834)
Current year	(88,178)	(127,757)
Transfer to inventories of developed properties held for sale	(61,425)	(55,428)
	<b>144,761</b>	<b>140,621</b>



**Notes to the Financial Statements** (Continued)

	Group	
	2019 RM'000	2018 RM'000
<b>(c) Other inventories</b>		
<b>At cost</b>		
Inventories of produce	1,128,247	1,382,331
Developed properties held for sale	33,749	53,503
Nursery	31,228	46,112
Stores and materials	608,390	355,019
	<b>1,801,614</b>	1,836,965
<b>At net realisable value</b>		
Inventories of produce	241,719	350,528
Developed properties held for sale	209	209
Stores and materials	-	4,862
	<b>2,043,542</b>	2,192,564
<b>Recognised in profit or loss:</b>		
Inventories recognised as cost of sales	13,202,435	15,650,448
Write down of inventories	62,117	43,386
Write back of slow moving inventories	(3,000)	(1,208)
Write back of inventories written down to net realisable value	(7,624)	(7,877)

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.

**16. GOODWILL ON CONSOLIDATION**

	Group	
	2019 RM'000	2018 RM'000
<b>Cost</b>		
At beginning of the year	343,595	352,949
Currency translation differences	1,532	(9,354)
At end of the year	<b>345,127</b>	343,595

**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	
	2019 RM'000	2018 RM'000
Plantation	156,213	154,120
Manufacturing	188,911	189,472
Property development	3	3
	<b>345,127</b>	343,595

## Notes to the Financial Statements (Continued)

Goodwill is tested for impairment by comparing the carrying amount 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 12.2% (2018: 5.2% to 13.0%);
- (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.

### 17. INTANGIBLE ASSETS

	Group	
	2019 RM'000	2018 RM'000
<b>Cost</b>		
At beginning of the year	74,284	65,488
Additions	3,405	1,762
Acquisitions through business combination	-	9,322
Currency translation differences	(2,059)	(2,288)
At end of the year	<b>75,630</b>	74,284
<b>Accumulated amortisation and impairment losses</b>		
At beginning of the year		
Accumulated amortisation	43,796	42,841
Accumulated impairment losses	7,130	7,322
Amortisation charge	50,926	50,163
Currency translation differences	3,504	2,395
At end of the year	(881)	(1,632)
At end of the year	<b>46,422</b>	43,796
Accumulated amortisation	7,127	7,130
Accumulated impairment losses		
	<b>53,549</b>	50,926
<b>Carrying amounts</b>	<b>22,081</b>	23,358

The amortisation of intangible assets amounting to RM3,504,000 (2018: RM2,395,000) is included in administration expenses.

These assets consist mainly of trade marks and patents.

**Notes to the Financial Statements** (Continued)

**18. INVESTMENTS IN SUBSIDIARIES AND AMOUNTS OWING BY/(TO) SUBSIDIARIES**

	<b>Company</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Investments in subsidiaries</b>		
Unquoted shares at cost	<b>382,653</b>	397,953
Quoted shares at cost	<b>560,233</b>	560,233
	<b>942,886</b>	958,186
Market value of shares In quoted corporation	<b>11,560,807</b>	12,502,502

Details of the subsidiaries are shown in Note 42.

	<b>Company</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Amounts owing by subsidiaries</b>		
Non-current assets	<b>138,346</b>	112,950
Current assets		
Gross	<b>7,996</b>	7,415
Allowance for impairment losses	<b>(4,265)</b>	(4,190)
Net	<b>3,731</b>	3,225
	<b>142,077</b>	116,175

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 RM137,973,000 and RM1,236,000 (2018: RM112,950,000 and RM989,000) classified as non-current and current assets respectively which are subject to interest charge at 6.0% (2018: 6.0%) per annum.

	<b>Company</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Impairment in amounts owing by subsidiaries		
At beginning of the year	<b>4,190</b>	4,175
Effects on adoption of MFRSs	-	6
As restated	<b>4,190</b>	4,181
Impairment losses	<b>75</b>	9
At end of the year	<b>4,265</b>	4,190

Certain amounts owing by subsidiaries were impaired in full as the management was of the opinion that the amounts cannot be recovered.

**Amount owing to a subsidiary**

Amount owing to a subsidiary in the previous financial year was non-trade, unsecured, repayable on demand and non-interest bearing.

**Notes to the Financial Statements** (Continued)

**19. INVESTMENTS IN ASSOCIATES**

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Shares at cost				
In unquoted corporations	114,166	115,405	-	4,153
In a quoted corporation	1,315,361	-	-	-
	<b>1,429,527</b>	115,405	-	4,153
Impairment in value of investments				
At beginning of the year	(3,252)	(3,252)	(3,252)	(3,252)
Impairment losses	(123)	-	(108)	-
Reversal of impairment	3,375	-	3,360	-
At end of the year	-	(3,252)	-	(3,252)
Post-acquisition reserves	85,999	72,473	-	-
	<b>1,515,526</b>	184,626	-	901
Amount owing by an associate	956	939	-	-
	<b>1,516,482</b>	185,565	-	901

During the current financial year, reversal of impairment losses amounting to RM3,375,000 (2018: Nil) and RM3,360,000 (2018: Nil) for the Group and for the Company were made following the filing of the Return of Final Winding-up Meeting by an associate with the Registrar of Companies. The associate was dissolved subsequent to year end as set out in Note 46(a).

On 30 July 2019, Synthomer Plc ("Synthomer") became an associate of the Group through the subscriptions of rights issue and new shares in Synthomer.

As at 30 September 2019, the Group did not have any associate which was individually material to the Group except for Synthomer. As at 30 September 2018, the Group did not have any associate which was individually material to the Group.

Synthomer is a public listed company in United Kingdom with a financial year end of 31 December, and the financial statements are only published half-yearly, i.e. 30 June and 31 December.

The latest published financial information of Synthomer was for 6-month period ended 30 June 2019, on which Synthomer has not become an associate of the Group. Hence, the financial information of Synthomer is not disclosed in the following summary.

	Group	
	2019 RM'000	2018 RM'000
Summary of financial information of associates other than Synthomer:		
Non-current assets	997,932	990,751
Current assets	715,449	575,041
Non-current liabilities	(111,330)	(128,338)
Current liabilities	(334,496)	(237,591)
Revenue	1,017,666	738,882
Profit for the year	38,650	33,547
Other comprehensive income/(loss)	237	(764)
Total other comprehensive income	38,887	32,783
Dividends received from associates	10,288	6,641

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.

## Notes to the Financial Statements (Continued)

## 20. INVESTMENTS IN JOINT VENTURES

	Group	
	2019 RM'000	2018 RM'000
Shares at cost		
In unquoted corporations	92,515	100,615
Post-acquisition reserves	(39,795)	(42,749)
	52,720	57,866
Amounts owing by joint ventures	214,587	201,434
	267,307	259,300

The Group did not have any joint venture which was individually material to the Group as at 30 September 2019 and 30 September 2018.

	Group	
	2019 RM'000	2018 RM'000
Summary of financial information of joint ventures:		
Non-current assets	165,937	170,026
Current assets	649,933	663,348
Non-current liabilities	(787,409)	(312,011)
Current liabilities	(311,735)	(319,092)
Revenue	1,195,593	1,363,307
Profit for the year	25,315	1,281

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

The 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% (2018: 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.

**Notes to the Financial Statements** (Continued)

**21. OTHER INVESTMENTS**

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Equity instruments measured at fair value through other comprehensive income</b>				
Unquoted corporations	65,641	62,250	56,861	54,451
Quoted corporations				
In Malaysia	24,588	34,248	-	-
In overseas	414,727	2,398,932	10,701	11,233
	439,315	2,433,180	10,701	11,233
	504,956	2,495,430	67,562	65,684
<b>Equity instruments measured at fair value through profit or loss</b>				
Unit trust funds in Malaysia	253,695	291,246	79,138	112,849
	758,651	2,786,676	146,700	178,533
<b>Debt instrument measured at fair value through profit or loss</b>				
In an overseas quoted corporation	13,966	-	-	-
	772,617	2,786,676	146,700	178,533
Amounts owing by investee companies	49,811	46,679	-	-
	822,428	2,833,355	146,700	178,533
Other investments are classified as:				
Non-current assets	568,733	2,542,109	67,562	65,684
Current assets	253,695	291,246	79,138	112,849
	822,428	2,833,355	146,700	178,533

During the financial year, Synthomer became an associate of the Group (Note 19).

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.

## Notes to the Financial Statements (Continued)

### 22. OTHER RECEIVABLE

Other receivable represents advances to plasma plantation projects.

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% (2018: 8.0%) per annum.

These advances are recoverable from the plasma farmers directly either by netting off against the purchase consideration of the fresh fruit bunches purchased from the plasma farmers or through bank loans obtained by the plasma farmers.

No expected credit loss is recognised arising from the advances to plasma plantation project as the amount is negligible.

### 23. DEFERRED TAXATION

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

	Liabilities		Assets		Net	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Group</b>						
Property, plant and equipment						
Capital allowances	<b>306,379</b>	288,300	<b>(105,290)</b>	(79,972)	<b>201,089</b>	208,328
Biological assets	<b>14,625</b>	15,271	-	-	<b>14,625</b>	15,271
Unutilised tax losses	-	-	<b>(99,021)</b>	(69,604)	<b>(99,021)</b>	(69,604)
Provision for retirement benefits	-	-	<b>(135,668)</b>	(106,022)	<b>(135,668)</b>	(106,022)
Other items	<b>19,778</b>	14,520	<b>(6,516)</b>	(15,226)	<b>13,262</b>	(706)
Tax liabilities/(assets)	<b>340,782</b>	318,091	<b>(346,495)</b>	(270,824)	<b>(5,713)</b>	47,267
Set off of tax	<b>103,804</b>	118,793	<b>(103,804)</b>	(118,793)	-	-
Net tax liabilities/(assets)	<b>444,586</b>	436,884	<b>(450,299)</b>	(389,617)	<b>(5,713)</b>	47,267

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.



**Notes to the Financial Statements** (Continued)

The components and movements in deferred tax liabilities and deferred tax assets (before offsetting) are as follows:

Group	Property, Plant and Equipment		Biological Assets RM'000	Other Taxable Temporary Differences RM'000	Unutilised Tax Losses RM'000	Unabsorbed Capital Allowances RM'000	Provision for Retirement Benefits RM'000	Other Deductible Temporary Differences RM'000	Total RM'000
	Capital Allowances RM'000	Revaluation RM'000							
At 1 October 2017	(34,507)	93,428	-	11,262	(110,879)	(18,572)	(103,098)	(6,183)	(168,549)
Effects on adoption of MFRSs	184,896	(93,428)	17,760	-	-	-	-	-	109,228
As restated	150,389	-	17,760	11,262	(110,879)	(18,572)	(103,098)	(6,183)	(59,321)
Reclassification	(302)	-	-	-	-	-	302	-	-
Recognised in profit or loss	72,306	-	(1,323)	3,371	10,098	(63,458)	(1,760)	(2,413)	16,821
Recognised in equity	-	-	-	-	-	-	(1,480)	-	(1,480)
Acquisitions through business combination	41,908	-	-	-	(2,424)	(7)	(614)	-	38,863
(Over)/Under provision in respect of previous years	(1,022)	-	-	-	24,114	(1,038)	(3,984)	(6,666)	11,404
Currency translation differences	25,021	-	(1,166)	(113)	9,487	3,103	4,612	36	40,980
At 30 September 2018	<b>288,300</b>	-	<b>15,271</b>	<b>14,520</b>	<b>(69,604)</b>	<b>(79,972)</b>	<b>(106,022)</b>	<b>(15,226)</b>	<b>47,267</b>
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)
Changes in tax rates	(1,731)	-	-	-	-	-	-	-	(1,731)
(Over)/Under provision in respect of previous years	(82)	-	7,642	-	(4,894)	267	97	(2,500)	530
Currency translation differences	(10,092)	-	522	142	(3,031)	(4,016)	973	86	(15,416)
At 30 September 2019	<b>306,379</b>	-	<b>14,625</b>	<b>19,778</b>	<b>(99,021)</b>	<b>(105,290)</b>	<b>(135,668)</b>	<b>(6,516)</b>	<b>(5,713)</b>

## Notes to the Financial Statements (Continued)

Deferred tax assets include an amount of RM74,564,000 (2018: RM57,890,000) which relates to unutilised tax losses and unabsorbed capital allowances of certain sub-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	
	2019 RM'000	2018 RM'000
No deferred tax assets/(liabilities) have been recognised for the following items:		
Unabsorbed capital allowances	502,371	462,673
Deductible temporary differences	2,096	1,292
Investment tax allowance	64,991	1,795
Unutilised tax losses	364,006	441,777
Property, plant and equipment	<b>(808,334)</b>	<b>(695,738)</b>
	<b>125,130</b>	<b>211,799</b>

The reinvestment allowance of a sub-subsidiary amounting to RM17,626,000 (2018: Nil) will expire in year 2025.

	Group	
	2019 RM'000	2018 RM'000
Unutilised tax losses of RM50,534,000 (2018: RM2,594,000) will expire as follows under the respective tax legislation of countries in which certain sub-subsidiaries domicile:		
Year of expiry		
2019	-	2,471
2020	119	123
2023	370	-
2025	43,990	-
2026	6,055	-
	<b>50,534</b>	<b>2,594</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 RM756,421,000 (2018: RM720,221,000) 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)

**24. BIOLOGICAL ASSETS**

	Group 2018 RM'000
<b>Plantation development expenditure (included under non-current assets)</b>	
<b>Cost/Valuation</b>	
At beginning of the year	3,167,604
Effects on adoption of MFRSs	(3,167,604)
As restated	-
<b>Accumulated amortisation</b>	
At beginning of the year	441,619
Effects on adoption of MFRSs	(441,619)
As restated	-
<b>Carrying amounts</b>	-

	Unharvested Fresh Fruit Bunches RM'000	Livestock RM'000	Growing Crops RM'000	Total RM'000
<b>Current assets - At fair value</b>				
<b>Group</b>				
At 1 October 2017	-	4,296	33,510	37,806
Effects on adoption of MFRSs	80,656	-	-	80,656
At 1 October 2017 (Restated)	80,656	4,296	33,510	118,462
Changes in fair value less cost to sell	(14,743)	1,160	-	(13,583)
Increase due to crop sowing	-	-	37,300	37,300
Increase due to purchases and births	-	2,211	-	2,211
Decrease due to sales	-	(1,704)	-	(1,704)
Transfer to profit or loss	-	-	(31,033)	(31,033)
Currency translation differences	(4,542)	(454)	(3,380)	(8,376)
At 30 September 2018	<b>61,371</b>	<b>5,509</b>	<b>36,397</b>	<b>103,277</b>
Changes in fair value less cost to sell	(4,681)	2,158	-	(2,523)
Increase due to 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>

The biological assets of the Group comprise of:

**(a) Unharvested fresh fruit bunches ("FFB")**

During the financial year, the Group harvested 4.22 million mt (2018: 4.02 million mt) of Fresh Fruit Bunches ("FFB"). The quantity of unharvested FFB of the Group as at 30 September 2019 included in the fair valuation of unharvested FFB was 180,667 mt (2018: 180,207 mt).

If the FFB selling price changes by 5%, profit or loss for the Group would have equally increased or decreased by approximately RM3.7 million (2018: RM3.9 million).

**Notes to the Financial Statements** (Continued)

**(b) Livestock**

Livestock mainly comprise of sheep and cattle.

During the financial year, the Group produced 9,851 (2018: 9,232) sheeps and 188 (2018: 195) cattles. The quantity of sheep and cattle of the Group as at 30 September 2019 included in the fair valuation of livestock was 27,499 head (2018: 27,110 head) and 485 head (2018: 502 head) respectively.

**(c) Growing crops**

Growing crops mainly comprise of wheat, canola and barley.

During the financial year, the Group harvested 58,880 mt (2018: 38,867 mt) of wheat, 11,680 mt (2018: 18,416 mt) of canola and 32,878 mt (2018: 10,000 mt) of barley. Area of crops sown for the financial year were 16,070 hectares (2018: 18,837 hectares) for wheat, 8,778 hectares (2018: 7,590 hectares) for canola and 8,439 hectares (2018: 8,974 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 (2018: no transfer in either directions).

None of the biological assets of the Group as at 30 September 2019 and 30 September 2018 were pledged as securities for liabilities.

**25. TRADE RECEIVABLES**

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Trade receivables	<b>1,349,469</b>	1,502,190
Allowance for impairment losses	<b>(47,581)</b>	(47,504)
	<b><u>1,301,888</u></b>	<u>1,454,686</u>

Included in trade receivables are amounts owing by related parties of RM79,359,000 (2018: RM192,490,000).

**Notes to the Financial Statements** (Continued)

The allowance for impairment losses as at end of the reporting period is determined as follow:

	Gross RM'000	Expected Credit Loss Rate (%)	Allowance for Impairment Losses RM'000	Net RM'000
<b>Group</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>
<b>2018</b>				
Not past due	1,273,008	0.9%	11,387	1,261,621
Past due 1 - 90 days	197,954	4.5%	8,801	189,153
Past due more than 90 days	31,228	87.5%	27,316	3,912
	<b>1,502,190</b>	<b>3.2%</b>	<b>47,504</b>	<b>1,454,686</b>

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

	Group	
	2019 RM'000	2018 RM'000
At beginning of the year	47,504	27,846
Effects on adoption of MFRSs	-	24,467
As restated	47,504	52,313
Impairment losses	7,527	1,822
Reversal of impairment	(6,766)	(5,356)
Impairment losses written off	(103)	(209)
Currency translation differences	(581)	(1,066)
At end of the year	<b>47,581</b>	<b>47,504</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 7 to 180 (2018: 7 to 180) days. Other credit terms are assessed and approved on a case-by-case basis.

**Notes to the Financial Statements** (Continued)

**26. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Other receivables	518,235	228,888	47	96
Allowance for impairment losses	(1,812)	-	-	-
	<b>516,423</b>	228,888	<b>47</b>	96
Indirect tax receivables	230,499	269,680	-	-
Prepayments	78,020	64,955	-	-
Refundable deposits	24,637	38,472	-	-
	<b>849,579</b>	601,995	<b>47</b>	96

The movements in allowance for impairment losses of other receivables during the year were:

	Group	
	2019 RM'000	2018 RM'000
At beginning of the year	-	-
Impairment losses	1,814	-
Currency translation differences	(2)	-
At end of the year	<b>1,812</b>	-

No expected credit loss is recognised arising from other receivables of the Company as the amount is negligible.

**27. CONTRACT ASSETS/(LIABILITIES)**

	Group	
	2019 RM'000	2018 RM'000
<b>Contract assets</b>		
Accrued billings	14,867	48,737
<b>Contract liabilities</b>		
Progress billings	(1,688)	-
Advances from customers	(91,322)	(54,842)
	<b>(93,010)</b>	(54,842)
<b>Total</b>	<b>(78,143)</b>	(6,105)

**(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	
	2019 RM'000	2018 RM'000
At beginning of the year	(6,105)	-
Effects on adoption of MFRSs	-	(57,644)
As restated	(6,105)	(57,644)
Net revenue recognised during the year	240,508	227,821
Net progress billings issued during the year	(205,918)	(122,194)
Cash received in advance	(106,751)	(54,762)
Currency translation differences	123	674
At end of the year	<b>(78,143)</b>	<b>(6,105)</b>

**(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 2019 RM'000
Revenue is expected to be recognised from contracts with customers:	
Within one year	44,792
Between 1 to 2 years	11,373
Between 2 to 5 years	164
	<b>56,329</b>

No expected credit loss is recognised arising from contract assets as the amount is negligible.

**28. 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 2019</b>		
Forward foreign exchange contracts	(977,187)	3,738	(1,854)
Commodities future contracts	(108,565)	30,275	(18,704)
Total derivative financial instruments		<b>34,013</b>	<b>(20,558)</b>
<b>2018</b>			
Forward foreign exchange contracts	(880,831)	991	(11,817)
Commodities future contracts	68,675	68,243	(52,402)
Total derivative financial instruments		69,234	(64,219)



## Notes to the Financial Statements (Continued)

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

The 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.

### 29. SHORT TERM FUNDS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deposits with licensed banks	<b>1,659,207</b>	195,579	<b>36</b>	-

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	
	2019	2018	2019	2018
Deposits with licensed banks	<b>1.88% to 7.75%</b>	1.53% to 6.00%	<b>3.10%</b>	-

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Maturities above 3 months to 1 year				
Deposits with licensed banks	<b>1,659,207</b>	195,579	<b>36</b>	-

Deposit with licensed bank of the Group amounting to RM10,205,000 (2018: RM11,275,000) as at 30 September 2019 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.

**Notes to the Financial Statements** (Continued)

**30. CASH AND CASH EQUIVALENTS**

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deposits with licensed banks	1,277,741	942,162	-	34
Fixed income trust funds	328,811	53,584	-	-
Cash and bank balances	710,916	566,240	183,217	182,620
	<b>2,317,468</b>	<b>1,561,986</b>	<b>183,217</b>	<b>182,654</b>

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 2019 was RM96,600,000 (2018: RM32,327,000) 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	
	2019	2018	2019	2018
Deposits with licensed banks	0.33% to 7.55%	0.35% to 7.55%	-	3.10% to 3.35%
Fixed income trust funds	3.32% to 3.70%	3.50% to 3.63%	-	-

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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Maturities of 3 months or below				
Deposits with licensed banks	1,277,741	942,162	-	34
Fixed income trust funds	328,811	53,584	-	-
	<b>1,606,552</b>	<b>995,746</b>	<b>-</b>	<b>34</b>

No expected credit loss is recognised arising from deposits with licensed banks and cash and bank balances as the amount is negligible.



## Notes to the Financial Statements (Continued)

### 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 19 February 2019. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the buy back plan can be applied in the best interests of the Company and its shareholders.

During the year, the Company bought back a total of 8,024,100 of its issued shares from the open market for a total cost of RM131,319,240. The average price paid for the shares bought back was RM16.31 per share. The shares bought back were financed by internally generated funds and borrowings and held as treasury shares.

Of the total 435,951,000 issued and fully-paid shares, 43,403,831 (2018: 35,379,731) are held as treasury shares by the Company as at 30 September 2019. As at this date, the number of outstanding shares issued and fully-paid, after deducting treasury shares held is 392,547,169 (2018: 400,571,269) share.

### 32. RESERVES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Non-distributable</b>				
Capital reserve	415,921	405,100	-	-
Exchange fluctuation reserve	(24,664)	(42,577)	-	-
Fair value reserve	540,171	936,191	49,764	47,887
	<b>931,428</b>	<b>1,298,714</b>	<b>49,764</b>	<b>47,887</b>
<b>Distributable</b>				
Capital reserve	242,625	247,545	32,555	32,555
Retained earnings	4,676,028	4,591,330	1,009,555	901,635
	<b>4,918,653</b>	<b>4,838,875</b>	<b>1,042,110</b>	<b>934,190</b>
	<b>5,850,081</b>	<b>6,137,589</b>	<b>1,091,874</b>	<b>982,077</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, RM623,059,647 (2018: RM491,740,407) was utilised for the purchase of the treasury shares and is considered as non-distributable. Details of treasury shares are disclosed in Note 31.

**Notes to the Financial Statements** (Continued)

**33. DEFERRED INCOME**

	Group	
	2019 RM'000	2018 RM'000
<b>Government grants</b>		
<b>At cost</b>		
At beginning of the year	160,140	150,662
Received during the year	907	9,826
Written off	(1,019)	-
Currency translation differences	(472)	(348)
At end of the year	<b>159,556</b>	160,140
<b>Accumulated amortisation</b>		
At beginning of the year	33,189	25,489
Amortisation charge	8,188	7,926
Currency translation differences	(337)	(226)
At end of the year	<b>41,040</b>	33,189
<b>Carrying amounts</b>	<b>118,516</b>	126,951
Deferred income is disclosed under:		
Non-current liabilities	110,320	119,004
Current liabilities	8,196	7,947
	<b>118,516</b>	126,951

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

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.

## Notes to the Financial Statements (Continued)

## 34. PROVISION FOR RETIREMENT BENEFITS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Present value of funded obligations	263,705	244,415	-	-
Fair value of plan assets	(246,167)	(235,687)	-	-
	<b>17,538</b>	8,728	-	-
Unfunded obligations	<b>533,008</b>	468,595	<b>103</b>	31
Present value of net obligations	<b>550,546</b>	477,323	<b>103</b>	31
Represented by:				
Payable not later than 1 year	393	-	-	-
Payable later than 1 year	550,153	477,323	103	31
	<b>550,546</b>	477,323	<b>103</b>	31

The provision for retirement benefits of the Group payable not later than 1 year amounting to RM393,000 (2018: Nil) was included in other payables.

**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. 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 2019.
- (iv) A sub-subsidiary in Switzerland, Kolb Distribution AG, makes contributions to a funded defined benefit plan that provides pension benefits for employees upon retirement. The assets of the plan are held as a segregated fund and administered by trustees.

This funded defined benefit obligation is determined by an independent qualified actuary on an annual basis. The last actuarial valuation was on 31 August 2019 and subsequently a roll-forward of the obligations and the plan assets to 30 September 2019 was calculated. The plan assets are stated at their market value as at 30 September 2019.

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 RM21,209,000 in contributions to be paid to the defined benefit plans in the next financial year.

**Notes to the Financial Statements** (Continued)

Movement in Net Defined Benefit Liabilities	Present Value of Funded Obligations RM'000	Unfunded Obligations RM'000	Fair Value of Plan Assets RM'000	Present Value of Net Obligations RM'000
<b>Group</b>				
At 1 October 2017	248,079	466,743	(226,534)	488,288
<b>Included in profit or loss</b>				
Service cost	6,620	24,674	-	31,294
Remeasurement	-	(90)	-	(90)
Under provision	-	35	-	35
Administration cost	120	-	-	120
Interest cost/(income)	1,678	13,651	(1,537)	13,792
	8,418	38,270	(1,537)	45,151
<b>Included in other comprehensive income</b>				
Remeasurement (gain)/loss				
Actuarial (gain)/loss from:				
- Financial assumptions	(9,274)	6,691	-	(2,583)
- Demographic assumptions	(1,343)	-	-	(1,343)
- Experience assumptions	4,864	4,488	-	9,352
Return on plan assets excluding interest income	-	-	(5,781)	(5,781)
	(5,753)	11,179	(5,781)	(355)
<b>Others</b>				
Contributions paid by employer	-	(24,019)	(7,379)	(31,398)
Employee contributions	5,321	-	(5,321)	-
Benefits paid	(3,748)	-	3,748	-
Acquisitions through business combination	-	1,814	-	1,814
Currency translation differences	(7,902)	(25,392)	7,117	(26,177)
At 30 September 2018	<b>244,415</b>	<b>468,595</b>	<b>(235,687)</b>	<b>477,323</b>
<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>

The amount of remeasurement loss of RM46,258,000 (2018: gain RM1,835,000) recognised in the other comprehensive income is net of deferred tax assets of RM19,481,000 (2018: deferred tax assets RM1,480,000) (Note 23).



**Notes to the Financial Statements** (Continued)

	Group	
	2019 RM'000	2018 RM'000
<b>Plan assets</b>		
Plan assets comprise:		
Equity funds quoted in Switzerland	42,222	36,058
Equity funds quoted in the United States of America	25,171	24,560
Other equity funds	5,902	5,532
Bond funds quoted in Switzerland	61,348	56,203
Other bond funds	27,965	24,872
Real estate funds quoted in Switzerland	54,014	51,312
Cash and cash equivalents	9,170	17,418
Other assets	20,375	19,732
	<b>246,167</b>	<b>235,687</b>

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

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

	Company	
	2019 RM'000	2018 RM'000
<b>Unfunded obligations</b>		
Movement in the unfunded defined benefit obligations		
At beginning of the year	31	30
Expense recognised in profit or loss	72	1
	<b>103</b>	<b>31</b>
At end of the year		
Expense recognised in profit or loss		
Current service cost	13	3
Interest cost	4	1
Under/(Over) provision	55	(3)
	<b>72</b>	<b>1</b>

	Group	
	2019 %	2018 %
<b>Actuarial assumptions</b>		
Principal actuarial assumptions of the funded plan operated by the sub-subsidiary in Switzerland (expressed as weighted averages):		
Discount rates	(0.2)	0.7
Future salary increases	1.0	1.0
	<b>8.2</b>	<b>8.3</b>
Principal assumptions of the unfunded plans used by plantation subsidiaries in Indonesia:		
Discount rates	6.0 to 7.5	4.0 to 8.0
Future salary increases		
Principal actuarial assumptions of the unfunded plan operated by the sub-subsidiary in Germany:		
Discount rate	0.7	1.8
Future salary increases	3.0	3.0
Future pension increases	1.8	1.8

**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 14.8 years (2018: 13.9 years).

**Sensitivity analysis**

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

	Group	
	Defined Benefit Increase RM'000	Obligation Decrease RM'000
<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)
<b>2018</b>		
Discount rate (0.25% movement)	(22,388)	24,426
Future salary growth (0.25% movement)	5,374	(4,929)
Life expectancy (1 year movement)	23,644	(23,589)

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.

**35. BORROWINGS**

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Non-current</b>				
Secured				
Term loan	27,676	35,085	-	-
Unsecured				
Term loans	542,157	427,014	-	-
Islamic medium term notes	5,100,000	3,100,000	500,000	500,000
	5,642,157	3,527,014	500,000	500,000
	5,669,833	3,562,099	500,000	500,000
<b>Current</b>				
Secured				
Term loan	5,648	10,198	-	-
Bankers' acceptance	5,009	-	-	-
	10,657	10,198	-	-
Unsecured				
Bank overdrafts	120,857	89,034	-	-
Term loans	120,966	175,439	-	-
Export credit refinancing	8,329	83,620	-	-
Bankers' acceptance	230,268	427,614	-	-
Revolving credit	420,713	164,534	-	-
Trade financing	442,212	270,675	-	-
	1,343,345	1,210,916	-	-
	1,354,002	1,221,114	-	-
<b>Total borrowings</b>	<b>7,023,835</b>	<b>4,783,213</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.

## Notes to the Financial Statements (Continued)

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).
  - 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 RM129,845,000 (2018: RM139,848,000) as at 30 September 2019.
- (f) Certain unsecured term loans, bank overdrafts, bankers’ acceptance and revolving credit are supported by corporate guarantees of RM967.7 million (2018: RM657.2 million) issued by the Company and a subsidiary. The bank overdraft facilities are renewable annually.

**Notes to the Financial Statements** (Continued)

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

	Group		Company	
	2019	2018	2019	2018
Bank overdrafts	<b>0.25% to 0.33%</b>	0.33% to 2.00%	-	-
Term loans	<b>0.71% to 4.36%</b>	0.71% to 4.02%	-	-
Trade financing	<b>2.45% to 3.82%</b>	1.70% to 2.81%	-	-
Export credit refinancing	<b>3.56% to 3.94%</b>	3.48% to 4.20%	-	-
Bankers' acceptance	<b>2.60% to 4.57%</b>	3.11% to 4.57%	-	-
Revolving credit	<b>1.00% to 9.15%</b>	1.00% to 8.75%	-	4.56%
Islamic medium term notes	<b>3.75% to 4.65%</b>	4.00% to 4.65%	<b>4.05%</b>	4.05%

(h) An amount of RM1,148,143,000 (2018: RM862,343,000) of the Group's borrowings consists of floating rate borrowings which interest rates reprice within a year.

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

(i) Reconciliation of liabilities from financing activities to the statements of financial position and statements of cash flows are as follows:

	Group			Company	
	Term Loans RM'000	Short Term Borrowings RM'000	Islamic Medium Term Notes RM'000	Total RM'000	Islamic Medium Term Notes RM'000
At 1 October 2017	503,830	1,214,810	3,100,000	4,818,640	500,000
Cash flows					
Term loans received	218,800	-	-	218,800	-
Repayment of term loans	(57,277)	-	-	(57,277)	-
Net repayment of short term borrowings	-	(251,138)	-	(251,138)	-
Non-cash flows					
Currency translation differences	(17,617)	(17,229)	-	(34,846)	-
<b>At 30 September 2018</b>	<b>647,736</b>	<b>946,443</b>	<b>3,100,000</b>	<b>4,694,179</b>	<b>500,000</b>
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)	-
<b>At 30 September 2019</b>	<b>696,447</b>	<b>1,106,531</b>	<b>5,100,000</b>	<b>6,902,978</b>	<b>500,000</b>

**Notes to the Financial Statements** (Continued)

**36. TRADE PAYABLES**

	Group	
	2019 RM'000	2018 RM'000
Trade payables	<b>532,242</b>	564,044

Included in trade payables are amounts owing to related parties of RM8,528,000 (2018: RM19,759,000).

The normal trade credit terms granted to the Group ranged from 7 to 90 (2018: 7 to 90) days.

**37. OTHER PAYABLES**

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Other payables	<b>429,858</b>	406,126	<b>536</b>	271
Accruals	<b>425,128</b>	404,804	<b>10,135</b>	10,273
Deposits received	<b>405</b>	507	-	-
Indirect tax payable	<b>24,753</b>	14,541	-	-
	<b>880,144</b>	825,978	<b>10,671</b>	10,544
Represented by:				
Payable not later than 1 year	<b>879,761</b>	825,896	<b>10,671</b>	10,544
Payable later than 1 year	<b>383</b>	82	-	-
	<b>880,144</b>	825,978	<b>10,671</b>	10,544

Other payables of the Group payable later than 1 year amounting to RM383,000 (2018: RM82,000) represent deposits which are payable upon the expiry of the tenancy agreements.

**38. RELATED PARTY TRANSACTIONS**

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

	Company	
	2019 RM'000	2018 RM'000
Rental paid to a subsidiary	<b>85</b>	96
Interest received from subsidiaries	<b>6,793</b>	7,029
Interest paid to a subsidiary	-	6

**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 term for the financial year (in addition to related party disclosures mentioned elsewhere in the financial statements).

	Group	
	2019 RM'000	2018 RM'000
(i) Transactions with associates and joint ventures		
Processing fee earned	693	778
Sale of finished goods	231,829	318,824
Sale of electricity	1,066	1,073
Purchase of goods	1,056,792	1,268,263
Service charges paid	2,726	2,726
Research and development services paid	13,687	14,597
(ii) Transactions with companies in which certain Directors are common directors and/or have direct or deemed interest		
<b>Sale of goods</b>		
Chlor-AI Chemical Pte Ltd	5,287	7,817
Siam Taiko Marketing Co Ltd	2,591	3,224
Taiko Marketing Sdn Bhd	255,455	292,390
Taiko Marketing (Singapore) Pte Ltd	3,551	1,874
<b>Freight income earned</b>		
Chlor-AI Chemical Pte Ltd	614	637
Taiko Marketing Sdn Bhd	513	1,401
<b>Storage tanks rental received</b>		
Taiko Marketing Sdn Bhd	4,132	3,970
<b>Purchase of goods</b>		
Borneo Taiko Clay Sdn Bhd	4,619	3,404
Bukit Katho Estate Sdn Bhd	3,643	4,457
Chlor-AI Chemical Pte Ltd	3,617	-
Kampar Rubber & Tin Co Sdn Bhd	5,554	7,044
Kekal & Deras Sdn Bhd	1,512	1,577
Ladang Tai Tak (Kota Tinggi) Sdn Bhd	2,269	1,001
Malay Rubber Plantations (M) Sdn Bhd	5,859	6,651
P.T. Agro Makmur Abadi	52,946	84,940
P.T. Bumi Karyatama Raharja	3,044	-
P.T. Java Taiko Mineralindo	1,140	-
P.T. Safari Riau	20,394	33,649
Taiko Acid Works Sdn Bhd	2,393	2,452
Taiko Clay Marketing Sdn Bhd	2,558	2,320
Taiko Drum Industries Sdn Bhd	3,731	2,986
Taiko Marketing Sdn Bhd	43,784	65,741
Taiko Marketing (Singapore) Pte Ltd	30,486	27,571
<b>Management fees paid</b>		
Farming Management Services Pty Ltd	2,405	2,327
<b>Aircraft operating expenses and management services paid</b>		
Smooth Route Sdn Bhd	2,228	1,936
<b>Supply of contract labours and engineering works</b>		
K7 Engineering Sdn Bhd	1,825	1,245
Yeow Brothers Engineering Sdn Bhd	717	956
<b>Sales commissions charged by</b>		
Taiko Marketing Sdn Bhd	47	102
<b>IT Services</b>		
E-Komoditi Sdn Bhd	1,824	-



**Notes to the Financial Statements** (Continued)

	Group	
	2019 RM'000	2018 RM'000
(iii) Transactions between subsidiaries and non-controlling interests		
<b>Sale of goods</b>		
Mitsubishi Corporation	42,980	46,096
Mitsui & Co Ltd	237,160	349,788
Tejana Trading & Management Services Sdn Bhd	-	4,312
<b>Purchase of goods</b>		
Mitsubishi Gas Chemical Singapore Pte Ltd	16,203	17,283
P.T. Letawa	-	2,671
P.T. Tanjung Bina Lestari	18,408	27,851
P.T. Tanjung Sarana Lestari	1,210,290	1,328,873
Tejana Trading & Management Services Sdn Bhd	-	1,361

**39. CAPITAL COMMITMENTS**

	Group	
	2019 RM'000	2018 RM'000
<b>Capital expenditure</b>		
Approved and contracted	364,210	133,494
Approved but not contracted	894,065	841,213
	1,258,275	974,707
<b>Joint venture</b>		
Share of capital commitment of a joint venture	79,427	8,641

**40. LEASE COMMITMENTS**

	Group	
	2019 RM'000	2018 RM'000
<b>Lease as a lessee</b>		
Total future minimum lease payments under non-cancellable operating leases are as follows:		
Less than 1 year	36,417	17,660
Between 1 and 5 years	113,522	49,662
More than 5 years	120,137	95,641
	270,076	162,963
<b>Lease as a lessor</b>		
The future minimum lease receivables under non-cancellable operating leases are as follows:		
Less than 1 year	7,657	3,875
Between 1 and 5 years	7,875	5,534
More than 5 years	893	816
	16,425	10,225

## Notes to the Financial Statements (Continued)

**41. CONTINGENT LIABILITIES - UNSECURED**

- (a) The Company and a subsidiary have an unsecured contingent liability of RM5.0 million and RM962.7 million (2018: Nil and RM657.2 million) respectively in respect of corporate guarantees given to certain banks for credit facilities utilised by certain of its subsidiaries at 30 September 2019.
- (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.

**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
			2019	2018	
<b>Held by the Company:</b>					
<b>MANUFACTURING 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 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 CHEMICALS AND 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

**Notes to the Financial Statements** (Continued)

Subsidiaries	Country of Incorporation	Principal Country of Operation	Percentage of Equity Held		Principal Activities
			2019	2018	
<b>See Sen Chemical Berhad:</b>					
<b>MANUFACTURING</b>					
<b>CHEMICALS</b>					
See Sen Bulking Installation Sdn Bhd †	Malaysia	Malaysia	-	100	Dormant
<b>Whitmore Holdings Sdn Bhd:</b>					
<b>PLANTATION</b>					
<b>INDONESIA</b>					
P.T. Satu Sembilan Delapan †	Indonesia	Indonesia	<b>92</b>	92	Plantation
P.T. Tekukur Indah †	Indonesia	Indonesia	<b>90</b>	90	Plantation
<b>Caruso Ventures Pte Ltd:</b>					
<b>INVESTMENT HOLDING</b>					
Caruso Australia Ventures Pty Ltd ††	Australia	Australia	<b>100</b>	100	Investment holding
Caruso Epping Pty Ltd ††	Australia	Australia	<b>100</b>	100	Trustee company
Caruso Epping Unit Trust ††	Australia	Australia	<b>100</b>	100	Joint venture partner in property development
Caruso Greenvale Pty Ltd ††	Australia	Australia	<b>100</b>	100	Trustee company
Caruso Greenvale Unit Trust ††	Australia	Australia	<b>100</b>	100	Joint venture partner in property development
Vivaldi Victoria Pty Ltd ††	Australia	Australia	<b>100</b>	100	Trustee company
Vivaldi Victoria Unit Trust ††	Australia	Australia	<b>100</b>	100	Dormant
<b>Kuala Lumpur Kepong Berhad:</b>					
<b>PLANTATION</b>					
<b>PENINSULAR MALAYSIA</b>					
Uni-Agro Multi Plantations Sdn Bhd	Malaysia	Malaysia	<b>51</b>	51	Plantation
Betatechnic Sdn Bhd	Malaysia	Malaysia	<b>100</b>	100	Operating biogas capture plants
Gunong Pertanian Sdn Bhd	Malaysia	Malaysia	<b>100</b>	100	Extraction of crude palm oil
KL-Kepong Edible Oils Sdn Bhd	Malaysia	Malaysia	<b>100</b>	100	Refining of palm products
Taiko Plantations Sendirian Berhad	Malaysia	Malaysia	<b>100</b>	100	Management of plantation
Golden Complex Sdn Bhd	Malaysia	Malaysia	<b>100</b>	100	Investment holding
Jasachem Sdn Bhd	Malaysia	Malaysia	<b>100</b>	100	Investment holding
KL-Kepong Plantation Holdings Sdn Bhd	Malaysia	Malaysia	<b>100</b>	100	Investment holding
Fajar Palmkel Sdn Berhad	Malaysia	Malaysia	<b>100</b>	100	Kernel crushing
Rubber Fibreboards Sdn Bhd (In Members' Voluntary Liquidation)	Malaysia	Malaysia	<b>100</b>	100	Dormant

**Notes to the Financial Statements** (Continued)

Subsidiaries	Country of Incorporation	Principal Country of Operation	Percentage of Equity Held		Principal Activities
			2019	2018	
<b>SABAH</b>					
Bornion Estate Sdn Bhd	Malaysia	Malaysia	<b>63</b>	63	Plantation
KL-Kepong (Sabah) Sdn Bhd	Malaysia	Malaysia	<b>100</b>	100	Plantation
Sabah Cocoa Sdn Bhd	Malaysia	Malaysia	<b>100</b>	100	Plantation
KLK Premier Oils Sdn Bhd	Malaysia	Malaysia	<b>85</b>	85	Refining of palm products and kernel crushing
Golden Yield Sdn Bhd	Malaysia	Malaysia	<b>85</b>	85	Processing and marketing of oil palm products
Sabah Holdings Corporation Sdn Bhd	Malaysia	Malaysia	<b>70</b>	70	Investment holding
<b>PLANTATION</b>					
<b>INDONESIA</b>					
P.T. ADEI Plantation & Industry †	Indonesia	Indonesia	<b>95</b>	95	Plantation, refining of palm products and kernel crushing
P.T. Alam Karya Sejahtera AKS †	Indonesia	Indonesia	<b>62</b>	62	Plantation
P.T. Bumi Makmur Sejahtera Jaya †	Indonesia	Indonesia	<b>95</b>	95	Plantation
P.T. Hutan Hijau Mas †	Indonesia	Indonesia	<b>92</b>	92	Plantation
P.T. Jabontara Eka Karsa †	Indonesia	Indonesia	<b>95</b>	95	Plantation
P.T. Karya Makmur Abadi †	Indonesia	Indonesia	<b>95</b>	90	Plantation
P.T. Langkat Nusantara Kepong †	Indonesia	Indonesia	<b>60</b>	60	Plantation
P.T. Malindomas Perkebunan †	Indonesia	Indonesia	<b>92</b>	92	Plantation
P.T. Menteng Jaya Sawit Perdana †	Indonesia	Indonesia	<b>95</b>	80	Plantation
P.T. Mulia Agro Permai †	Indonesia	Indonesia	<b>95</b>	90	Plantation
P.T. Parit Sembada †	Indonesia	Indonesia	<b>90</b>	90	Plantation
P.T. Perindustrian Sawit Synergi †	Indonesia	Indonesia	<b>80</b>	75	Refining of palm products and kernel crushing
P.T. Putra Bongan Jaya †	Indonesia	Indonesia	<b>95</b>	95	Plantation
P.T. Steelindo Wahana Perkasa †	Indonesia	Indonesia	<b>95</b>	95	Plantation, refining of palm products and kernel crushing
P.T. Sekarbumi Alamlestari †	Indonesia	Indonesia	<b>65</b>	65	Plantation
P.T. KLK Agriservindo †	Indonesia	Indonesia	<b>100</b>	100	Management of plantation
P.T. Anugrah Surya Mandiri †	Indonesia	Indonesia	<b>95</b>	95	Dormant
<b>SINGAPORE</b>					
Astra-KLK Pte Ltd †	Singapore	Singapore	<b>51</b>	51	Marketing of refined palm oil products and provision of logistics services related to palm products
Collingwood Plantations Pte Ltd †	Singapore	Singapore	<b>100</b> **	100 **	Investment holding
KLK Agro Plantations Pte Ltd †	Singapore	Singapore	<b>100</b>	100	Investment holding
Agro Putra Pte Ltd †	Singapore	Singapore	<b>100</b>	100	Investment holding
Taiko Plantations Pte Ltd †	Singapore	Singapore	<b>100</b>	100	Management of plantation

**Notes to the Financial Statements** (Continued)

Subsidiaries	Country of Incorporation	Principal Country of Operation	Percentage of Equity Held		Principal Activities
			2019	2018	
<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	63	Investment holding
<b>GUERNSEY</b>					
Equatorial Biofuels (Guernsey) Limited ††	Guernsey	Guernsey	63	63	Investment holding
<b>MAURITIUS</b>					
Liberian Palm Developments Limited ††	Mauritius	Mauritius	82	82	Investment holding
EBF (Mauritius) Limited ††	Mauritius	Mauritius	82	82	Investment holding
EPO (Mauritius) Limited ††	Mauritius	Mauritius	82	82	Investment holding
<b>PLANTATION</b>					
<b>LIBERIA</b>					
Liberia Forest Products Inc †	Liberia	Liberia	82	82	Plantation
LIBINC Oil Palm Inc †	Liberia	Liberia	82	82	Plantation
Equatorial Palm Oil (Liberia) Incorporated †	Liberia	Liberia	82	82	Management of plantation
Liberian Agriculture Developments Corporation †	Liberia	Liberia	82	82	Dormant
<b>MANUFACTURING</b>					
<b>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
KLK Emmerich GmbH #	Germany	Germany	100	100	Manufacturing of fatty acids and glycerine

**Notes to the Financial Statements** (Continued)

Subsidiaries	Country of Incorporation	Principal Country of Operation	Percentage of Equity Held		Principal Activities
			2019	2018	
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 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
			2019	2018	
<b>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 (formerly known as KLK Security Services 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
			2019	2018	
<b>INVESTMENT HOLDING</b>					
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 †	England	England	100	100	Investment holding
Kuala Lumpur-Kepong Investments Ltd (In Member's Voluntary Liquidation) ††	England	Malaysia	100	100	Dormant
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
<b>OTHERS</b>					
Somerset Cuisine Limited †	England	England	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.

\*\* The Group held 100% (2018: 100%) of Collingwood Plantations Pte Ltd and its subsidiaries with 82% (2018: 82%) held by KLK Group and 18% (2018: 18%) held by another subsidiary.

^ The Group considers that it controls Kuala Lumpur Kepong Berhad even though it owns only 47% of the voting rights. This is due to the Group having the power to direct the relevant activities of this entity.

**Notes to the Financial Statements** (Continued)

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
		2019	2018	
<b>Held by the Company:</b>				
Smith Zain (Penang) Sdn Bhd (In Members' Voluntary Liquidation)	Malaysia	42.1	42.1	Dormant
<b>Held through Subsidiaries:</b>				
<b>See Sen Chemical Berhad:</b>				
BASF See Sen Sdn Bhd	Malaysia	30.0	30.0	Manufacture of sulphuric acid products
<b>Caruso Ventures Pte Ltd:</b>				
Satterley Forrestfield Pty Ltd	Australia	40.0	40.0	Land development or subdivision
<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	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	20.1	19.7	Speciality chemicals manufacturer

\* During the financial year, Synthomer Plc ("Synthomer") became an associate of the Group through the subscriptions of rights issue and new shares in Synthomer.

Joint Ventures	Country of Incorporation	Percentage of Equity Held		Principal Activities
		2019	2018	
<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

## Notes to the Financial Statements (Continued)

(b) Acquisitions and disposals of subsidiaries and sub-subsidiaries  
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 a final 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
	<hr/>
Total identifiable net assets	1,097
Surplus on disposal of shares in a subsidiary	210
	<hr/>
Total sale consideration	1,307
Less: Cash and cash equivalents of a subsidiary disposed	(7)
	<hr/>
Net cash inflow on disposal of a subsidiary	<u>1,300</u>

**Disposal and purchase of shares from non-controlling interests**

During the financial year, 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)
	<hr/>
	30,984
Realisation of incidental cost previously charged to profit or loss on partial disposal of shares in subsidiaries	(113)
	<hr/>
Net effect on changes in shareholdings in subsidiaries to equity	<u>30,871</u>

## 2018

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

In 2018, the Company acquired an additional 0.47% equity interest that it did not already own in Kuala Lumpur Kepong Berhad (“KLK”) from non-controlling interest.

The effect of the acquisition of 0.47% equity interest in KLK on the financial position of the Group was summarised below:

	RM'000
Consideration paid	120,317
Less: Net assets acquired from non-controlling interest (As restated)	(54,314)
	<hr/>
Effect of changes in shareholdings in KLK (As restated)	<u>66,003</u>

**Notes to the Financial Statements** (Continued)

**Acquisition of subsidiaries**

- (i) On 28 February 2018, Kolb Distribution AG, a wholly-owned subsidiary of KLK Group, had completed the acquisition of 100% equity interest in KLK Kolb Specialties BV (formerly known as Elementis Specialties Netherlands BV) (“KKS”) together with its surfactant chemicals assets and business in Delden, the Netherlands for a cash consideration of RM191,044,000.

The Delden site will expand the existing Kolb business portfolio in terms of product range and market coverage. The use of the Delden site as another hub for the Group’s market penetration strategy will further accelerate growth in the Group’s downstream chemical specialties business in Europe. KKS comes with a large established customer base and is expected to generate overall benefit to the Group’s chemical business.

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

	<b>RM’000</b>
Property, plant and equipment	183,721
Intangible assets	9,322
Inventories	35,549
Trade and other receivables	45,000
Cash and cash equivalents	11,089
Trade and other payables	(80,904)
Deferred tax liabilities	(12,733)
	<hr/>
Total identifiable net assets	191,044
	<hr/>
Purchase consideration settled in cash and cash equivalents	191,044
Fair value of identifiable net assets	(191,044)
	<hr/>
Goodwill on consolidation	-
	<hr/>
Purchase consideration settled in cash and cash equivalents	191,044
Cash and cash equivalents acquired	(11,089)
	<hr/>
Net cash outflow arising from acquisition of the subsidiary	179,955
	<hr/>

In the 7 months to 30 September 2018, the subsidiary contributed revenue of RM211.493 million and profit of RM3.459 million. If the acquisition had occurred on 1 October 2017, management estimated that consolidated revenue would have been RM19.383 billion and consolidated profit for the financial year ended 30 September 2018 would have been RM936.128 million.

- (ii) On 30 August 2018, KLK had completed the acquisition of 95% equity interest in P.T. Putra Bongan Jaya (“PBJ”) for a cash consideration of RM58,819,000.

PBJ is a company incorporated in Indonesia and is principally involved in establishment and operation of oil palm plantation and participation in the crude vegetable oil industry. The acquisition is in the ordinary course of business of KLK Group and is also in line with KLK’s business direction to expand its plantation land bank.

**Notes to the Financial Statements** (Continued)

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

	<b>RM'000</b>
Property, plant and equipment	287,725
Prepaid lease payments	66,227
Other receivable – Advance to Plasma plantation projects	10,691
Inventories	3,334
Trade and other receivables	22,616
Cash and cash equivalents	39,137
Trade and other payables	(52,634)
Provision for retirement benefits	(1,189)
Borrowings	(291,432)
Deferred tax liabilities	(22,560)
	<hr/>
Total identifiable net assets	61,915
	<hr/>
Purchase consideration settled in cash and cash equivalents	58,819
Non-controlling interests	3,096
Fair value of identifiable net assets	(61,915)
	<hr/>
Goodwill on consolidation	-
	<hr/>
Purchase consideration settled in cash and cash equivalents	58,819
Cash and cash equivalents acquired	(39,137)
	<hr/>
Net cash outflow arising from acquisition of the subsidiary	19,682
	<hr/>

KLK Group incurred acquisition-related costs of RM149,000 related to professional fees which have been included in other operating expenses in profit or loss.

In the 1 month to 30 September 2018, the subsidiary contributed revenue of RM493,000 and incurred a loss of RM170,000. If the acquisition had occurred on 1 October 2017, management estimated that consolidated revenue would have been RM18.969 billion and consolidated profit for the financial year ended 30 September 2018 would have been RM921.302 million.

- (iii) On 7 September 2018, KL-Kepong Plantation Holdings Sdn Bhd, a wholly-owned subsidiary of KLK Group, had completed the acquisition of 95% equity interest in P.T. Bumi Makmur Sejahtera Jaya (“BMSJ”) for a cash consideration of RM10,561,000.

The acquisition is in line with KLK’s strategy to further increase the Group’s oil palm plantation area in Indonesia.

**Notes to the Financial Statements** (Continued)

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

	<b>RM'000</b>
Property, plant and equipment	8,754
Prepaid lease payments	15,407
Other receivable – Advance to Plasma plantation projects	868
Inventories	377
Trade and other receivables	594
Cash and cash equivalents	4,173
Trade and other payables	(344)
Tax payable	(136)
Provision for retirement benefits	(625)
Borrowings	(14,381)
Deferred tax liabilities	(3,570)
	<hr/>
Total identifiable net assets	11,117
	<hr/>
Purchase consideration settled in cash and cash equivalents	10,561
Non-controlling interests	556
Fair value of identifiable net assets	(11,117)
	<hr/>
Goodwill on consolidation	-
	<hr/>
Purchase consideration settled in cash and cash equivalents	10,561
Cash and cash equivalents acquired	(4,173)
	<hr/>
Net cash outflow arising from acquisition of the subsidiary	6,388
	<hr/>

If the acquisition had occurred on 1 October 2017, management estimated that consolidated revenue would have been RM18.966 billion and consolidated profit for the financial year ended 30 September 2018 would have been RM925.432 million.

**Subscription of shares in a subsidiary**

On 31 May 2018, KL-Kepong Plantation Holdings Sdn Bhd, a wholly-owned subsidiary of KLK Group, subscribed for 75% equity interest in P.T. Perindustrian Sawit Synergi (“PSS”) for a cash consideration of RM46,780,000.

The purpose of PSS is to build, own and operate an integrated palm oil refinery complex which comprises a new palm oil refinery plant and new palm kernel crushing plant in East Kalimantan, Indonesia. The subscription of shares in PSS is in line with KLK Group’s existing strategy to expand its involvement in downstream businesses by increasing its presence in the refinery and kernel crushing and strengthen its presence in East Kalimantan, Indonesia.

**Incorporation of a subsidiary**

Subsidiary incorporated during the financial year ended 30 September 2018 was as follows:

<b>Subsidiary Incorporated</b>	<b>Group’s Percentage of Equity Held</b>	<b>Date of Incorporation</b>
KLK Chemicals Holding Netherlands BV	100	19 January 2018

**Notes to the Financial Statements** (Continued)

## (c) Material non-controlling interests

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

	2019			2018		
	Kuala Lumpur Kepong Berhad RM'000	Other Subsidiaries with Immaterial NCI RM'000	Total RM'000	Kuala Lumpur Kepong Berhad RM'000	Other Subsidiaries with Immaterial NCI RM'000	Total RM'000
NCI percentage of ownership interest and voting interest	53%			53%		
Carrying amount of NCI	6,412,510	44,770	6,457,280	6,796,597	40,275	6,836,872
Profit allocated to NCI	360,637	3,305	363,942	379,559	4,562	384,121
<b>Summary of financial information before inter-company elimination:</b>						
Total assets	20,399,366			18,845,729		
Total liabilities	(9,112,711)			(6,800,181)		
Revenue	15,533,887			18,383,953		
Profit for the year	650,733			660,317		
Total comprehensive (loss)/income	(223,157)			461,729		
Net increase/(decrease) in cash and cash equivalents	716,718			(80,687)		
Dividends paid to NCI	(49,223)			(34,329)		

**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>2019</b>						
<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)	-
<b>Total revenue</b>	<b>7,331,281</b>	<b>9,193,890</b>	<b>170,359</b>	<b>974,812</b>	<b>(1,624,751)</b>	<b>16,045,591</b>
<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
<b>Segment results</b>	<b>406,331</b>	<b>480,742</b>	<b>47,355</b>	<b>(5,116)</b>	<b>-</b>	<b>929,312</b>
Profit before taxation						929,312
Tax expense						(201,871)
<b>Profit for the year</b>						<b>727,441</b>
<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
<b>Segment assets</b>	<b>7,092,531</b>	<b>6,812,631</b>	<b>1,579,131</b>	<b>5,775,765</b>	<b>-</b>	<b>21,260,058</b>
Tax assets						564,406
<b>Total assets</b>						<b>21,824,464</b>
<b>Liabilities</b>						
Segment liabilities	1,553,599	2,164,235	119,719	5,380,905	-	9,218,458
Tax liabilities						485,753
<b>Total liabilities</b>						<b>9,704,211</b>
<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
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
Write down of inventories	43,088	18,944	-	85	-	62,117

**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
<b>2018</b>						
<b>Revenue</b>						
Sales to external customers	7,925,802	10,590,114	177,676	259,644	-	18,953,236
Inter-segment sales	851,220	-	-	745,220	(1,596,440)	-
<b>Total revenue</b>	<b>8,777,022</b>	<b>10,590,114</b>	<b>177,676</b>	<b>1,004,864</b>	<b>(1,596,440)</b>	<b>18,953,236</b>
<b>Results</b>						
Operating results	870,130	576,818	35,648	(139,639)	(36,804)	1,306,153
Finance costs	(9,477)	(63,766)	-	(158,832)	36,804	(195,271)
Share of profits of equity accounted associates, net of tax	7,122	1,457	2,190	1,874	-	12,643
Share of (losses)/profits of equity accounted joint ventures, net of tax	(12,128)	-	-	4,693	-	(7,435)
<b>Segment results</b>	<b>855,647</b>	<b>514,509</b>	<b>37,838</b>	<b>(291,904)</b>	<b>-</b>	<b>1,116,090</b>
Profit before taxation						1,116,090
Tax expense						(366,287)
<b>Profit for the year</b>						<b>749,803</b>
<b>Assets</b>						
Operating assets	6,409,942	6,842,062	1,477,059	4,675,324	-	19,404,387
Associates	72,268	9,457	73,669	30,171	-	185,565
Joint ventures	153,964	-	-	105,336	-	259,300
<b>Segment assets</b>	<b>6,636,174</b>	<b>6,851,519</b>	<b>1,550,728</b>	<b>4,810,831</b>	<b>-</b>	<b>19,849,252</b>
Tax assets						451,922
<b>Total assets</b>						<b>20,301,174</b>
<b>Liabilities</b>						
Segment liabilities	1,268,745	2,358,529	107,623	3,161,673	-	6,896,570
Tax liabilities						485,932
<b>Total liabilities</b>						<b>7,382,502</b>
<b>Other information</b>						
Depreciation of property, plant and equipment	274,885	273,503	911	11,872	-	561,171
Depreciation of investment property	-	-	-	943	-	943
Amortisation of prepaid lease payments	5,942	1,149	-	-	-	7,091
Non-cash expenses						
Property, plant and equipment written off	3,165	844	-	-	-	4,009
Provision for retirement benefits	27,071	18,062	-	18	-	45,151
Amortisation of intangible assets	-	2,395	-	-	-	2,395
Impairment of						
- property, plant and equipment	-	26,251	-	-	-	26,251
- trade receivables	-	1,822	-	-	-	1,822
Write down of Inventories	31,741	11,611	-	34	-	43,386

**Notes to the Financial Statements** (Continued)

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

	Plantation RM'000	Manufacturing RM'000	Property Development RM'000	Investment Holding/ Others RM'000	Total RM'000
<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>2018</b>					
Capital expenditure	411,806	153,034	1,366	56,419	622,625
Land held for property development	-	-	8,936	-	8,936
Intangible assets	-	1,762	-	-	1,762
	<b>411,806</b>	<b>154,796</b>	<b>10,302</b>	<b>56,419</b>	<b>633,323</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, investment in associates, investments in joint ventures and deferred tax assets.

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

	2019 RM'000	2018 RM'000
Malaysia	2,586,614	2,987,628
Far East	2,790,551	4,104,179
Middle East	326,303	363,334
South East Asia	3,881,175	4,098,767
Southern Asia	1,459,000	1,753,317
Europe	4,230,911	4,811,824
North America	312,774	327,946
South America	72,671	66,678
Australia	185,829	134,162
Africa	93,928	142,651
Others	105,835	162,750
	<b>16,045,591</b>	<b>18,953,236</b>

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

	Non-current Assets		Additions to Capital Expenditure	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Malaysia	4,620,320	4,558,213	301,305	139,410
Indonesia	2,867,911	2,675,219	241,860	296,597
Australia	1,362,880	1,463,704	16,501	55,532
People's Republic of China	326,859	357,841	3,965	3,390
Europe	428,887	450,308	68,585	63,012
Liberia	327,859	441,039	37,079	64,633
Others	6,199	35,919	261	51
	<b>9,940,915</b>	<b>9,982,243</b>	<b>669,556</b>	<b>622,625</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>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 tax	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 tax 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>
<b>2018</b>					
<b>Financial assets</b>					
Other investments	2,833,355	46,679	291,246	2,495,430	-
Trade receivables	1,454,686	1,454,686	-	-	-
Other receivables, net of prepayments and indirect tax	487,470	487,470	-	-	-
Contract assets	48,737	48,737	-	-	-
Derivative financial assets	69,234	-	69,234	-	-
Fixed income trust funds	53,584	-	53,584	-	-
Cash, deposits and bank balances	1,703,981	1,703,981	-	-	-
	<b>6,651,047</b>	<b>3,741,553</b>	<b>414,064</b>	<b>2,495,430</b>	<b>-</b>
<b>Financial liabilities</b>					
Borrowings	4,783,213	-	-	-	4,783,213
Trade payables	564,044	-	-	-	564,044
Other payables, net of indirect tax	811,437	-	-	-	811,437
Contract liabilities	54,842	-	-	-	54,842
Derivative financial liabilities	64,219	-	64,219	-	-
	<b>6,277,755</b>	<b>-</b>	<b>64,219</b>	<b>-</b>	<b>6,213,536</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>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>2018</b>					
<b>Financial assets</b>					
Other investments	178,533	-	112,849	65,684	-
Other receivables, net of prepayments	96	96	-	-	-
Amounts owing by subsidiaries	116,175	116,175	-	-	-
Cash, deposits and bank balances	182,654	182,654	-	-	-
	<b>477,458</b>	<b>298,925</b>	<b>112,849</b>	<b>65,684</b>	<b>-</b>
<b>Financial liabilities</b>					
Borrowings	500,000	-	-	-	500,000
Other payables	10,544	-	-	-	10,544
Amount owing to a subsidiary	384	-	-	-	384
	<b>510,928</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>510,928</b>

## (b) Net gains and losses arising from financial instruments

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Net gains/(losses) on:				
Financial instruments at fair value through profit or loss	25,612	14,776	3,131	3,516
Financial instruments at fair value through other comprehensive income				
- recognised in other comprehensive income	(858,288)	69,733	1,877	2,261
- recognised in profit or loss	51,918	55,131	6,314	234
	<b>(806,370)</b>	124,864	<b>8,191</b>	2,495
Financial assets at amortised cost	79,464	(190,772)	3,104	(5,953)
Financial liabilities at amortised cost	(174,119)	(203,132)	(20,244)	(20,334)
	<b>(875,413)</b>	<b>(254,264)</b>	<b>(5,818)</b>	<b>(20,276)</b>

## Notes to the Financial Statements (Continued)

(c) Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

(d) Credit risk

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

(i) Receivables

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

Management has a credit policy in place and exposure to credit risk is monitored on an ongoing 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>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Plantation	<b>422,115</b>	410,487
Manufacturing	<b>835,738</b>	999,315
Property development	<b>41,449</b>	41,534
Others	<b>2,586</b>	3,350
	<b>1,301,888</b>	1,454,686

(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 ongoing 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</b>							
<b>2019</b>							
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	-	-	-
	<b>8,524,643</b>		<b>10,260,900</b>	<b>3,075,241</b>	<b>221,597</b>	<b>2,508,936</b>	<b>4,455,126</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
<b>Group</b>							
2018							
Borrowings	4,783,213	0.33% to 8.75%	5,596,071	1,361,591	238,230	1,711,018	2,285,232
Trade payables	564,044	-	564,044	564,044	-	-	-
Other payables	811,437	-	811,437	811,355	82	-	-
Contract liabilities	54,842	-	54,842	54,842	-	-	-
Derivative financial liabilities	64,219	-	64,219	64,219	-	-	-
	<u>6,277,755</u>		<u>7,090,613</u>	<u>2,856,051</u>	<u>238,312</u>	<u>1,711,018</u>	<u>2,285,232</u>
<b>Company</b>							
2019							
Borrowings	<b>500,000</b>	<b>4.05%</b>	<b>601,361</b>	<b>20,306</b>	<b>20,250</b>	<b>560,805</b>	-
Other payables	<b>10,671</b>	-	<b>10,671</b>	<b>10,671</b>	-	-	-
	<u><b>510,671</b></u>		<u><b>612,032</b></u>	<u><b>30,977</b></u>	<u><b>20,250</b></u>	<u><b>560,805</b></u>	-
2018							
Borrowings	500,000	4.05%	621,611	20,250	20,306	60,750	520,305
Other payables	10,544	-	10,544	10,544	-	-	-
Amount owing to a subsidiary	384		384	384	-	-	-
	<u>510,928</u>		<u>632,539</u>	<u>31,178</u>	<u>20,306</u>	<u>60,750</u>	<u>520,305</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"), Indonesian Rupiah ("Rp") and Papua New Guinean Kina ("PGK").

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

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

**Notes to the Financial Statements** (Continued)

*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:

Group	Denominated in foreign currencies					Rp RM'000
	USD RM'000	GBP RM'000	Euro RM'000	AUD RM'000	SGD RM'000	
<b>2019</b>						
Trade and other receivables	282,423	9,078	244,143	2,302	2,090	41,962
Deposits with licensed banks under 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	<b>247,833</b>	<b>13,176</b>	<b>77,097</b>	<b>5,843</b>	<b>90,535</b>	<b>41,554</b>
<b>2018</b>						
Trade and other receivables	358,704	12,010	303,785	3,926	2,313	2,994
Deposits with licensed banks under short term funds	-	-	-	-	6,446	-
Cash and cash equivalents	252,317	1,236	110,803	11,744	83,871	2
Borrowings	(186,695)	-	(199,465)	-	-	-
Trade and other payables	(93,928)	(337)	(175,451)	(740)	(2,869)	(388)
Contract liabilities	(30,662)	-	(7,163)	-	-	-
Forward exchange contracts	(10,480)	-	(347)	2	-	-
Exposure in the statement of financial position	<b>289,256</b>	<b>12,909</b>	<b>32,162</b>	<b>14,932</b>	<b>89,761</b>	<b>2,608</b>
<b>Company</b>						
<b>2019</b>						
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	<b>108,562</b>	<b>-</b>	<b>-</b>	<b>147,225</b>	<b>49,725</b>	<b>-</b>
<b>2018</b>						
Amounts owing by subsidiaries	-	-	-	116,148	-	-
Cash and cash equivalents	105,265	-	-	11,560	48,961	-
Other payables	-	-	-	(257)	-	-
Exposure in the statement of financial position	<b>105,265</b>	<b>-</b>	<b>-</b>	<b>127,451</b>	<b>48,961</b>	<b>-</b>

*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.

**Notes to the Financial Statements** (Continued)

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:

	2019		2018	
	Profit/(Loss) RM'000	Equity RM'000	Profit/(Loss) RM'000	Equity RM'000
<b>Group</b>				
Functional currency/Foreign currency				
RM/GBP	(267)	(21,214)	(293)	(37,067)
RM/Euro	6,442	-	6,932	-
RM/AUD	375	(1,191)	(702)	(742)
RM/USD	28,978	(1,066)	23,248	-
RM/SGD	(4,601)	(1,022)	(4,591)	(1,006)
RM/Rp	(86)	-	(15)	-
CHF/Euro	(3,496)	-	(1,899)	-
Rmb/USD	(3,333)	-	(614)	-
Euro/USD	(4,561)	-	(7,721)	-
Rp/USD	8,723	-	8,530	-
USD/GBP	(200)	-	(21)	-
USD/RM	(1,527)	-	(690)	-
USD/Rp	(2,094)	-	(149)	-
SGD/USD	(37)	-	(1,081)	-
<b>Company</b>				
Functional currency/Foreign currency				
RM/USD	(5,428)	-	(5,263)	-
RM/SGD	(2,486)	(535)	(2,448)	(562)
RM/AUD	(7,361)	-	(6,372)	-

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 expenditures and adopts a policy to secure an appropriate mix of fixed and floating rate exposure suitable for the Group.

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

## Notes to the Financial Statements (Continued)

*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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fixed rate instruments				
Financial assets	3,698,188	1,594,307	321,507	295,548
Financial liabilities	(5,875,692)	(3,920,870)	(500,000)	(500,000)
	<b>(2,177,504)</b>	<b>(2,326,563)</b>	<b>(178,493)</b>	<b>(204,452)</b>
Floating rate instruments				
Financial assets	310,607	199,164	-	-
Financial liabilities	(1,148,143)	(862,343)	-	-
	<b>(837,536)</b>	<b>(663,179)</b>	<b>-</b>	<b>-</b>

*Interest rate risk sensitivity analysis**Fair value sensitivity analysis for fixed rate instruments*

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

*Cash flow sensitivity analysis for floating rate instruments*

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

	2019		2018	
	Profit/(Loss) RM'000	Equity RM'000	Profit/(Loss) RM'000	Equity RM'000
<b>Group</b>				
Floating rate instruments				
Increase by 50 basis points	(4,454)	-	(3,292)	-
Decrease by 50 basis points	4,454	-	3,292	-

As the Company did not have any floating rate instruments as at 30 September 2019 and 30 September 2018, 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 equities 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 RM22,664,000 (2018: RM120,917,000) and RM535,000 (2018: RM562,000) respectively. A 5% lower in equity prices would have equal but opposite effect on equity.

**Notes to the Financial Statements** (Continued)

## (iv) Commodity price risk

The Group is exposed to price fluctuation risk on commodities mainly of palm oil and rubber.

*Risk management objectives, policy 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:

	2019		2018	
	Profit/(Loss) RM'000	Equity RM'000	Profit/(Loss) RM'000	Equity RM'000
<b>Group</b>				
5% increase in commodities prices	(4,792)	-	3,506	-
5% decrease in commodities prices	4,792	-	(3,506)	-

## (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:

	Carrying Amounts/Fair Values	
	2019 RM'000	2018 RM'000
<b>Group</b>		
Investments in other investments	822,428	2,833,355
Fixed income trust funds	328,811	53,584
Derivative financial instruments		
Forward foreign exchange contracts	1,884	(10,826)
Commodities future contracts	11,571	15,841
Other receivable – Advance to Plasma plantation projects	247,772	220,110
Borrowings	(7,023,835)	(4,783,213)
<b>Company</b>		
Amounts owing by subsidiaries	138,346	112,950
Investments in other investments	146,700	178,533
Borrowings	(500,000)	(500,000)

**Notes to the Financial Statements** (Continued)

**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>2019</b>				
<b>Fair value of financial instruments carried at fair value</b>				
Investments in 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
	<b>1,047,358</b>	<b>1,884</b>	<b>65,641</b>	<b>1,114,883</b>
<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)
	-	-	<b>(6,726,252)</b>	<b>(6,726,252)</b>
<b>2018</b>				
<b>Fair value of financial instruments carried at fair value</b>				
Investments in other investments	2,724,426	-	62,250	2,786,676
Fixed income trust funds	53,584	-	-	53,584
Derivative financial instruments				
Forward foreign exchange contracts	-	(10,826)	-	(10,826)
Commodities future contracts	15,841	-	-	15,841
	<b>2,793,851</b>	<b>(10,826)</b>	<b>62,250</b>	<b>2,845,275</b>
<b>Fair value of financial instruments not carried at fair value</b>				
Amounts owing by investee companies	-	-	46,679	46,679
Other receivable – Advance to Plasma plantation projects	-	-	220,110	220,110
Borrowings	-	-	(4,783,213)	(4,783,213)
	-	-	<b>(4,516,424)</b>	<b>(4,516,424)</b>
<b>Company</b>				
<b>2019</b>				
<b>Fair value of financial instruments carried at fair value</b>				
Investments in other investments	89,839	-	56,861	146,700
	<b>89,839</b>	<b>-</b>	<b>56,861</b>	<b>146,700</b>
<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)
	-	-	<b>(361,654)</b>	<b>(361,654)</b>

**Notes to the Financial Statements** (Continued)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>Company</b>				
2018				
<b>Fair value of financial instruments carried at fair value</b>				
Investments in other investments	124,082	-	54,451	178,533
	<u>124,082</u>	<u>-</u>	<u>54,451</u>	<u>178,533</u>
<b>Fair value of financial instruments not carried at fair value</b>				
Amounts owing by subsidiaries	-	-	112,950	112,950
Borrowings	-	-	(500,000)	(500,000)
	<u>-</u>	<u>-</u>	<u>(387,050)</u>	<u>(387,050)</u>

The following table shows a reconciliation of level 3 fair value of other investments:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At beginning of the year	62,250	50,493	54,451	49,623
Net change in fair value	3,391	11,757	2,410	4,828
At end of the year	<u>65,641</u>	<u>62,250</u>	<u>56,861</u>	<u>54,451</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.

**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 - Advance 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 (2018: no transfer in either directions).



## Notes to the Financial Statements (Continued)

**45. CAPITAL MANAGEMENT**

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

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

	Group	
	2019 RM'000	2018 RM'000
Total borrowings (Note 35)	7,023,835	4,783,213
Less: Short term funds (Note 29)	(1,659,207)	(195,579)
Less: Cash and cash equivalents (Note 30)	(2,317,468)	(1,561,986)
Net debt	<b>3,047,160</b>	3,025,648
Total equity	<b>12,120,253</b>	12,918,672
Net debt-to-equity ratio	<b>0.25</b>	0.23

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 35 to the financial statements.

**46. EVENTS SUBSEQUENT TO REPORTING DATE**

- (a) On 24 October 2019, Smith Zain (Penang) Sdn Bhd, an associate of the Company which had filed the Return of Final Winding-Up Meeting with the Registrar of Companies, has been dissolved.
- (b) Subsequent to 30 September 2019 until the date of this financial statements, the Company bought back a total of 191,200 of its issued shares from the open market for a total cost of RM2,992,000. The average price paid for the shares bought back was RM15.65 per share. The shares bought back were financed by internally generated funds and borrowings and held as treasury shares.

**47. EXPLANATION OF TRANSITION TO MFRS**

These are the first financial statements of the Group and the Company for the year ended 30 September 2019 prepared in accordance with MFRSs, including MFRS 1 *First Time Adoption of MFRS*, MFRS 9 *Financial Instruments*, MFRS 15 *Revenue from Contracts with Customers*, MFRS 141 *Agriculture: Bearer Plants* and amendments to MFRS 116 *Property, Plant and Equipment*. The Group and the Company have consistently applied the same accounting policies in its opening MFRS statements of financial position as at 1 October 2017, being the transition date, and throughout all periods presented, as if these policies had always been in effect. Comparative information in these financial statements have been restated to reflect the financial impact on transition from FRS framework to MFRS framework as disclosed below:

- (a) **MFRS 1 *First Time Adoption of MFRS***  
As provided in MFRS 1, first time adopters of MFRS can elect optional exemptions from full retrospective application of MFRSs. The Group and the Company have elected the applicable exemptions as follows:
  - (i) **Exemption for business combinations**  
The Group has elected to apply MFRS 3 *Business Combinations* prospectively from the date FRS 3 *Business Combinations* was adopted on 1 October 2011. Business combinations that occurred prior to that date have not been restated. This election does not have any impact to the financial results of the Group.
  - (ii) **MFRS 15 *Revenue from Contracts with Customers***  
The Group has elected the exemption in MFRS 1 which allows the Group not to restate any contracts that were completed before 1 October 2017. This election does not have any impact to the financial results of the Group.

## Notes to the Financial Statements (Continued)

- (b) *Amendments to MFRS 116 Property, Plant and Equipment and MFRS 141 Agriculture: Bearer Plants*  
Prior to the adoption of the amendments to MFRS 116 and MFRS 141, all new planting expenditure incurred on land clearing, planting and upkeep of trees to maturity was capitalised as plantation development expenditure and was not amortised except for those short land leases held in Indonesia where the plantation development expenditure was amortised using the straight-line method over the estimated productive years. Replanting expenditure was recognised in profit or loss in the year in which the expenditure was incurred. Agriculture produce which forms part of the bearer plants was not separately identified and recognised.

With the adoption of the amendments to MFRS 116 and MFRS 141, new planting expenditure and replanting expenditure are recognised as bearer plants under property, plant and equipment and measured at cost less accumulated depreciation. The agricultural produce that grows on bearer plants is measured at fair value less costs to sell. The changes in fair value less costs to sell of the produce is recognised in profit or loss.

- (c) *MFRS 9 Financial Instruments*  
Classification and measurement of financial assets, other than available-for-sale financial assets, and financial liabilities remain unchanged under MFRS 9.

Previously, the Group's and the Company's unit trust funds, quoted and unquoted investments in equity instruments were classified as available-for-sale ("AFS") financial assets. Unquoted investments were measured at cost while unit trust funds and quoted equity instruments were measured at fair value with fair value gains or losses recognised in other comprehensive income ("OCI"). On derecognition, the cumulative gain or loss recognised in OCI was reclassified from equity into profit or loss. These AFS financial assets satisfy the conditions for classification as financial assets at fair value through OCI under MFRS 9 with all subsequent changes in fair value being recognised in OCI and not subsequently transferred to profit or loss on derecognition except for unit trust funds, which is classified as financial assets at fair value through profit or loss.

In respect of impairment of financial assets, MFRS 9 replaces the "incurred loss" model in MFRS 139 with an "expected credit loss" ("ECL") model. The new impairment model applies to financial assets measured at amortised cost and contract assets, but not to investments in equity instruments. Under this new model, the Group and the Company are required to record ECL on all its financial assets at amortised cost, either on a 12-month or lifetime basis. The Group and the Company applies the simplified approach and record lifetime ECL on all trade receivables.

- (d) *MFRS 15 Revenue from Contracts with Customers*  
Prior to adoption of MFRS 15, the Group recognised revenue from contracts with customers when significant risks and rewards of ownership of goods and services had been transferred to the customers, recovery of the consideration was probable, there was no continuing management involvement with the goods and the amount of revenue could be measured reliably.

Upon adoption of MFRS 15, the Group recognises revenue to depict the transfer of promised goods and services to customers for an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services. Revenue is recognised when a customer obtains control of goods and services, i.e. when the customer has the ability to direct the use of and obtain benefits from the goods and services.

**Notes to the Financial Statements** (Continued)

Reconciliation of Statements of Profit or Loss for the year ended 30 September 2018

	30.9.2018 As previously stated RM'000	Effects on adoption of MFRS 1 RM'000	Effects on adoption of MFRS 9 RM'000	Effects on adoption of MFRS 15 RM'000	Effects on adoption of amendments to MFRS 116 and MFRS 141 RM'000	30.9.2018 Restated RM'000
<b>Group</b>						
Revenue	18,966,357	-	-	(13,121)	-	18,953,236
Cost of sales	(16,507,446)	-	-	7,363	(71,988)	(16,572,071)
Gross profit	2,458,911	-	-	(5,758)	(71,988)	2,381,165
Other operating income	245,705	-	(16,957)	1,566	10,917	241,231
Distribution costs	(271,404)	-	-	5,467	-	(265,937)
Administration expenses	(543,862)	-	579	-	-	(543,283)
Other operating expenses	(422,582)	(77)	(203,573)	-	119,209	(507,023)
Operating profit	1,466,768	(77)	(219,951)	1,275	58,138	1,306,153
Finance costs	(195,271)	-	-	-	-	(195,271)
Share of profits of equity accounted associates, net of tax	12,643	-	-	-	-	12,643
Share of losses of equity accounted joint ventures, net of tax	(7,435)	-	-	-	-	(7,435)
Profit before taxation	1,276,705	(77)	(219,951)	1,275	58,138	1,116,090
Taxation	(351,024)	(182)	-	74	(15,155)	(366,287)
Profit for the year	925,681	(259)	(219,951)	1,349	42,983	749,803
Attributable to:						
Equity holders of the Company	465,476	(155)	(120,663)	529	20,495	365,682
Non-controlling interests	460,205	(104)	(99,288)	820	22,488	384,121
	925,681	(259)	(219,951)	1,349	42,983	749,803
<b>Company</b>						
Revenue	482,036	-	-	-	-	482,036
Profit before tax	439,669	-	(506)	-	-	439,163
Taxation	(567)	-	-	-	-	(567)
Profit for the year	439,102	-	(506)	-	-	438,596

**Notes to the Financial Statements** (Continued)

Reconciliation of Statements of Other Comprehensive Income for the year ended 30 September 2018

	30.9.2018 As previously stated RM'000	Effects on adoption of MFRS 1 RM'000	Effects on adoption of MFRS 9 RM'000	Effects on adoption of MFRS 15 RM'000	Effects on adoption of amendments to MFRS 116 and MFRS 141 RM'000	30.9.2018 Restated RM'000
<b>Group</b>						
Profit for the year	925,681	(259)	(219,951)	1,349	42,983	749,803
<b>Other comprehensive (loss)/income that will be reclassified subsequently to profit or loss</b>						
Currency translation differences	(506,586)	-	215,478	(17)	(2,181)	(293,306)
<b>Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss</b>						
Net change in fair value of equity instruments	67,001	-	2,732	-	-	69,733
Realisation on fair value of equity instruments	(7,783)	-	7,783	-	-	-
Remeasurement of defined benefit plans (Note 34)	1,835	-	-	-	-	1,835
<b>Total other comprehensive (loss)/income for the year</b>	(445,533)	-	225,993	(17)	(2,181)	(221,738)
<b>Total comprehensive income/(loss) for the year</b>	480,148	(259)	6,042	1,332	40,802	528,065
Attributable to:						
Equity holders of the Company	234,897	(155)	5,069	521	19,846	260,178
Non-controlling interests	245,251	(104)	973	811	20,956	267,887
	480,148	(259)	6,042	1,332	40,802	528,065
<b>Company</b>						
Profit for the year	439,102	-	(506)	-	-	438,596
<b>Other comprehensive (loss)/income that will not be reclassified subsequently to profit or loss</b>						
Net change in fair value of equity instruments	(2,628)	-	4,889	-	-	2,261
Realisation on fair value of equity instruments	(445)	-	445	-	-	-
<b>Total other comprehensive (loss)/income for the year</b>	(3,073)	-	5,334	-	-	2,261
<b>Total comprehensive income for the year</b>	436,029	-	4,828	-	-	440,857

**Notes to the Financial Statements** (Continued)

Reconciliation of Consolidated Statement of Financial Position as at 1 October 2017 and 30 September 2018

	1.10.2017 As previously stated RM'000	Effects on adoption of MFRS 1 RM'000	Effects on adoption of MFRS 9 RM'000	Effects on adoption of MFRS 15 RM'000	Effects on adoption of amendments to MFRS 116 and MFRS 141 RM'000	1.10.2017 Restated RM'000
<b>Assets</b>						
Property, plant and equipment	5,487,466	-	-	-	2,465,871	7,953,337
Investment property	49,263	-	-	-	-	49,263
Prepaid lease payments	321,985	-	-	-	-	321,985
Biological assets	2,725,985	-	-	-	(2,725,985)	-
Inventories	-	1,091,471	-	-	-	1,091,471
Land held for property development	1,091,471	(1,091,471)	-	-	-	-
Goodwill on consolidation	352,949	-	-	-	-	352,949
Intangible assets	15,325	-	-	-	-	15,325
Investments in associates	177,680	-	-	-	-	177,680
Investments in joint ventures	251,737	-	-	-	-	251,737
Other investments	2,400,912	-	44,563	-	-	2,445,475
Other receivables	237,516	-	-	-	-	237,516
Deferred tax assets	453,110	-	-	(80)	(7,364)	445,666
<b>Total non-current assets</b>	<b>13,565,399</b>	<b>-</b>	<b>44,563</b>	<b>(80)</b>	<b>(267,478)</b>	<b>13,342,404</b>
Inventories	1,834,008	194,959	-	(17,558)	-	2,011,409
Biological assets	37,806	-	-	-	80,656	118,462
Trade receivables	1,917,691	-	(24,467)	17,851	-	1,911,075
Other receivables, deposits and prepayments	709,849	(40,263)	-	-	-	669,586
Contract assets	-	-	-	280	-	280
Tax recoverable	39,582	-	-	-	-	39,582
Property development costs	154,696	(154,696)	-	-	-	-
Other investments	327,143	-	-	-	-	327,143
Derivative financial assets	110,748	-	-	-	-	110,748
Short term funds	578,489	-	-	-	-	578,489
Cash and cash equivalents	1,755,744	-	-	-	-	1,755,744
<b>Total current assets</b>	<b>7,465,756</b>	<b>-</b>	<b>(24,467)</b>	<b>573</b>	<b>80,656</b>	<b>7,522,518</b>
<b>Total assets</b>	<b>21,031,155</b>	<b>-</b>	<b>20,096</b>	<b>493</b>	<b>(186,822)</b>	<b>20,864,922</b>
<b>Equity</b>						
Share capital	498,760	(62,809)	-	-	-	435,951
Reserves	6,645,684	(323,917)	30,191	(522)	(167,520)	6,183,916
	7,144,444	(386,726)	30,191	(522)	(167,520)	6,619,867
Less: Cost of treasury shares	(446,671)	-	-	-	-	(446,671)
<b>Total equity attributable to equity holders of the Company</b>	<b>6,697,773</b>	<b>(386,726)</b>	<b>30,191</b>	<b>(522)</b>	<b>(167,520)</b>	<b>6,173,196</b>
Non-controlling interests	6,672,039	460,028	(10,095)	(810)	(194,388)	6,926,774
<b>Total equity</b>	<b>13,369,812</b>	<b>73,302</b>	<b>20,096</b>	<b>(1,332)</b>	<b>(361,908)</b>	<b>13,099,970</b>
<b>Liabilities</b>						
Deferred tax liabilities	284,561	(73,302)	-	-	175,086	386,345
Deferred income	117,365	-	-	-	-	117,365
Provision for retirement benefits	488,288	-	-	-	-	488,288
Borrowings	3,567,168	-	-	-	-	3,567,168
<b>Total non-current liabilities</b>	<b>4,457,382</b>	<b>(73,302)</b>	<b>-</b>	<b>-</b>	<b>175,086</b>	<b>4,559,166</b>
Trade payables	809,111	-	-	(6,766)	-	802,345
Other payables	807,516	-	-	(49,333)	-	758,183
Contract liabilities	-	-	-	57,924	-	57,924
Deferred income	7,808	-	-	-	-	7,808
Borrowings	1,375,596	-	-	-	-	1,375,596
Tax payable	99,287	-	-	-	-	99,287
Derivative financial liabilities	104,643	-	-	-	-	104,643
<b>Total current liabilities</b>	<b>3,203,961</b>	<b>-</b>	<b>-</b>	<b>1,825</b>	<b>-</b>	<b>3,205,786</b>
<b>Total liabilities</b>	<b>7,661,343</b>	<b>(73,302)</b>	<b>-</b>	<b>1,825</b>	<b>175,086</b>	<b>7,764,952</b>
<b>Total equity and liabilities</b>	<b>21,031,155</b>	<b>-</b>	<b>20,096</b>	<b>493</b>	<b>(186,822)</b>	<b>20,864,922</b>

**Notes to the Financial Statements** (Continued)

	30.9.2018 As previously stated RM'000	Effects on adoption of MFRS 1 RM'000	Effects on adoption of MFRS 9 RM'000	Effects on adoption of MFRS 15 RM'000	Effects on adoption of amendments to MFRS 116 and MFRS 141 RM'000	30.9.2018 Restated RM'000
<b>Assets</b>						
Property, plant and equipment	5,491,237	-	-	-	2,589,250	8,080,487
Investment property	48,393	-	-	-	-	48,393
Prepaid lease payments	386,003	-	-	-	-	386,003
Biological assets	2,776,616	-	-	-	(2,776,616)	-
Inventories	-	1,100,407	-	-	-	1,100,407
Land held for property development	1,100,407	(1,100,407)	-	-	-	-
Goodwill on consolidation	343,595	-	-	-	-	343,595
Intangible assets	23,358	-	-	-	-	23,358
Investments in associates	185,565	-	-	-	-	185,565
Investments in joint ventures	259,300	-	-	-	-	259,300
Other investments	2,493,727	-	48,382	-	-	2,542,109
Other receivables	220,110	-	-	-	-	220,110
Deferred tax assets	397,541	-	-	-	(7,924)	389,617
<b>Total non-current assets</b>	<b>13,725,852</b>	<b>-</b>	<b>48,382</b>	<b>-</b>	<b>(195,290)</b>	<b>13,578,944</b>
Inventories	2,146,452	186,733	-	-	-	2,333,185
Biological assets	41,906	-	-	-	61,371	103,277
Trade receivables	1,524,387	-	(20,964)	(48,737)	-	1,454,686
Other receivables, deposits and prepayments	648,107	(46,112)	-	-	-	601,995
Contract assets	-	-	-	48,737	-	48,737
Tax recoverable	62,305	-	-	-	-	62,305
Property development costs	140,621	(140,621)	-	-	-	-
Other investments	291,246	-	-	-	-	291,246
Derivative financial assets	69,234	-	-	-	-	69,234
Short term funds	195,579	-	-	-	-	195,579
Cash and cash equivalents	1,561,986	-	-	-	-	1,561,986
<b>Total current assets</b>	<b>6,681,823</b>	<b>-</b>	<b>(20,964)</b>	<b>-</b>	<b>61,371</b>	<b>6,722,230</b>
<b>Total assets</b>	<b>20,407,675</b>	<b>-</b>	<b>27,418</b>	<b>-</b>	<b>(133,919)</b>	<b>20,301,174</b>
<b>Equity</b>						
Share capital	509,689	(73,738)	-	-	-	435,951
Reserves	6,565,809	(315,727)	36,027	-	(148,520)	6,137,589
	7,075,498	(389,465)	36,027	-	(148,520)	6,573,540
Less: Cost of treasury shares	(491,740)	-	-	-	-	(491,740)
<b>Total equity attributable to equity holders of the Company</b>	<b>6,583,758</b>	<b>(389,465)</b>	<b>36,027</b>	<b>-</b>	<b>(148,520)</b>	<b>6,081,800</b>
Non-controlling interests	6,556,840	462,585	(8,609)	-	(173,944)	6,836,872
<b>Total equity</b>	<b>13,140,598</b>	<b>73,120</b>	<b>27,418</b>	<b>-</b>	<b>(322,464)</b>	<b>12,918,672</b>
<b>Liabilities</b>						
Other payables	82	-	-	-	-	82
Deferred tax liabilities	321,459	(73,120)	-	-	188,545	436,884
Deferred income	119,004	-	-	-	-	119,004
Provision for retirement benefits	477,323	-	-	-	-	477,323
Borrowings	3,562,099	-	-	-	-	3,562,099
<b>Total non-current liabilities</b>	<b>4,479,967</b>	<b>(73,120)</b>	<b>-</b>	<b>-</b>	<b>188,545</b>	<b>4,595,392</b>
Trade payables	564,044	-	-	-	-	564,044
Other payables	880,738	-	-	(54,842)	-	825,896
Contract liabilities	-	-	-	54,842	-	54,842
Deferred income	7,947	-	-	-	-	7,947
Borrowings	1,221,114	-	-	-	-	1,221,114
Tax payable	49,048	-	-	-	-	49,048
Derivative financial liabilities	64,219	-	-	-	-	64,219
<b>Total current liabilities</b>	<b>2,787,110</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,787,110</b>
<b>Total liabilities</b>	<b>7,267,077</b>	<b>(73,120)</b>	<b>-</b>	<b>-</b>	<b>188,545</b>	<b>7,382,502</b>
<b>Total equity and liabilities</b>	<b>20,407,675</b>	<b>-</b>	<b>27,418</b>	<b>-</b>	<b>(133,919)</b>	<b>20,301,174</b>

**Notes to the Financial Statements** (Continued)

Reconciliation of Statement of Financial Position of the Company as at 1 October 2017 and 30 September 2018

	As previously stated RM'000	Effects on adoption of MFRS 1 RM'000	Effects on adoption of MFRS 9 RM'000	Effects on adoption of MFRS 15 RM'000	Effects on adoption of amendments to MFRS 116 and MFRS 141 RM'000	Restated RM'000
2017						
<b>Assets</b>						
Property, plant and equipment	163	-	-	-	-	163
Investments in subsidiaries	859,649	-	-	-	-	859,649
Investments in associates	901	-	-	-	-	901
Other investments	26,670	-	37,198	-	-	63,868
Amounts owing by subsidiaries	110,037	-	-	-	-	110,037
<b>Total non-current assets</b>	<b>997,420</b>	<b>-</b>	<b>37,198</b>	<b>-</b>	<b>-</b>	<b>1,034,618</b>
Other receivables, deposits and prepayments	11	-	-	-	-	11
Amounts owing by subsidiaries	1,659	-	(6)	-	-	1,653
Other investments	87,025	-	-	-	-	87,025
Cash and cash equivalents	158,920	-	-	-	-	158,920
<b>Total current assets</b>	<b>247,615</b>	<b>-</b>	<b>(6)</b>	<b>-</b>	<b>-</b>	<b>247,609</b>
<b>Total assets</b>	<b>1,245,035</b>	<b>-</b>	<b>37,192</b>	<b>-</b>	<b>-</b>	<b>1,282,227</b>
<b>Equity</b>						
Share capital	435,951	-	-	-	-	435,951
Reserves	744,530	-	37,192	-	-	781,722
	1,180,481	-	37,192	-	-	1,217,673
Less: Cost of treasury shares	(446,671)	-	-	-	-	(446,671)
<b>Total equity</b>	<b>733,810</b>	<b>-</b>	<b>37,192</b>	<b>-</b>	<b>-</b>	<b>771,002</b>
<b>Liabilities</b>						
<b>Total liabilities</b>	<b>511,225</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>511,225</b>
<b>Total equity and liabilities</b>	<b>1,245,035</b>	<b>-</b>	<b>37,192</b>	<b>-</b>	<b>-</b>	<b>1,282,227</b>



**Notes to the Financial Statements** (Continued)

	As previously stated RM'000	Effects on adoption of MFRS 1 RM'000	Effects on adoption of MFRS 9 RM'000	Effects on adoption of MFRS 15 RM'000	Effects on adoption of amendments to MFRS 116 and MFRS 141 RM'000	Restated RM'000
2018						
<b>Assets</b>						
Property, plant and equipment	666	-	-	-	-	666
Investments in subsidiaries	958,186	-	-	-	-	958,186
Investments in associates	901	-	-	-	-	901
Other investments	23,658	-	42,026	-	-	65,684
Amounts owing by subsidiaries	112,950	-	-	-	-	112,950
<b>Total non-current assets</b>	<b>1,096,361</b>	<b>-</b>	<b>42,026</b>	<b>-</b>	<b>-</b>	<b>1,138,387</b>
Other receivables, deposits and prepayments	96	-	-	-	-	96
Amounts owing by subsidiaries	3,231	-	(6)	-	-	3,225
Tax recoverable	36	-	-	-	-	36
Other investments	112,849	-	-	-	-	112,849
Cash and cash equivalents	182,654	-	-	-	-	182,654
<b>Total current assets</b>	<b>298,866</b>	<b>-</b>	<b>(6)</b>	<b>-</b>	<b>-</b>	<b>298,860</b>
<b>Total assets</b>	<b>1,395,227</b>	<b>-</b>	<b>42,020</b>	<b>-</b>	<b>-</b>	<b>1,437,247</b>
<b>Equity</b>						
Share capital	435,951	-	-	-	-	435,951
Reserves	940,057	-	42,020	-	-	982,077
	1,376,008	-	42,020	-	-	1,418,028
Less: Cost of treasury shares	(491,740)	-	-	-	-	(491,740)
<b>Total equity</b>	<b>884,268</b>	<b>-</b>	<b>42,020</b>	<b>-</b>	<b>-</b>	<b>926,288</b>
<b>Liabilities</b>						
<b>Total liabilities</b>	<b>510,959</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>510,959</b>
<b>Total equity and liabilities</b>	<b>1,395,227</b>	<b>-</b>	<b>42,020</b>	<b>-</b>	<b>-</b>	<b>1,437,247</b>

**Notes to the Financial Statements** (Continued)

## Reconciliation of Statements of Cash Flows for the year ended 30 September 2018

	30.9.2018 As previously stated RM'000	Effects on adoption of MFRS 1 RM'000	Effects on adoption of MFRS 9 RM'000	Effects on adoption of MFRS 15 RM'000	Effects on adoption of amendments to MFRS 116 and MFRS 141 RM'000	30.9.2018 Restated RM'000
<b>Group</b>						
Profit before taxation	1,276,705	(77)	(219,951)	1,275	58,138	1,116,090
Adjustments for:						
Non-cash items	678,973	77	219,951	15	70,827	969,843
Non-operating items	42,112	-	-	-	-	42,112
Operating profit before working capital changes	1,997,790	-	-	1,290	128,965	2,128,045
Working capital changes:						
Net change in current assets	121,520	-	-	276	1,160	122,956
Net change in current liabilities	(550,749)	-	-	(1,566)	(657)	(552,972)
Cash generated from operations	1,568,561	-	-	-	129,468	1,698,029
Interest received	4,014	-	-	-	-	4,014
Interest paid	(222,437)	-	-	-	-	(222,437)
Income tax paid	(399,485)	-	-	-	-	(399,485)
Retirement benefits paid	(31,398)	-	-	-	-	(31,398)
Net cash generated from operating activities	919,255	-	-	-	129,468	1,048,723
Net cash used in investing activities	(337,373)	-	-	-	(129,468)	(466,841)
Net cash used in financing activities	(665,122)	-	-	-	-	(665,122)
Net decrease in cash and cash equivalents	(83,240)	-	-	-	-	(83,240)
Exchange differences	(75,429)	-	-	-	-	(75,429)
Opening cash and cash equivalents	1,631,621	-	-	-	-	1,631,621
Closing cash and cash equivalents	1,472,952	-	-	-	-	1,472,952

**Notes to the Financial Statements** (Continued)

	30.9.2018 As previously stated RM'000	Effects on adoption of MFRS 1 RM'000	Effects on adoption of MFRS 9 RM'000	Effects on adoption of MFRS 15 RM'000	Effects on adoption of amendments to MFRS 116 and MFRS 141 RM'000	30.9.2018 Restated RM'000
<b>Company</b>						
Profit before taxation	439,669	-	(506)	-	-	439,163
Adjustments for:						
Non-cash items	14,389	-	506	-	-	14,895
Non-operating items	(461,703)	-	-	-	-	(461,703)
Operating profit before working capital changes	(7,645)	-	-	-	-	(7,645)
Working capital changes:						
Net change in current assets	(153)	-	-	-	-	(153)
Net change in current liabilities	(460)	-	-	-	-	(460)
Cash used in operations	(8,258)	-	-	-	-	(8,258)
Interest received	1,386	-	-	-	-	1,386
Interest paid	(20,334)	-	-	-	-	(20,334)
Income tax paid	(157)	-	-	-	-	(157)
Net cash used in operating activities	(27,363)	-	-	-	-	(27,363)
Net cash generated from investing activities	299,501	-	-	-	-	299,501
Net cash used in financing activities	(245,661)	-	-	-	-	(245,661)
Net increase in cash and cash equivalents	26,477	-	-	-	-	26,477
Exchange differences	(2,743)	-	-	-	-	(2,743)
Opening cash and cash equivalents	158,920	-	-	-	-	158,920
Closing cash and cash equivalents	182,654	-	-	-	-	182,654

**48. AUTHORISATION FOR ISSUE**

The financial statements were authorised for issue by the Board of Directors on 11 December 2019.

## 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 73 to 178 are drawn up in accordance with the Malaysia 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 2019 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)

11 December 2019

### 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 73 to 178 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 11 December 2019. )

**GOO SWEE ENG @ GOH SWEE ENG**  
(MIA 15953)

Before me,

**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 2019 of the Group and of the Company, and the statements of profit or loss, statements of other 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 pages 73 to 178.

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 2019, 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' *Code of Ethics for Professional Accountants* ("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. Adoption of Amendments to MFRS 116 *Property, Plant and Equipment* and MFRS 141 *Agriculture: Bearer Plants*

The adoption of Amendments to MFRS 116 and MFRS 141 ("the Amendments") has resulted in a change in the accounting of the Group for new planting expenditure and replanting expenditure ("bearer plants"). As disclosed in Note 47 to the financial statements, the transition to MFRS has been applied retrospectively and comparative figures of the Group has been restated.

Bearer plants of the Group as at 30 September 2019 amounted to RM2,830.9 million as disclosed in Note 12 to the financial statements.

We determined this to be a key audit matter as the adoption of the Amendments has resulted in material adjustments being made to certain account balances, including the restatement of comparatives of the Group.

## Independent Auditors' Report to the Members (Continued)

### Audit response

Our audit procedures, with the involvement of component auditors, included the following:

- (i) with respect to bearer plants, obtained an understanding of management's identification of the costs of bearer plants that can be capitalised and verified the accuracy of these costs of bearer plants;
- (ii) assessed whether the adjustments to the respective account balances and restatements have been made in accordance with the requirements set out in the MFRS 1 and Amendments to MFRS 116 and MFRS 141; and
- (iii) assessed the adequacy of the disclosures related to the adoption of MFRS 1 and Amendments to MFRS 116 and MFRS 141.

### 2. Impairment assessment of the carrying amounts of property, plant and equipment and prepaid lease payments

The carrying amount of property, plant and equipment and prepaid lease payments of the Group amounted to RM8,066.9 million and RM351.1 million respectively, net of accumulated impairment losses of RM219.1 million and RM52.1 million, which represented 70% of the net assets of the Group. As disclosed in Note 12 to the financial statements, the Group recognised impairment losses amounting to RM99.4 million and RM32.2 million in property, plant and equipment and prepaid lease payments respectively.

We have focused on the impairment assessment as the process require significant judgement and estimates about the future results and key assumptions applied to cash flow projections of the cash generating units ("CGUs") in determining their recoverable amounts. These key assumptions include projected profit margins and growth rates as well as determining appropriate pre-tax discount rates used for each of the CGUs.

### 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.

### 3. Annual impairment assessment of the carrying amount of goodwill on consolidation

Goodwill on consolidation of the Group is allocated to three (3) CGUs, which are plantation, manufacturing and property with a total carrying amount of RM345.1 million as disclosed in Note 16 to the financial statements.

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 crude palm oil prices and volumes, operational costs, projected growth rates, as well as determining appropriate pre-tax discount rates.

## 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.

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.

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.



## Independent Auditors' Report to the Members (Continued)

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 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.
- 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, related safeguards.

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.

**Independent Auditors' Report to the Members** (Continued)**Other Matter**

- (a) As stated in Note 2 to the financial statements, the Group and the Company adopted Malaysian Financial Reporting Standards on 1 October 2018 with a transition date of 1 October 2017. These Standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statements of financial position as at 30 September 2018 and 1 October 2017, and the statements of profit or loss, statements of other comprehensive income, statements of changes in equity and statements of cash flows for the financial year then ended 30 September 2018 and related disclosures. We were not engaged to report on the restated comparative information, and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the financial year ended 30 September 2019 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 October 2018 do not contain misstatements that materially affect the financial position as of 30 September 2019 and financial performance and cash flows for the financial year then ended.
- (b) The financial statements of the Group and of the Company for the financial year ended 30 September 2018 were audited by another firm of chartered accountants whose report dated 10 December 2018 expressed an unmodified opinion on those statements.
- (c) 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

**LUM CHIEW MUN**  
Partner  
03039/04/2021 J  
Chartered Accountant

KUALA LUMPUR

11 December 2019

## Analysis of Shareholdings

At 3 December 2019

Issued and Fully Paid-up Capital : RM435,951,000 (including 43,595,031 treasury shares)  
 Class of Shares : Ordinary 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	95	1.97	2,723	0.00
100 – 1,000	1,556	32.26	1,099,972	0.28
1,001 – 10,000	2,342	48.55	8,654,099	2.21
10,001 – 100,000	673	13.95	19,761,733	5.04
100,001 – less than 5% of issued shares	155	3.21	157,917,138	40.24
5% and above of issued shares	3	0.06	204,920,304	52.23
<b>TOTAL</b>	<b>4,824</b>	<b>100.00</b>	<b>392,355,969</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	160,754,667	40.97
2. Wan Hin Investments Sdn Berhad	22,454,387	5.72
3. Yeoh Chin Hin Investments Sdn Berhad	21,711,250	5.53
4. High Quest Holdings Sdn Bhd	14,002,726	3.57
5. CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB Bank for Di-Yi Sdn Bhd (PB)	12,739,771	3.25
6. Maybank Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lembaga Kemajuan Tanah Persekutuan (464016811369)	11,500,000	2.93
7. CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB for Heah Seok Yeong Realty Sdn Berhad (PB)	10,000,000	2.55
8. Lee Chan Investments Sdn Bhd	9,159,275	2.33
9. Decarats MG Sdn Bhd	8,000,000	2.04
10. Teoh Guat Eng Holdings Sdn Bhd	6,132,188	1.56
11. CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB for Heah Seok Yeong Realty Sdn Berhad (PB)	4,850,000	1.24
12. Di-Yi Sdn Bhd	3,887,180	0.99
13. Key Development Sdn Berhad	3,476,300	0.89
14. Cengal Emas Sdn Bhd	3,291,500	0.84
15. Malay-Sino Formic Acid Sdn Bhd	3,083,450	0.79
16. Malay Rubber Plantations (Malaysia) Sdn Berhad	2,792,250	0.71
17. Congleton Holdings Sdn Bhd	2,784,000	0.71
18. Steppe Structure Sdn Bhd	2,224,250	0.57
19. Chinchoo Investment Sdn Berhad	2,170,600	0.55
20. Lembaga Kemajuan Tanah Persekutuan (FELDA)	2,024,300	0.52
21. Citigroup Nominees (Asing) Sdn Bhd - CBNY for Dimensional Emerging Markets Value Fund	1,924,350	0.49
22. Dato' Lee Soon Hian	1,739,771	0.44
23. Gan Teng Siew Realty Sdn Berhad	1,718,200	0.44
24. Lee Oi Loon	1,649,771	0.42

## Analysis of Shareholdings (Continued)

At 3 December 2019

Name	No. of Shares	% of Issued Share Capital <sup>^</sup>
25. Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (Aberdeen)	1,620,000	0.41
26. Arusha Enterprise Sdn Bhd	1,500,000	0.38
27. CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB for Lyne Ching Sdn Berhad (PB)	1,485,000	0.38
28. CGS-CIMB Nominees (Tempatan) Sdn Bhd - Exempt An for CGS-CIMB Securities (Singapore) Pte Ltd (Retail Clients)	1,205,700	0.31
29. HSBC Nominees (Asing) Sdn Bhd - Exempt An for the Hongkong and Shanghai Banking Corporation Limited (HBAP-SGDIV-ACCL)	1,200,000	0.31
30. Key Development Sdn Berhad	1,134,250	0.29
<b>TOTAL</b>	<b>322,215,136</b>	<b>82.13</b>

<sup>^</sup> Calculated based on 392,355,969 shares (excluding 43,595,031 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	%^	No. of Shares	%^	No. of Shares	%^
Arusha Enterprise Sdn Bhd	162,554,667	41.43	5,875,700 <sup>1</sup>	1.50	168,430,367	42.92
Wan Hin Investments Sdn Berhad	22,454,387	5.72	168,430,367 <sup>1</sup>	42.93	190,884,754	48.65
Yeoh Chin Hin Investments Sdn Berhad	21,711,250	5.53	-	-	21,711,250	5.53
Di-Yi Sdn Bhd	16,626,951	4.24	190,884,754 <sup>1</sup>	48.65	207,511,705	52.89
High Quest Holdings Sdn Bhd	14,952,726	3.81	190,884,754 <sup>1</sup>	48.65	205,837,480	52.46
Dato' Lee Hau Hian	1,541,530	0.39	209,138,980 <sup>3</sup>	53.30	210,680,510	53.70
Tan Sri Dato' Seri Lee Oi Hian	1,143,155	0.29	210,335,705 <sup>2</sup>	53.61	211,478,860	53.90
Dato' Yeoh Eng Khoon	315,000	0.08	21,802,250 <sup>4</sup>	5.56	22,117,250	5.64
Grateful Blessings Inc	-	-	207,511,705 <sup>1</sup>	52.89	207,511,705	52.89
Grateful Blessings Foundation	-	-	207,511,705 <sup>1</sup>	52.89	207,511,705	52.89
Cubic Crystal Corporation	-	-	205,837,480 <sup>1</sup>	52.46	205,837,480	52.46
High Quest Anstalt	-	-	205,837,480 <sup>1</sup>	52.46	205,837,480	52.46

<sup>^</sup> Calculated based on 392,355,969 shares (excluding 43,595,031 treasury shares).

#### Notes:

- 1 Deemed interest by virtue of Section 8(4) of the Act.
- 2 Deemed interest through the shares held by his children. Tan Sri Dato' Seri Lee Oi Hian is also deemed to have an interest by virtue of Section 8(4) of the Act although he does not have any economic or beneficial interest in the 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 through the shares held by his child and by virtue of Section 8(4) of the Act.
- 4 Deemed interest through the shares held by his spouse and children, and by virtue of Section 8(4) of the Act.

## Analysis of Shareholdings (Continued)

### At 3 December 2019

#### 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	1,143,155	0.29	210,335,705 <sup>1</sup>	53.61
Dato' Lee Hau Hian	1,541,530	0.39	209,138,980 <sup>2</sup>	53.30
Dato' Yeoh Eng Khoon	315,000	0.08	21,802,250 <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 392,355,969 shares (excluding 43,595,031 treasury shares).

**Notes:**

- 1 Deemed interest through the shares held by his children. Tan Sri Dato' Seri Lee Oi Hian is also deemed to have an interest by virtue of Section 8(4) of the Act although he does not have any economic or beneficial interest in the 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 through the shares held by his child and by virtue of Section 8(4) of the Act.
- 3 Deemed interest through the shares held by his spouse and children, and by virtue of Section 8(4) of the Act.

**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	72,000	0.01	501,372,027	47.08
Dato' Lee Hau Hian	83,250	0.01	501,372,027	47.08
Dato' Yeoh Eng Khoon	335,000	0.03	4,764,850	0.45
Dr. Tunku Alina Binti Raja Muhd Alias	1,000	*	-	-

<sup>^</sup> Calculated based on 1,064,965,692 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 2019

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
<b>PLANTATIONS</b>							
<b>MALAYSIA</b>							
<b>Kedah</b>							
Ladang Pelam Baling	Freehold	–	2,960	Oil palm and rubber estate	1986 1992	–	37,389
Ladang Batu Lintang Serdang	Freehold	–	1,808	Oil palm estate and palm oil mill	1986	33	30,249
Ladang Buntar Serdang	Freehold	–	547	Oil palm estate	1986	–	9,974
<b>Perak</b>							
Ladang Lekir Manjung	Freehold	–	3,307	Oil palm estate	2008	–	167,362
Ladang Changkat Chermin Manjung	Leasehold	2080	2,525	Oil palm estate and palm oil mill	2008	36	85,648
Ladang Raja Hitam Manjung	Freehold	–	1,497	Oil palm estate	2008	–	57,181
Ladang Kuala Kangsar Padang Rengas	Freehold Leasehold	– 2896	1,007 333	Oil palm and rubber estate	1979 * 2016	–	59,096
Ladang Subur Batu Kurau	Freehold	–	1,290	Oil palm estate	1986	–	26,386
Ladang Glenealy Parit	Freehold	–	1,059	Oil palm estate	1992	–	21,401
Ladang Serapoh Parit	Freehold	–	936	Oil palm and rubber estate	1979 * 1992	–	12,308
Ladang Allagar Trong	Freehold Leasehold	– 2908	525 248	Oil palm estate	1986	–	9,246
<b>Selangor</b>							
Ladang Changkat Asa Hulu Selangor	Freehold	–	1,543	Oil palm and rubber estate, palm oil mill and rubber factory	1979 *	39 44	20,670
Ladang Tuan Mee Sungai Buloh	Freehold	–	1,394	Oil palm estate and palm oil mill	1979 *	46	28,924
Ladang Kerling Kerling	Freehold	–	1,222	Oil palm and rubber estate	1979 * 1985 2002	–	42,661

# Titled area is in hectares except otherwise indicated

\* Year of last revaluation

**Properties Held by the Group** (Continued)  
At 30 September 2019

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
Fajar Palmkel Rawang	Freehold	–	16,000 sq m	Kernel crushing plant	2019	–	9,070
<b>Negeri Sembilan</b>							
Ladang Ayer Hitam Bahau	Freehold	–	2,640	Oil palm estate	1985	–	38,510
Ladang Batang Jelai Rompin	Freehold	–	2,050	Oil palm and rubber estate	1985	–	26,915
Ladang Jeram Padang Bahau	Freehold	–	2,114	Oil palm and rubber estate, palm oil mill rubber factory and biogas power plant	1985	30 30 1	28,028
Ladang Kombok Rantau	Freehold	–	1,910	Oil palm and rubber estate	1985	–	31,995
Ladang Ulu Pedas Pedas	Freehold	–	922	Oil palm estate	1985	–	11,332
Ladang Gunung Pertanian Simpang Durian	Leasehold	2077	686	Oil palm estate	1985	–	18,236
<b>Johor</b>							
Ladang Landak Paloh	Leasehold	2068 and 2078	4,451	Oil palm estate	1979 *	–	25,543
Ladang Kekayaan Paloh	Leasehold	2068 and 2078	4,436	Oil palm estate palm oil mill and biogas power plant	1979 *	13 3	34,061
Ladang Voules Segamat	Freehold	–	2,969	Oil palm and rubber estate and rubber factory	1979 *	46	31,279
Ladang Paloh Paloh	Freehold	–	2,003	Oil palm estate	1979 *	–	26,053
Ladang Fraser Kulai	Freehold	–	1,915	Oil palm estate	1979 *	–	36,832
Ladang New Pogoh Segamat	Freehold	–	1,545	Oil palm and rubber estate	1979 *	–	15,153
Ladang Sungei Penggeli Bandar Tenggara	Leased property	2087	942	Oil palm estate	1988	–	19,237
Ladang Ban Heng Pagoh, Muar	Freehold	–	631	Oil palm estate	1979 *	–	8,586

# Titled area is in hectares except otherwise indicated

\* Year of last revaluation



**Properties Held by the Group** (Continued)  
At 30 September 2019

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 Sungai Bekok Bekok	Freehold	–	625	Oil palm estate	1979 *	–	10,162
Ladang See Sun Renggam	Freehold	–	589	Oil palm estate	1984	–	8,951
KL-Kepong Edible Oils Pasir Gudang	Leasehold	2045	5	Refinery	1985	36	1,569
<b>Pahang</b>							
Ladang Sungei Kawang Lanchang	Freehold	–	1,889	Oil palm and rubber estate	1979 *	–	22,831
Ladang Renjok Bentong	Freehold	–	1,578	Oil palm and rubber estate	1979 *	–	23,674
Ladang Tuan Bentong	Freehold Leasehold	– 2030 and 2057	910 443	Oil palm and rubber estate	1979 *	–	12,774
Ladang Selborne Padang Tengku, Kuala Lipis	Freehold	–	1,258	Rubber estate	1992	–	27,572
Ladang Kemasul Mengkarak	Freehold	–	459	Oil palm and rubber estate	1983	–	2,495
<b>Kelantan</b>							
Ladang Kuala Gris Kuala Krai	Freehold	–	2,429	Oil palm and rubber estate and rubber factory	1992	19	32,269
Ladang Kerilla Tanah Merah	Freehold	–	2,176	Oil palm and rubber estate and rubber factory	1992	44	34,939
Ladang Pasir Gajah Kuala Krai	Freehold Leasehold	– 2907	951 1,155	Oil palm estate and palm oil mill	1981 *	38	32,223
Ladang Sungai Sokor Tanah Merah	Freehold	–	1,603	Oil palm and rubber estate	1992	–	30,379
Ladang Kuala Hau Machang	Freehold Leasehold	– 2326	305 242	Rubber estate	1980 *	–	7,704
<b>Sabah Tawau Region</b>							
Ladang Jatika	Leasehold	Between 2068 and 2083	3,508	Oil palm estate	1991	–	52,794

# Titled area is in hectares except otherwise indicated

\* Year of last revaluation

**Properties Held by the Group** (Continued)  
At 30 September 2019

Location	Tenure	Year Lease Expiring	Titled Area Hectares#	Description / Existing Use	Year of Acquisition / Last Revaluation	Age of Buildings (Years)	Net Carrying Amounts RM'000
Ladang Sigalong	Leasehold	Between 2063 and 2079	2,864	Oil palm estate	1983	–	14,100
Ladang Pangeran	Leasehold	Between 2063 and 2080	2,855	Oil palm estate and palm oil mill	1983	18	43,139
Ladang Sri Kunak	Leasehold	Between 2063 and 2076	2,770	Oil palm estate	1983	–	18,342
Ladang Pang Burong	Leasehold	Between 2063 and 2080	2,548	Oil palm estate	1983	–	16,093
Ladang Pinang	Leasehold	Between 2068 and 2085	2,420	Oil palm estate	1983	–	36,843
Ladang Tundong	Leasehold	Between 2063 and 2073	2,155	Oil palm estate palm oil mills and biogas power plant	1983	32 and 36 7	29,410
Ladang Ringlet	Leasehold	Between 2065 and 2081	1,834	Oil palm estate	1989	–	18,940
<b>Lahad Datu Region</b>							
Ladang Tungku	Leasehold	2085	3,418	Oil palm estate	1991 *	–	34,230
Ladang Bornion	Leasehold	2078	3,233	Oil palm estate and palm oil mill	1992	21	13,600
Ladang Bukit Tabin	Leasehold	2079	2,916	Oil palm estate	1993	–	15,875
Ladang Segar Usaha	Leasehold	2077	2,792	Oil palm estate	1990 *	–	30,801
Ladang Rimmer	Leasehold	2085	2,730	Oil palm estate	1991 *	–	41,712
Ladang Sungai Silabukan	Leasehold	2079	2,654	Oil palm estate	1993	–	11,672
Ladang Lungmanis	Leasehold	2085	1,656	Oil palm estate and palm oil mill	1991 *	19	11,343
KLK Premier Oils	Leasehold	2066	4	Kernel crushing plant and refinery	1998	16 12	9,968
	Leasehold	2110	2	PKC warehouse	2007	10	4,828

# Titled area is in hectares except otherwise indicated

\* Year of last revaluation

**Properties Held by the Group** (Continued)  
At 30 September 2019

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
<b>INDONESIA</b>							
<b>Belitung Island</b>							
Kebun Steelindo Wahana Perkasa	Hak Guna Usaha	2020	14,065	Oil palm estate, palm oil mill, refinery, kernel crushing plant and biogas power plant	1994	20 6 6 6	55,390
Kebun Parit Sembada Usaha	Hak Guna Usaha	2020	3,990	Oil palm estate and palm oil mill	2003	12	12,027
Kebun Alam Karya Sejahtera	Hak Guna Usaha	2050 and 2053	2,335	Oil palm estate	2010	–	53,008
<b>Sumatra Riau Region</b>							
Kebun Mandau	Hak Guna Usaha	2020	14,837	Oil palm estate, palm oil mill, kernel crushing plant refinery and biogas power plant	1996	16 12 6 6	162,980
Kebun Nilo	Hak Guna Usaha	2028	12,860	Oil palm estate and palm oil mills	1996	17 and 8	186,833
	Hak Guna Usaha	2054	1,363	Oil palm estate	2005		14,062
Kebun Sekarbumi Alamlestari	Hak Guna Usaha	2024	6,200	Oil palm estate and palm oil mill	2009	23	88,808
<b>North Sumatra Region</b>							
PT Langkat Nusantara Kepong **	Leased property	2039	21,371	Oil palm estate and palm oil mills	2009	5 & <1	286,422
<b>East Kalimantan</b>							
Kebun Jabontara Eka Karsa Berau	Hak Guna Usaha	2033	14,086	Oil palm estate and palm oil mill	2006	4	234,943
Kebun Putra Bongan Jaya	Hak Guna Usaha	2044	11,602	Oil palm estate	2018	–	371,406
	Izin Lokasi	2020	4,460	–	2018	–	
Kebun Malindomas Perkebunan Berau	Hak Guna Usaha	2043	7,971	Oil palm estate	2007	–	92,319
Kebun Hutan Hijau Mas Berau	Hak Guna Usaha	2029 and 2043	7,317	Oil palm estate and palm oil mill and biogas power plant	2007 2009	11 3	93,269

\*\* 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

**Properties Held by the Group** (Continued)  
At 30 September 2019

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 Satu Sembilan Delapan Berau	Hak Guna Usaha	Between 2029 and 2044	5,728	Oil palm estate and palm oil mill	Between 2008 and 2009	5	111,212
Kebun Tekukur Indah Berau	Izin Lokasi	-	2,030	Oil palm estate	Between 2012 and 2016	-	9,921
<b>Central Kalimantan</b>							
Kebun Karya Makmur Abadi	Hak Guna Usaha	2051	9,397	Oil palm estate and palm oil mill	2007	4	267,595
Kebun Mulia Agro Permai	Hak Guna Usaha	2040	9,056	Oil palm estate and palm oil mill	2006	6	175,036
Kebun Menteng Jaya Sawit Perdana	Izin Lokasi	2020	3,059	Oil palm estate	2007	-	40,796
<b>LIBERIA</b>							
Palm Bay Estate Grand Bassa County	Leasehold	2057	13,007	Oil palm estate, palm oil mill and bulking installation	2013	1 <1	182,062
<b>MANUFACTURING MALAYSIA</b>							
KL-Kepong Oleomas Klang, Selangor	Leasehold	2097	19	Oleochemicals factory	2004	10 to 13	38,966
Palm-Oleo Rawang, Selangor	Freehold	-	13	Oleochemicals, soap noodles and industrial amides factories	1991 1994	23 and 28	14,612
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	8 to 21	19,521
See Sen Chemical Lot 2989 and 3558 Kawasan Perindustrian Teluk Kalung, Kemaman, Terengganu	Leasehold	2055	12	Chemical factory	1995	23	3,894
Palm-Oleo (Klang) Klang, Selangor	Leased property	2088	7	Oleochemicals factory	2007	28 and 38	27,520

# Titled area is in hectares except otherwise indicated

**Properties Held by the Group** (Continued)  
At 30 September 2019

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
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	43 9	4,109 204
B.K.B. Hevea Products Ipoh, Perak	Leasehold	2089	5	Parquet factory	1994	25	3,242
KL-Kepong Rubber Products Ipoh, Perak	Freehold	–	3	Rubber gloves factory	2012	35	15,240
See Sen Chemical PT 6326, Bandar Sri Sendayan Seremban, Negeri Sembilan	Freehold	–	2	Chemical factory	2013	5	9,280
See Sen Chemical PTD 21873, Pasir Gudang Industrial Estate, Pasir Gudang, Johor	Leasehold	2039	2	Chemical factory	1979	34	1,437
KLK Bioenergy Shah Alam, Selangor	Leasehold	2074	1	Biodiesel plant	2009	34	3,016
Malay-Sino Chemical Industries Lot 541, Kg Aceh Industrial Estate, Sitiawan, Perak	Leasehold	2087	1	Industrial land with warehouse	1996 *	30	574
See Sen Chemical Lot 5441 Kawasan Perindustrian Teluk Kalung, Kemaman, Terengganu	Leasehold	2056	9,013 sq m	Acid pipeline	2003	–	96
Malay-Sino Properties Lot 9878, Kg Aceh Industrial Estate Sitiawan, Perak	Leasehold	2093	4,282 sq m	Industrial land with warehouse	1996 *	24	211
<b>INDONESIA</b>							
PT KLK Dumai Dumai Timur, Riau	Leased property	2031	12,876 sq m	Oleochemicals factory	2011	5	18,936
<b>BELGIUM</b>							
KLK Tensachem SA Ougree	Freehold	–	10	Surfactant factory	2014	12 to 89	21,491

# Titled area is in hectares except otherwise indicated

\* Year of last revaluation

**Properties Held by the Group** (Continued)  
At 30 September 2019

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>CHINA</b>							
Taiko Palm-Oleo (Zhangjiagang) Zhangjiagang City, Jiangsu	Leasehold	2054	20	Oleochemicals factory	2004	14	35,203
Shanghai Jinshan Jingwei Chemical Jinshan, Shanghai	Leasehold	2052	2	Oleochemicals factory	2008	14	2,590
<b>GERMANY</b>							
KLK Emmerich Emmerich Am Rhein	Freehold	–	21	Oleochemicals factory	2010	26 to 66	14,997
KLK Emmerich Dusseldorf	Leasehold	2104	6	Oleochemicals factory	2015	14 to 109	40,206
<b>NETHERLANDS</b>							
Dr. W. Kolb Netherlands BV Moerdijk	Freehold	–	8	Ethoxylation factory	2007	26	82,798
KLK Kolb Specialties BV Delden	Freehold	–	17	Chemical specialty factory	2018	16 to 72	47,776
<b>SWITZERLAND</b>							
Dr. W. Kolb AG Hedingen	Freehold	–	2	Ethoxylation factory	2007	19 to 55	70,065
<b>PROPERTIES MALAYSIA</b>							
KL-Kepong Country Homes Ijok, Selangor	Freehold	–	110	Property development	1979	–	34,143
	Freehold	–	666	Property development	1979	–	–
	Leasehold	2082, 2108 and 2117	11	Property development operating as oil palm estate	2010 2018	–	12,450
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	–	142,466
Palermo Corporation Bagan Samak, Kedah	Freehold	–	351	Property development operating as oil palm estate	1986	–	13,017

# Titled area is in hectares except otherwise indicated

**Properties Held by the Group** (Continued)  
At 30 September 2019

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
Scope Energy Tanjung Kupang, Johor	Freehold	–	203	Property development	2016	–	883,888
Kompleks Tanjong Malim Hulu Selangor, Selangor	Freehold	–	172	Property development operating as oil palm estate	1979	–	7,732
KL-Kepong Property Management Paloh, Johor	Freehold	–	26	Property development operating as oil palm estate	1979 *	–	391
KL-Kepong Complex Sungai Buloh, Selangor	Freehold	–	8	Property development	1979	–	2,990
<b>INVESTMENT PROPERTY</b>							
<b><u>MALAYSIA</u></b>							
Batu Kawan Holdings Menara KLK No 1, Jalan PJU 7/6 Mutiara Damansara Petaling Jaya, Selangor	Freehold	–	5,730 sq m	Office building	2003	10	47,463
<b>OTHER PROPERTIES</b>							
<b><u>MALAYSIA</u></b>							
Stolthaven (Westport) Klang, Selangor	Leased property	2024	12	Bulking installation	2006 2014	5 and 21	13,984
Circular Agency Lot 202186, 202187 and 202188, Zarib Industrial Park, Lahat Ipoh, Perak	Leasehold	2092	1	Land with office building and workshop	1996 *	25	1,979
Wisma Taiko, 1, Jalan S.P. Seenivasagam Ipoh, Perak	Freehold	–	2,984 sq m	Head office building	1983	34	3,441
	Leasehold	2892	2,408 sq m		2000		1,593
Kelkay Bulking Installation Port Klang, Selangor	Leased property	(pending renewal)	3,968 sq m	Bulking installation	1975 2014	44	313

# Titled area is in hectares except otherwise indicated

\* Year of last revaluation



**Properties Held by the Group** (Continued)  
At 30 September 2019

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>INDONESIA</b>							
SWP Bulking Installation Belitung	Hak Guna Bangunan	2035	20	Bulking installation and jetty	2005	10 and 14 13	9,782
PT Steelindo Wahana Perkasa Belitung	Hak Guna Bangunan	2026	49,875 sq m	Warehouse	2018	20	2,262
PT Hutan Hijau Mas Berau, Kalimantan Timur	Hak Pakai	2035	8	Jetty	2010	5	1,616
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	12	41
<b>AUSTRALIA</b>							
Chilimony Farm Northampton Western Australia	Freehold	–	16,189	Cereal and cattle farm	2012 2013	–	82,450
Wyunga Farm Dandaragan Western Australia	Freehold	–	14,418	Cereal and cattle farm	2013 2014 2016	–	96,433
Erregulla Farm Mingenew Western Australia	Freehold	–	10,238	Cereal and sheep farm	2004 * 2018	–	35,954
Warrenning Gully Farm Williams Western Australia	Freehold	–	5,119	Cereal and sheep farm	2004 * 2014	–	27,924
Jonlorrie Farm York Western Australia	Freehold	–	4,927	Cereal and sheep farm	2013 2014	–	67,630
Tatchbrook Farm Arthur River Western Australia	Freehold	–	6,516	Cereal and sheep farm	2015 2016 2017	–	50,415

# Titled area is in hectares except otherwise indicated

\* Year of last revaluation

# 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 held at WEIL Hotel, Ballroom 1, Level 6, 292 Jalan Sultan Idris Shah, 30000 Ipoh, Perak Darul Ridzuan, Malaysia on Tuesday, 18 February 2020 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: Dato' Lee Hau Hian		
2	Dato' Yeoh Eng Khoon		
3	Payment of Directors' fees		
4	Payment of Directors' benefits		
5	Re-appointment of Auditors and their remuneration		
6	Proposed Renewal of Authority to Buy Back Shares		
7	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
8	Proposed Renewal of Authority for Directors to Allot and Issue New BKB Shares in relation to the Dividend Reinvestment Plan		

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:

- A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his 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 attend at the same meeting. Where a member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportion of his 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.
- If a member having appointed a proxy to attend a general meeting attends such meeting in person, the appointment of such proxy shall be null and void in respect of such meeting and his proxy shall not be entitled to attend such meeting.
- 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.
- The instrument appointing a proxy, to be valid, must be deposited at the Registered Office of the Company at Bangunan Mayban Trust Ipoh, Level 9, No. 28, Jalan Tun Sambanthan, 30000 Ipoh, Perak Darul Ridzuan, Malaysia not less than twenty-four (24) hours before the time appointed for taking of the poll.
- If neither "for" nor "against" is indicated above, the proxy will vote or abstain as he thinks fit.
- Only members whose names appear on the General Meeting Record of Depositors or Register of Members as at 11 February 2020 shall be entitled to attend or appoint proxies in his stead or in the case of a corporation, a duly authorised representative to attend, speak and vote in his stead.
- Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of Annual General Meeting shall be put to vote on a poll.

### Personal Data Privacy

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



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**THE COMPANY SECRETARIES  
BATU KAWAN BERHAD  
Bangunan Mayban Trust Ipoh  
Level 9, No. 28, Jalan Tun Sambanthan  
30000 Ipoh  
Perak Darul Ridzuan  
Malaysia**

Affix Stamp  
Here

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