BATU KAWAN BERHAD (6292-U)

SUMMARY OF PROCEEDINGS OF THE FIFTY-THIRD (53RD) ANNUAL GENERAL MEETING OF THE COMPANY HELD AT ITS REGISTERED OFFICE, WISMA TAIKO, NO. 1, JALAN S.P. SEENIVASAGAM, 30000 IPOH, PERAK DARUL RIDZUAN ON TUESDAY, 13 FEBRUARY 2018 AT 2.30 P.M.

PRESENT : Tan Sri Dato' Seri Lee Oi Hian - Chairman
Shareholders, proxies, corporate representatives and others are as per attendance list

1. COMMENCEMENT OF MEETING

The Chairman called the Meeting to order and extended a warm welcome to those present. The Company Secretary, Ms. Yap Miow Kien, confirmed that a quorum was present.

2. PRELIMINARY

The Chairman briefed the shareholders that pursuant to the Main Market Listing Requirements of Bursa Malaysia, resolutions at the Meeting would be put to vote on a poll through electronic voting. The Company had appointed Symphony Share Registrars Sdn. Bhd. ("SSR") as the Poll Administrator to conduct the polling process and Symphony Corporatehouse Sdn. Bhd. ("Symphony") as Scrutineers to verify and validate the poll results. The polling process for voting on the resolutions would be conducted upon completion of the deliberation of all items to be transacted at the Meeting.

3. NOTICE OF MEETING

On a proposal of the Chairman, the Notice of Meeting dated 29 December 2017 was taken as read.

4. AUDITORS' REPORT

On a proposal of a shareholder, the Auditors' Report was taken as read.

5. AUDITED FINANCIAL STATEMENTS AND REPORTS

The Chairman informed that the Audited Financial Statements for the year ended 30 September 2017 ("FY 2017"), together with the Directors' and Auditors' Reports thereon, were tabled in the Meeting for discussion only and not required to be put forward for voting.

The Chairman further informed that the Company had responded to the questions raised by the Minority Shareholder Watchdog Group ("MSWG") in its letter dated 7 February 2018 and the replies thereto (a copy of the MSWG's letter together with the Company's written reply dated 12 February 2018 are attached as **Appendix 1**) have been distributed to all shareholders attending the Meeting. The MSWG representative informed that they were satisfied with Management's replies and has raised the following additional questions:

(a) Will the Board issue an errata to the errors made in "*Note 21: Investments in Joint Ventures*" in the Annual Report 2017?

(b) In "*Note 42: Contingent Liabilities – Unsecured*" of the Annual Report 2017, which subsidiary has an unsecured contingent liability of RM804.6 million in respect of corporate guarantees given to certain banks for credit facilities utilized by certain subsidiaries? Where the Company and a subsidiary have undertaken to provide financial support to certain subsidiaries and sub-subsidiaries to enable them to continue to operate as going-concerns, which are the subsidiaries and sub-subsidiaries having such going-concerns issues?

(c) In respect of the logistics subsidiaries, what is the timeframe for completion of the vehicle replacement programs and the estimated capex for these programs?

(d) Recently, the Company is listed as one of the seven (out of top 100 listed companies) companies on Bursa Malaysia with all-male boards. The MSWG representative commented that the Board should consider the appointment of female directors.

On behalf of the Board, the Managing Director ("MD") apologised to shareholders for the errors in Note 21 and explained that the errors were only restricted to the disclosure in the Note 21 and does not have any effect on the reported profit figures of the Company or the Group or other parts of the financial statements. The errors arose due to the mistake of subtracting the figures (instead of adding them) in computing Revenue in Note 21. As the errors were only discovered upon receipt of the MSWG's queries, there was insufficient time to issue an errata before convening of the Annual General Meeting. The Board did not consider the errors to be material, and had circulated at this Annual General Meeting its clarification on the errors in Note 21. The clarification will also be published on the Company's website as part of the minutes of this Annual General Meeting.

For question (b), the Group Financial Controller explained that the unsecured contingent liability is in respect of the issuance of corporate guarantees to certain banks for credit facilities extended to its subsidiaries and the bulk of the facilities are granted to KLK Emmerich [a subsidiary of Kuala Lumpur Kepong Berhad ("KLK")].

The MD further explained that the external auditors have requested for the Company and its subsidiary, KLK to provide financial support to these subsidiaries for going-concern purposes. These subsidiaries are mainly dormant and the Company and KLK will continue to provide financial support to enable these subsidiaries to meet their obligations as and when such obligations arise.

The MD informed that there is currently a fleet replacement programme, which will be spread out over 3 to 4 years, to replace aging vehicles in the Group's transport subsidiaries. It has currently incurred some RM10 million and depending on progress, it is estimated to cost approximately RM17 to 20 million in total.

The Chairman stated that the Board viewed seriously the Prime Minister's stated target of having at least 30% women at board level in public listed companies by 2020. The Board has since selected a new female director for appointment to BKB Board and will soon make an appropriate announcement.

The MSWG representative further commented that the BKB Board should take note of the recommended practices in the Malaysian Code of Corporate Governance 2017, particularly on the tenure of independent directors and the adoption of 2-tier voting for independent directors whose tenure has exceeded 12 years, disclose details of remuneration for individual directors and for the top 5 senior management on a named basis. She continued that one of the function and duties of a Nomination Committee ("NC") is to assess the independence of the independent directors and hence, the Board is requested to re-look at the composition of BKB NC as it is better for the NC not to rely on the recommendation of the sole non-interested NC member for assessment of the independence of the BKB Independent Directors. If BKB does not have many Independent Directors, the Board may consider combining the NC and Remuneration Committees as has been done by some other companies. The Chairman replied that the Board will consider these MSWG recommendations.

A shareholder posted the following questions:

(a) What is the percentage breakdown of the properties held by the BKB Group according to locations?
(b) A total dividend of 60 sen was paid/declared for FY 2017. Does the Company have a dividend policy which sets out certain targets prior to a dividend pay-out?
(c) How often does the Board meet to discuss risk management and does the Board meet before or after a risk has been identified?
(d) How often does the Board convene their meetings?

The Chairman replied that BKB's main investment is in KLK and that KLK's principal business activity is plantations. The breakdown of the properties for KLK Plantations will be mainly roughly 50% in Malaysia and 50% in Indonesia, with a small percentage in Liberia. For investment properties directly held by BKB, this is an office building in Malaysia. BKB also has several Australian property investments, held via its associates, in Australia.

Since BKB's main investment is in KLK, BKB's dividend payout mainly depends on the dividends received from KLK. KLK has been consistently paying total dividends of 50% – 60% yearly, which the amount will indirectly flow out to the BKB shareholders as dividends.

The Chairman elaborated on the type of risks which impact the business of the Group and how the Board and Management take risk management seriously. The Risk Management Committees of BKB and KLK are tasked to oversee the BKB and KLK Groups' risk management framework and to monitor all key risks for reporting to the Audit Committee and Board. At its quarterly Board meetings, the Board discuss risk matters along with other matters.

The Chairman informed that the Board meets every quarterly in a year and there were 4 Board meetings held for FY 2017.

A shareholder thanked the Board and Management for the satisfactory performance of the Group and commented that the Board and Management consist of diligent, honest and hardworking group of people.

He raised his concern over the long-term impact on CPO arising from the move by the EU Parliament to ban palm oil use in biodiesel, and the Group's strategies to balance demand relative to the supply of CPO. The Chairman explained that the proposed ban on palm oil use in biodiesel, if approved, would only take effect in 2021. The oil-palm countries and their governments are rigorously campaigning against this proposed ban. As for the demand and supply of CPO, the Group will continue to find other markets and other uses for this commodity.

In reply to a shareholder whether the Board has heard of any rumours that Company may be privatised, the Chairman stated that the Board had not heard of any such rumours.

A shareholder then continued to raise the following questions:

(a) How much is KLK's profit and revenue contributions to BKB's financial results?
(b) The statement "The unusually volatile palm kernel oil price experienced last financial year which resulted in write-down of our oleochemical raw material inventories is unlikely to be repeated" described in one paragraph in the Chairman's Statement of the Annual Report 2017 was referred to and the Board was asked to elaborate further on this matter.

The Chairman replied that KLK's revenue contribution to Group's revenue was significant but varies depending on the CPO prices. KLK contributed over 90% of the Group's pre-tax profit.

Palm kernel oil prices were very volatile the last financial year with prices ranging from below USD2,000 /mt to USD4,000 /mt. KLK Oleo had stocked up their inventories when the palm kernel oil price was high and following the sharp drop in the palm kernel oil price, this resulted in the huge write-down of stocks to net realisable value. Management learn from this experience to be more prudent in the future.

There being no further questions, the Audited Financial Statements for the year ended 30 September 2017, together with the Directors' and Auditors' Reports thereon laid before the Meeting in compliance with Section 244(2)(a) of the Companies Act 2016 were duly received.

6. ANY OTHER BUSINESS

The Meeting noted that the Company had not received any notice for transaction of any other business.

The Meeting then proceeded to electronic poll voting.

7. DECLARATION OF RESULTS

Based on the poll results as verified and validated by the Scrutineers, the Chairman declared all the resolutions tabled at the Meeting, **CARRIED** as follows:

Resolution	Vote in Favour		Vote Against	
	No. of Shares	%	No. of Shares	%
Ordinary Business				
Resolution 1 Approval of the payment of a final single tier dividend of 45 sen per share for the year ended 30 September 2017	**266,180,133**	**100**	**0**	**0**
Resolution 2 Re-election of Dato' Lee Hau Hian who retires in accordance with the Company's Articles of Association	**266,167,233**	**99.995**	**12,900**	**0.005**
Resolution 3 Re-election of Dato' Yeoh Eng Khoon who retires in accordance with the Company's Articles of Association	**261,566,383**	**99.993**	**17,250**	**0.007**
Resolution 4 Re-election of Tan Sri Rastam bin Mohd Isa who retires in accordance with the Company's Articles of Association	**266,173,033**	**99.997**	**7,100**	**0.003**
Resolution 5 Re-appointment of R.M. Alias as Director of the Company	**261,572,183**	**99.996**	**11,450**	**0.004**
Resolution 6 Approval of Directors' fees amounting to RM704,808 for the year ended 30 September 2017	**266,180,133**	**100**	**0**	**0**
Resolution 7 Approval of payment of Directors' benefits (other than Directors' fees) to Non-Executive Directors for the period from 31 January 2017 until the next AGM to be held in 2019	**266,180,133**	**100**	**0**	**0**
Resolution 8 Re-appointment of Auditors and authority to the Directors to fix their Remuneration	**266,162,833**	**99.994**	**17,300**	**0.006**
Special Business				
Resolution 9 Proposed Renewal of Authority to Buy Back its Own Shares by the Company	**266,180,133**	**100**	**0**	**0**
Resolution 10 Proposed Shareholders' Mandate For Recurrent Related Party Transactions of a Revenue or Trading Nature	**54,666,838**	**99.998**	**1,000**	**0.002**
Resolution 11 Proposed Establishment of a Dividend Reinvestment Plan	**266,148,133**	**99.988**	**32,000**	**0.012**
Resolution 12 Proposed Issuance of New BKB Shares	**266,178,133**	**99.999**	**2,000**	**0.001**

8. TERMINATION

There being no other business, the Meeting ended at 3.45 p.m. with a vote of thanks to the Chair.

MSWG

MINORITY SHAREHOLDER WATCHDOG GROUP
Shareholder Activism and Protection of Minority Interest

7 February 2018

BY FAX
(Fax No.: 605-240 8117)

The Board of Directors
BATU KAWAN BERHAD
Wisma Taiko
1, Jalan S. P. Seenivasagam
30000 Ipoh
Perak Darul Ridzuan

Attention: **Mr. Chong See Teck / Ms Yap Miow Kien/ Ms. Cindy Chiew**
Company Secretaries

Dear Sir,

Re: **53rd Annual General Meeting of BATU KAWAN BERHAD ("The Company"/"BKB") on 13 February 2018**

In the interest of minority shareholders and all other stakeholders of the Company, we would like to raise the following issues at the 53rd Annual General Meeting of Batu Kawan Berhad.

Strategic & Financial Matters

1) As reported in the Chairman's Statement on Page 22 of the Annual Report 2017, the profit contribution from Menara KLK building for FY2017 was RM2.66 million which was 38% lower than the profit contribution for FY2016. The decline was due to vacancies after some tenants exited upon completion of their tenancies.

    (a) What were the occupancy rates of Menara KLK as at 30 September 2017 and 30 September 2016? To-date, what is the occupancy rate?

    (b) What is the percentage of tenancies due for renewal in FY2018 and what is the expected renewal rate?

    (c) Given that the oversupply of office space, especially in the Klang Valley is expected to continue in 2018, what are the measures and strategies adopted to retain the existing tenants and to attract new tenants to the building?

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
(Incorporated in Malaysia • Company No: 524989-M)
Tingkat 11, Bangunan KWSP, No: 3, Changkat Raja Chulan, Off Jalan Raja Chulan, 50200 KUALA LUMPUR.
Tel: (603) 2070 9090 Fax: (603) 2070 9107
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2) In FY2017, there were two launches of property projects in Australia, namely Mickleham and Forrestfield.

   (a) What is the percentage of completion and the latest take-up rates for these projects?

   (b) Are these projects expected to contribute profit to the Group in FY2018?

3) Note 12 to the Financial Statements highlighted the impairment loss for the Group amounted to RM30,940,000 for FYE2017 due to the under-performance of a specialised oleochemical plant.

   (a) What was the reason for the under-performance of the plant that triggered the impairment loss provision?

   (b) What are the measures taken to improve the performance of the plant?

4) Note 21 to the Financial Statements indicates that the joint ventures registered a loss of RM75,820,000 in FYE2017 compared to a profit of RM25,797,000 in FYE2016.

   (a) Which joint venture/s had contributed to the loss in FYE2017?

   (b) To what extent does the Company control the business operations of the joint venture? Are there any Board Representatives in the joint venture companies?

   (c) Is the joint venture concerned expected to turn-around in FYE2018?

Corporate Governance

Two of the Independent Directors of the Company have served on the Board for a cumulative period of more than nine (9) years and again there were no resolutions tabled to retain them as Independent Directors of the Company.

The reply to our letter dated 8 February 2017 on the above matter stated that the Board would not adopt recommendation 3.3 of the Malaysian Code of Corporate Governance (MCCG) 2012.

The new MCCG ('the Code") has adopted the 'apply or explain an alternative' approach for application of good corporate governance practices. As the Company falls under the "Large Companies" category, under Paragraph 5.4 of the Code, the Board is expected to disclose the measures the Company has taken or intends to take to enable the Company to adopt the MCCG Practices, and the timeframe required.

Does the Board intend to abide by the Practices within the Code in relation to the retention of independent directors who have served more than nine years? .

We would appreciate if the Board could present the points raised here, and their related answers, for the shareholders present at the AGM. At the same time, we await a written reply as soon as possible for our records and posting on our website.

Thank you.

Yours sincerely

DEVANESAN EVANSON
Chief Executive Officer

DE/LR/LH/AGM2018

APPENDIX 1

BATU KAWAN BERHAD (6292-U)

12 February 2018

BADAN PENGAWAS PEMEGANG SAHAM MINORITY BERHAD
Tingkat 11, Bangunan KWSP
No. 3, Changkat Raja Chulan
Off Jalan Raja Chulan
50200 Kuala Lumpur

Dear Sirs

BATU KAWAN BERHAD
FIFTY-THIRD (53RD) ANNUAL GENERAL MEETING
ON 13 FEBRUARY 2018

We refer your letter dated 7 February 2018 in relation to our 53rd Annual General Meeting, raising several questions that may be in the interests of minority shareholders and other stakeholders of the Group and the Company.

Following are our replies to your questions raised:

Strategic & Financial Matters

1. **Q: "As reported in the Chairman's Statement on Page 22 of the Annual Report 2017, the profit contribution from Menara KLK building for FY 2017 was RM2.66 million which was 38% lower than the profit contribution for FY 2016. The decline was due to vacancies after some tenants exited upon completion of their tenancies."**

   (a) "What were the occupancy rates of Menara KLK as at 30 September 2017 and 30 September 2016? To-date, what is the occupancy rate?"

   Menara KLK's occupancy rates at 30 September 2017 and 30 September 2016 was 73.2% and 99.1% respectively. As at January 2018, its occupancy rate is 73.9%.

   (b) "What is the percentage of the tenancies due for renewal in FY 2018 and what is the expected renewal rate?"

   The percentage of tenancies due for renewal in FY 2018 is 46% and for these tenancies expiring in FY 2018, we are expecting a 100% renewal rate.

(c) **"Given that the oversupply of office space, especially in the Klang Valley is expected to continue in 2018, what are the measures and strategies adopted to retain the existing tenants and to attract new tenants to the building?"**

Menara KLK is a purpose-built office building that partly houses some of the Group's businesses. At 30 September 2017, some 38% of the net lettable area is occupied by group subsidiaries and related companies.

The new office spaces being built in the vicinity (e.g. Nucleus Tower immediately opposite) are marketing at a higher rate of RM6.00 psf catering for a different market segment. Menara KLK will maintain a competitive rental rate to retain its existing tenants while continuing to focus on its target customers, whilst improving on its service quality levels and sound maintenance of the building.

Strategies adopted to attract new tenants to fill vacancies include appointing prominent leasing agents, offering attractive incentives to suitable new tenants, and being innovative in targeting customers.

2. **Q: "In FY 2017, there were two launches of property projects in Australia, namely Mickleham and Forrestfield."**

(a) **"What is the percentage of completion and the latest take-up rates for these projects?"**

Mickleham's Botanical project was recently launched in September 2017, with only 8% of the project completed. Every launch to-date had been almost sold out, with buyers only able to purchase the property via online balloting, and as at December 2017, the take-up rate was 94%.

The Forrestfield project, launched in October 2016, was approximately 21%. completed as at September 2017. It achieved 86% take-up rate to-date on its launched units.

(b) **"Are these projects expected to contribute profit to the Group in FY 2018?"**

Mickleham is not expected to contribute to the Group's profit in FY 2018, as units settlement usually occurs 12 months after launching, the first revenue being forecasted for October 2018 (i.e. in FY 2019).

Forrestfield should contribute positively to the Group's profit in FY 2018.

3. **Q: "Note 12 to the Financial Statements highlighted the impairment loss for the Group amounted to RM30,940,000 for FY 2017 due to the under-performance of a specialized oleochemical plant."**

   (a) **"What was the reason for the under-performance of the plant that triggered the impairment loss provision?"**

   The asset impairment was for the sulphonated methyl ester ("SME") manufacturing facility of Kuala Lumper Kepong Berhad and was made to reflect the estimated reduced carrying value of the asset based on an estimated business projection. The reduced value reflected the improved competitiveness of alternative substitute products from petroleum fall in crude oil prices, a slower than anticipated take-up of SME, and some teething technical issues of the technology.

   (b) **"What are the measures taken to improve the performance of the plant?"**

   The technical issues have largely been addressed and product sales have since improved following closer customer inter-actions.

4. **Q: "Note 21 to the Financial Statements indicates that the joint ventures registered a loss of RM75,820,000 in FY 2017 compared to a profit of RM25,797,000 in FY 2016".**

   We apologise for an error in Note 21 whereby the loss from joint ventures should correctly be ***RM1,066,000*** *instead of a loss of RM75,820,000 in FY 2017 (versus a profit of RM25,797,000 in FY 2016) disclosed in Note 21. This error only affects the Note 21 disclosure and does not affect the Group's profit figures as stated in the Statement of Profit or Loss.*

   For your clarification, the following section of Note 21 should correctly be read as follow:

   "Summary of financial information on joint ventures:

	2017 RM'000
"...............	....
....	....
Revenue	1,431,809
(Loss) / Profit for the year	(1,066)"

   (a) **"Which joint venture/s had contributed to the loss in FY 2017?"**

   The joint ventures which contributed to the loss in FY 2017 were:

	2017 RM'000
• PT Kreasijaya Adhikarya	(30,901)
• Riverlee Caruso Epping JV	(3,906)
• Rainbow State Ltd	(3,635)

The above losses were partly mitigated by a RM37,377,000 profit from another joint venture.

(b) **"To what extent does the Company control the business operations of the joint venture? Are there any Board Representatives in the joint venture companies?"**

The Group owns 50% of each of the above joint ventures and has board representation thereon.

(c) **"Is the joint venture concerned expected to turn-around in FY 2018?"**

PT Kreasijaya Adhikarya runs a crude palm oil refinery and bulking installation in Indonesia. Its FY 2017 losses were attributable to operating during a period of negative refining margins, foreign exchange losses and initial plant commissioning issues. A positive profit contribution is expected in FY 2018.

Riverlee Caruso Epping JV is involved in rehabilitation of a 46-hectare former quarry and landfill land in Epping, Melbourne, Australia for development into a master-planned mixed-use precinct with private medical facility. The project is long term, still in planning/preparation stage and thus no contribution to the Group is expected in FY 2018.

Rainbow State Ltd is a joint venture company owning and maintaining a corporate aircraft. The aircraft is used on a time-sharing basis by the Group for its internal transport and not for commercial purpose. Hence, there will not be any positive contribution from this joint venture.

Corporate Governance

Q: "Two of the Independent Directors of the Company have served on the Board for a cumulative period of more than nine (9) years and again there were no resolutions tabled to retain them as Independent Directors of the Company.

The reply to our letter dated 8 February 2017 on the above matter stated that the Board would not adopt recommendation 3.3 of the Malaysian Code of Corporate Governance (MCCG) 2012.

The new MCCG ("the Code") has adopted the 'apply or explain an alternative' approach for application of good corporate governance practices. As the Company falls under the "Large Companies" category, under Paragraph 5.4 of the Code, the Company is expected to disclosure the measures the Company has taken or intends to take to enable the Company to adopt the MCCG Practices, and the timeframe required.

Does the Board intend to abide by the Practices within the Code in relation to the retention of independent directors who have served more than nine years?"

The Board as a whole, has direct interactions with its Independent Directors and has stated in the Annual Report its view that the Board is in a better position to identify, evaluate and determine whether any Independent Director can continue acting in the best interests of the Company and thus bring independence and professional judgement to Board deliberations.

The Board has assessed and concluded that the two Independent Directors who have served for more than 9 years, are independent as they continue to act independently and are able to bring professionalism and independence to Board deliberations. Accordingly, it has not been our practice to table for shareholders' approval, resolutions to retain the two Directors as independent directors.

Nevertheless, we take cognisance of the recommendations in the Malaysian Code of Corporate Governance ("MCCG") 2017 and will review our current practices to determine if they are consistent with the intended outcomes stated in the MCCG. With effect from FY 2018, we will also be reporting in our Corporate Governance Report, the state of our compliance with the MCCG.

Yours faithfully
BATU KAWAN BERHAD

....
(Chong See Teck)
Company Secretary