



**Boustead Holdings Berhad** 3871-H  
(A member of LTAT Group)

# NEW HEIGHTS OF EXCELLENCE



ANNUAL REPORT 2017

## NEW HEIGHTS OF EXCELLENCE

Through resilience and foresight, the Boustead Group attained new heights of excellence across our operations. Our six Divisions which are represented in the cover visual, operate within key sectors of the nation's economy to deliver synergistic growth.



# AT A GLANCE

REVENUE  
RM10  
BILLION

PROFIT  
AFTER TAX  
RM923  
MILLION

DIVIDEND  
11  
SEN

CAPEX &  
ACQUISITION  
RM271  
MILLION

PROFIT  
BEFORE TAX  
RM1.1  
BILLION

EBITDA  
RM1.6  
BILLION

TOTAL ASSETS  
RM17.7  
BILLION

## WHAT'S INSIDE



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# About Us & Our Core Business

## PLANTATION

Leveraging on our vast experience and strong track record in plantation management, the Plantation Division manages a sizable land bank across Peninsular Malaysia, Sabah and Sarawak. The Division is focused on championing sustainable agriculture practices through advanced agronomic measures.

## PROPERTY

With a strong portfolio of assets to its name including award-winning townships, a prominent chain of hotels as well as commercial and residential developments, our Property Division is an active participant in the property sector. The Division is primarily involved in property development, property investment and property management, in addition to project management and hotel operations.

## PHARMACEUTICAL

As an industry leader in the fast-evolving pharmaceutical sector, the Pharmaceutical Division provides an extensive array of quality products and services to Government facilities and private institutions within the pharmaceutical and healthcare industry. The Division is engaged in the manufacturing of generic pharmaceuticals, warehousing, logistics, distribution, retail pharmacy and trading of medical products, as well as hospital equipment.





With a history spanning 190 years, Boustead Holdings Berhad has grown to become a leading participant in Malaysia's economic landscape.

Boustead is one of Malaysia's largest diversified conglomerates with an active interest in the Malaysian economy, namely Plantation, Property, Pharmaceutical, Heavy Industries, Finance & Investment and Trading & Industrial.

Our growth is propelled by a robust talent pool of over 16,000 employees across the Group, in both our listed and non-listed subsidiaries. Our total assets amount to RM17.7 billion while shareholders' funds stood at RM5.9 billion.

## HEAVY INDUSTRIES

The Heavy Industries Division has diverse maritime and aerospace interests in the defence, enforcement and security as well as commercial and energy sectors. The Division also offers a wide range of products and services including shipbuilding of naval vessels, fabrication for the oil and gas industry, aviation support services, ship repair and maintenance, repair and overhaul services.

## FINANCE & INVESTMENT

The Finance & Investment Division, led by financial services conglomerate, the AFFIN Group, provides a full range of financial solutions in consumer banking, investment banking, Islamic banking along with finance and insurance. The Division also boasts a diverse portfolio of investments in sectors including education, travel, tourism and automated traffic enforcement.

## TRADING & INDUSTRIAL

The Trading & Industrial Division is invested in leading homegrown brands including Malaysia's only other home-grown retail petroleum network. The Division is also involved in the manufacturing and distribution of building materials and Industrialised Building System (IBS), along with project management expertise for construction work.



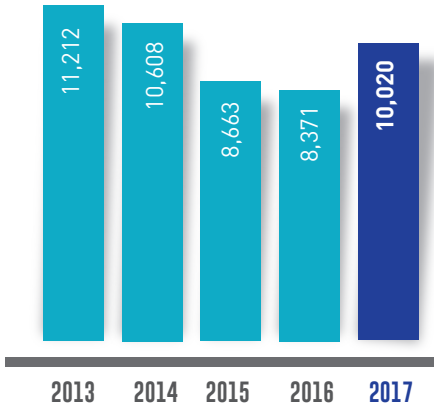
# Five-year Financial Highlights

		2017	2016	2015	2014	2013
<b>FINANCIAL PERFORMANCE</b>						
Revenue		<b>10,020</b>	8,371	8,663	10,608	11,212
Profit before taxation		<b>1,117</b>	740	269	686	708
Profit after taxation		<b>923</b>	589	139	533	560
Profit attributable to shareholders		<b>462</b>	369	13	408	479
Earnings per share	sen	<b>22.8</b>	20.0	0.8	24.9	29.2
Return on equity	%	<b>8.0</b>	7.2	0.3	8.8	10.4
Return on assets	%	<b>7.7</b>	5.8	3.3	6.1	6.7
Return on revenue	%	<b>12.8</b>	7.0	4.3	6.0	4.5
<b>DIVIDENDS</b>						
Dividend for the year		<b>223</b>	305	207	269	310
Net dividend per share	sen	<b>11.0</b>	17.5	20.0	26.0	30.0
Dividend yield	%	<b>3.8</b>	6.6	4.7	5.4	5.3
Dividend cover	times	<b>2.1</b>	1.2	–	1.5	1.5
<b>GEARING</b>						
Borrowings		<b>6,184</b>	7,317	8,034	7,081	6,636
Gearing	times	<b>0.7</b>	0.9	1.1	0.9	1.1
Interest cover	times	<b>5.4</b>	3.5	1.9	3.4	3.7
<b>OTHER FINANCIAL STATISTICS</b>						
Net assets per share	sen	<b>292</b>	281	439	458	440
Share price – high	sen	<b>307</b>	271	475	550	571
Share price – low	sen	<b>241</b>	186	380	438	493
Price earning ratio	times	<b>13</b>	13	–	12	12
Paid up share capital		<b>2,736</b>	1,014	517	517	517
Shareholders' equity		<b>5,909</b>	5,686	4,543	4,739	4,555
Total equity		<b>8,918</b>	8,501	7,358	7,573	5,925
Total assets		<b>17,708</b>	17,932	17,620	16,680	15,118

All figures are in RM million unless otherwise stated.

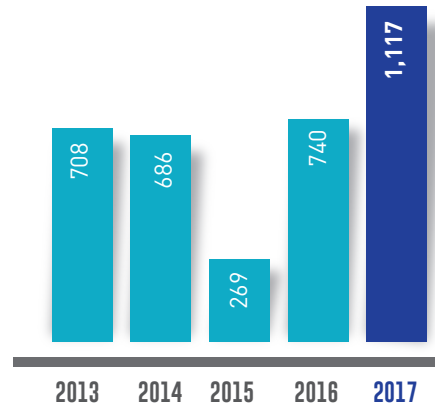
## REVENUE

(RM) Million



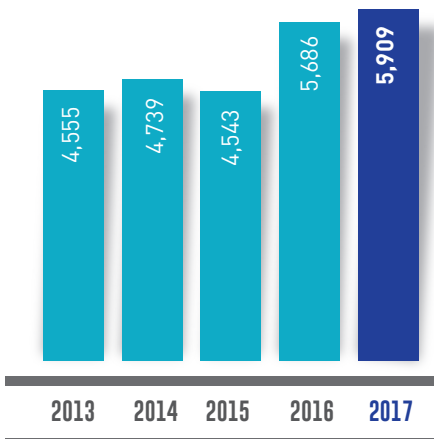
## PROFIT BEFORE TAXATION

(RM) Million



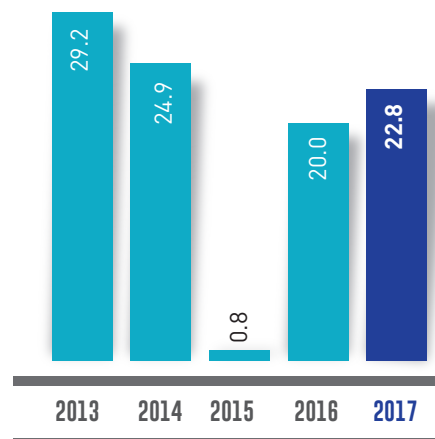
## SHAREHOLDER'S EQUITY

(RM) Million



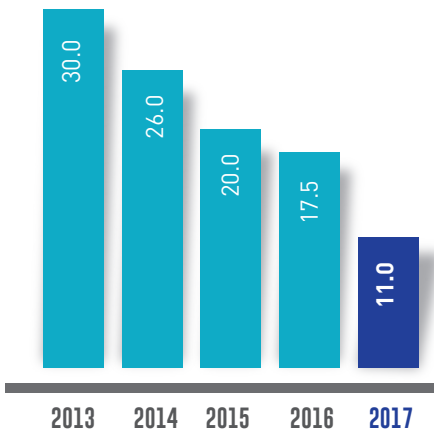
## EARNINGS PER SHARE

(Sen)



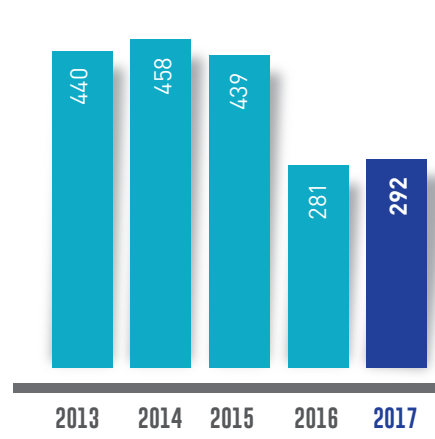
## DIVIDEND PER SHARE

(Sen)



## NET ASSETS PER SHARE

(Sen)



# Corporate Information

## DIRECTORS

**Gen. Tan Sri Dato' Mohd Ghazali**

**Hj. Che Mat (R)**

Chairman

Independent Non-Executive Director

**Tan Sri Dato' Seri Lodin Wok Kamaruddin**

Deputy Chairman/Group Managing Director

Non-Independent Executive Director

**Dato' Wira (Dr.) Megat Abdul Rahman**

**Megat Ahmad**

Senior Independent Non-Executive Director

**Datuk Azzat Kamaludin**

Non-Independent Non-Executive Director

**Dato' Sri Ghazali Mohd Ali**

Non-Independent Executive Director

**Datuk Francis Tan Leh Kiah**

Independent Non-Executive Director

**Datuk Zainun Aishah Ahmad**

Independent Non-Executive Director

*(Appointed on 1 December 2017)*

## REGISTERED OFFICE

28th Floor, Menara Boustead

No. 69 Jalan Raja Chulan

50200 Kuala Lumpur, Malaysia

Tel : (03) 2141 9044 Fax : (03) 2141 9750

www.boustead.com.my

## REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd

Unit 32-01, Level 32, Tower A

Vertical Business Suite

Avenue 3, Bangsar South, No. 8 Jalan Kerinchi

59200 Kuala Lumpur, Malaysia

Tel : (03) 2783 9299 Fax : (03) 2783 9222

## SECRETARY

Tasneem Mohd Dahalan

## PRINCIPAL BANKERS

Affin Bank Berhad

Alliance Bank Malaysia Berhad

Ambank (M) Berhad

CIMB Bank Berhad

Hong Leong Bank Berhad

Malayan Banking Berhad

OCBC Bank (Malaysia) Berhad

RHB Bank Berhad

United Overseas Bank Berhad

## AUDITORS

Ernst & Young

## STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad

Stock name : BSTEAD

Stock code : 2771

## HOLDING CORPORATION

Lembaga Tabung Angkatan Tentera









# Financial Calendar

FINANCIAL YEAR

**1 JAN**  
to  
**31 DEC**  
2017

RESULTS

■ ■ First Quarter  
Announced 29 May 2017

■ ■ Second Quarter  
Announced 30 August 2017

■ ■ Third Quarter  
Announced 30 November 2017

■ ■ Fourth Quarter  
Announced 28 February 2018



## ANNUAL REPORT

Issued  
14 March 2018

## DIVIDENDS

### First Interim

Announced 29 May 2017  
Entitlement date 15 June 2017  
Payment date 23 June 2017

### Third Interim

Announced 30 November 2017  
Entitlement date 18 December 2017  
Payment date 29 December 2017

## ANNUAL GENERAL MEETING

12 April 2018

### Second Interim

Announced 30 August 2017  
Entitlement date 18 September 2017  
Payment date 28 September 2017

### Fourth Interim

Announced 28 February 2018  
Entitlement date 15 March 2018  
Payment date 29 March 2018

# ■ Profile Of Directors



**GEN. TAN SRI DATO' MOHD GHAZALI HJ. CHE MAT (R)**  
CHAIRMAN  
INDEPENDENT NON-EXECUTIVE DIRECTOR

Age : 87  
Gender : Male  
Nationality : Malaysian

## **Date the Director was first appointed to the Board**

3 December 1990

## **Board Committee(s)**

- Member of Nominating Committee
- Member of Remuneration Committee

## **Board Meeting attended in the financial year**

- 4/4

## **Working experience**

- Tan Sri Ghazali held various senior positions in the Malaysian Armed Forces, the last being Chief of the Armed Forces from 1985 to 1987
- Tan Sri Ghazali was also the Chairman of Lembaga Tabung Angkatan Tentera from 23 February 1988 until 22 February 2007
- He has been Chairman of Boustead Holdings Berhad since 3 December 1990. He is also the Chairman of Boustead Plantations Berhad

## **Qualification**

- 1953 – Officer Cadet School Eaton Hall, United Kingdom
- 1955 – Royal Military Academy, Sandhurst, United Kingdom
- 1961 – Command and Staff College, Quetta, Pakistan

## **Details of any interest in the securities of Boustead Holdings Berhad**

Nil

## **Directorship in other public listed companies**

- Boustead Plantations Berhad (Chairman)

## **Directorship in public companies**

- Boustead Properties Berhad (Chairman)
- UAC Berhad (Chairman)

## **Family relationship with any director and/or major shareholder of the Company**

No

## **Conflict of interests with the Company**

No

## **Other than traffic offences, any convictions for offences within the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year**

Nil

**TAN SRI DATO' SERI LODIN WOK KAMARUDDIN**  
**DEPUTY CHAIRMAN/GROUP MANAGING DIRECTOR**  
**NON-INDEPENDENT EXECUTIVE DIRECTOR**



Age : 68  
 Gender : Male  
 Nationality : Malaysian

**Date the Director was first appointed to the Board**

10 July 1984

**Board Committee(s)**

- Chairman of Sustainability Committee
- Member of Remuneration Committee

**Board Meeting attended in the financial year**

• 4/4

**Working experience**

- 1973 to 1982 – General Manager, Perbadanan Kemajuan Bukit Fraser
- 1983 – Deputy General Manager, Lembaga Tabung Angkatan Tentera (LTAT)
- 1985 to present – Chief Executive, LTAT
- 1991 to present – Group Managing Director, Boustead Holdings Berhad (BHB)
- 2010 to present – Deputy Chairman, BHB

**Qualification**

- 1972 – Bachelor of Business Administration, University of Toledo, Ohio, USA
- 1973 – Master of Business Administration, University of Toledo, Ohio, USA
- Member of Asian Institute of Chartered Bankers (AICB)

**Details of any interest in the securities of Boustead Holdings Berhad**

- 52,257,805 Ordinary Shares

**Directorship in other public listed companies**

- Boustead Heavy Industries Corporation Berhad (Chairman)
- Pharmaniaga Berhad (Chairman)
- Boustead Plantations Berhad (Vice Chairman)

**Directorship in public companies**

- Affin Hwang Asset Management Berhad (Chairman)
- MHS Aviation Berhad (Chairman)
- Boustead Properties Berhad
- Badan Pengawas Pemegang Saham Minoriti Berhad
- UAC Berhad

**Family relationship with any director and/or major shareholder of the Company**

No

**Conflict of interests with the Company**

No

**Other than traffic offences, any convictions for offences within the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year**

Nil



**DATO' WIRA (DR.) MEGAT ABDUL RAHMAN MEGAT AHMAD**  
SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Age : 78  
Gender : Male  
Nationality : Malaysian

**Date the Director was first appointed to the Board**

10 December 1990

**Board Committee(s)**

- Chairman of Audit Committee
- Chairman of Nominating Committee
- Member of Remuneration Committee
- Member of Sustainability Committee

**Board Meeting attended in the financial year**

- 4/4

**Working experience**

- He was a partner of KPMG Malaysia and Managing Partner of KPMG Desa Megat & Co. for over 10 years
- An Executive Director in Kumpulan Guthrie Berhad for over 11 years

**Qualification**

- Bachelor of Commerce Degree, University of Melbourne, Australia
- Honorary Doctorate Degree in Business Administration, Universiti Kebangsaan Malaysia
- Life Member of the Malaysian Institute of Certified Public Accountants

- Member of the Malaysian Institute of Accountants
- Fellow Member of the Institute of Chartered Accountants, Australia

**Details of any interest in the securities of Boustead Holdings Berhad**

Nil

**Directorship in other public listed companies**

- Press Metal Aluminium Holdings Berhad (Chairman)

**Directorship in public companies**

Nil

**Family relationship with any director and/or major shareholder of the Company**

No

**Conflict of interests with the Company**

No

**Other than traffic offences, any convictions for offences within the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year**

Nil



**DATUK AZZAT KAMALUDIN**  
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR



Age : 72  
Gender : Male  
Nationality : Malaysian

**Date the Director was first appointed to the Board**

16 January 1991

**Board Committee(s)**

- Chairman of Remuneration Committee
- Member of Audit Committee
- Member of Nominating Committee

**Board Meeting attended in the financial year**

- 4/4

**Working experience**

- Datuk Azzat served in various capacities as an Administrative and Diplomatic Officer with the Ministry of Foreign Affairs Malaysia prior to practising law in 1979
- He is currently a partner of Azzat & Izzat Advocates & Solicitors

**Qualification**

- 1969 – Degree in Law and International Law, University of Cambridge, United Kingdom
- 1970 – Admitted as a Barrister-at-Law of the Middle Temple, London, United Kingdom
- 1979 – Admitted as an Advocate and Solicitor of the High Court of Malaya

**Details of any interest in the securities of Boustead Holdings Berhad**

- 112,000 Ordinary Shares

**Directorship in other public listed companies**

- Boustead Heavy Industries Corporation Berhad
- Axiata Group Berhad
- KPJ Healthcare Berhad

**Directorship in public companies**

Nil

**Family relationship with any director and/or major shareholder of the Company**

No

**Conflict of interests with the Company**

Datuk Azzat is a partner in Azzat & Izzat Advocates & Solicitors which renders professional services to the Boustead Group in the ordinary course of business

**Other than traffic offences, any convictions for offences within the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year**

Nil



**DATO' SRI GHAZALI MOHD ALI**  
NON-INDEPENDENT EXECUTIVE DIRECTOR

Age : 69  
Gender : Male  
Nationality : Malaysian

**Date the Director was first appointed to the Board**

1 March 2007

**Board Committee(s)**

- None

**Board Meeting attended in the financial year**

- 4/4

**Working experience**

- Prior to joining Boustead Holdings Berhad, Dato' Sri Ghazali held several positions in property industry for more than 30 years
- He has served as Managing Director of Syarikat Perumahan Pegawai Kerajaan Sdn Bhd, Property Director of Island & Peninsular Berhad as well as the Deputy Director General of The Urban Development Authority of Malaysia

**Qualification**

- 1970 – Graduated from the Western Australia Institute of Technology, Perth in Town and Regional Planning
- Presently, Fellow of the Malaysian Institute of Planners

**Details of any interest in the securities of Boustead Holdings Berhad**

Nil

**Directorship in other public listed companies**

Nil

**Directorship in public companies**

- Boustead Properties Berhad
- UAC Berhad
- Iskandar Investment Berhad
- Perumahan Kinrara Berhad
- Johan Ceramics Berhad

**Family relationship with any director and/or major shareholder of the Company**

No

**Conflict of interests with the Company**

Dato' Sri Ghazali is a partner in Arkitek MAA which renders professional services to the Boustead Group in the ordinary course of business

**Other than traffic offences, any convictions for offences within the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year**

Nil

**DATUK FRANCIS TAN LEH KIAH**  
INDEPENDENT NON-EXECUTIVE DIRECTOR



Age : 66  
Gender : Male  
Nationality : Malaysian

**Date the Director was first appointed to the Board**

11 October 2012

**Board Committee(s)**

- Member of Audit Committee
- Member of Sustainability Committee

**Board Meeting attended in the financial year**

- 4/4

**Working experience**

- He has 40 years working experience with the Government and the private sector
- He served with the Registry of Companies from 1972 to 1976
- After leaving Government service, he became Company Secretary of the Inchcape Group from 1977 to 1985
- He was called to the Malaysian Bar in 1986 and is currently an Advocate and Solicitor of the High Court of Malaya
- Consultant for the law firm Azman, Davidson & Co.
- On the rolls of Advocates & Solicitors of Brunei Darussalam and the Supreme Court of England and Wales
- Member of the Securities Commission since 1998

**Qualification**

- LLB Degree from the University of London, United Kingdom
- Fellow of the Institute of Chartered Secretaries and Administrators, United Kingdom
- An Associate of the Chartered Tax Institute of Malaysia

**Details of any interest in the securities of Boustead Holdings Berhad**

Nil

**Directorship in other public listed companies**

Nil

**Directorship in public companies**

- MPI Generali Insurans Berhad
- China Construction Bank (Malaysia) Berhad

**Family relationship with any director and/or major shareholder of the Company**

No

**Conflict of interests with the Company**

No

**Other than traffic offences, any convictions for offences within the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year**

Nil



**DATUK ZAINUN AISHAH AHMAD**  
INDEPENDENT NON-EXECUTIVE DIRECTOR

Age : 71  
Gender : Female  
Nationality : Malaysian

**Date the Director was first appointed to the Board**

1 December 2017

**Board Committee(s)**

- None

**Board Meeting attended in the financial year**

- None, as Datuk Zainun was appointed subsequent to the last Board of Directors' Meeting held in 2017

**Working experience**

- In her 35 years of service, Datuk Zainun has held various senior positions in the Malaysian Industrial Development Authority (MIDA), as well as in some of Malaysia's strategic councils

Senior positions held:

- ☐ 1986 to 1995 – Deputy-Director General
- ☐ 1995 to 2004 – Director General

Others:

- ☐ Member of the Industrial Coordination Act Advisory Council
- ☐ Member of the Defence Industry Council
- ☐ Member of the Business Competitiveness Council
- ☐ Member of the National Project for Majlis Penyelarasan Perindustrian

**Qualification**

- Bachelor of Economics, Universiti Malaya

**Details of any interest in the securities of Boustead Holdings Berhad**

Nil

**Directorship in other public listed companies**

- Scomi Engineering Berhad (Chairman)
- Berjaya Food Berhad
- British American Tobacco (Malaysia) Berhad
- DeGem Berhad

**Directorship in public companies**

- Pernec Corporation Berhad (Chairman)

**Family relationship with any director and/or major shareholder of the Company**

No

**Conflict of interests with the Company**

No

**Other than traffic offences, any convictions for offences within the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year**

Nil





*Construction in progress for Nucleus Tower*



# ■ Senior Management Team



**TAN SRI DATO' SERI LODIN WOK KAMARUDDIN**  
Deputy Chairman/Group Managing Director



**DATO' SRI GHAZALI MOHD ALI**  
Divisional Director, Property



**LAKSAMANA MADYA TAN SRI DATO' SERI AHMAD RAMLI H.J. MOHD NOR (R)**  
Managing Director, Boustead Naval Shipyard/  
Boustead Heavy Industries Corporation Berhad



**EN. FAHMY ISMAIL**  
Group Finance Director



**DATO' FARSHILA EMRAN**

Managing Director, Pharmaniaga Berhad



**DATUK KOO HOCK FEE**

Divisional Director, Industrial



**DATUK MOKHTAR KHIR**

Group Director of Operations,  
Boustead Hotels and Resorts



**MR. DANIEL EBINESAN**

Advisor, Group Finance



**MR. CHOW KOK CHOY**

Managing Director, Boustead Estates Agency



**MR. TAN KIM THIAM**

Managing Director,  
Boustead Petroleum Marketing

# Profile Of Senior Management Team

## **TAN SRI DATO' SERI LODIN WOK KAMARUDDIN** Deputy Chairman/Group Managing Director

Age : 68  
 Gender : Male  
 Nationality : Malaysian

**Date of appointment to present position**  
 1 July 1991

### **Working experience**

- 1973 to 1982 – General Manager, Perbadanan Kemajuan Bukit Fraser
- 1983 - Deputy General Manager of Lembaga Tabung Angkatan Tentera (LTAT)
- 1985 to present – Chief Executive, LTAT
- 1991 to present – Group Managing Director, Boustead Holdings Berhad (BHB)
- 2010 to present – Deputy Chairman, BHB

### **Qualification**

- 1972 – Bachelor of Business Administration, University of Toledo, Ohio, USA
- 1973 – Master of Business Administration, University of Toledo, Ohio, USA
- Member of Asian Institute of Chartered Bankers (AICB)

### **Directorship in public listed companies**

- Boustead Heavy Industries Corporation Berhad (Chairman)
- Pharmaniaga Berhad (Chairman)
- Boustead Plantations Berhad (Vice Chairman)

### **Directorship in public companies**

- Affin Hwang Asset Management Berhad (Chairman)
- MHS Aviation Berhad (Chairman)
- Boustead Properties Berhad
- Badan Pengawas Pemegang Saham Minoriti Berhad
- UAC Berhad

**Family relationship with any director and/or major shareholder of the Company**  
 No

**Conflict of interests with the Company**  
 No

**Other than traffic offences, any convictions for offences within the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year**  
 Nil

## **DATO' SRI GHAZALI MOHD ALI** Divisional Director, Property

Age : 69  
 Gender : Male  
 Nationality : Malaysian

**Date of appointment to present position**  
 1 March 2007

### **Working experience**

- Prior to joining Boustead Holdings Berhad, Dato' Sri Ghazali held several positions in property industry for more than 30 years
- He has served as Managing Director of Syarikat Perumahan Pegawai Kerajaan Sdn Bhd, Property Director of Island & Peninsular Berhad as well as the Deputy Director General of The Urban Development Authority of Malaysia

### **Qualification**

- 1970 – Graduated from the Western Australia Institute of Technology, Perth in Town and Regional Planning
- Fellow of the Malaysian Institute of Planners

**Directorship in public listed companies**  
 Nil

### **Directorship in public companies**

- Boustead Properties Berhad
- UAC Berhad
- Iskandar Investment Berhad
- Perumahan Kinrara Berhad
- Johan Ceramics Berhad

**Family relationship with any director and/or major shareholder of the Company**  
 No

**Conflict of interests with the Company**  
 Dato' Sri Ghazali is a partner in Arkitek MAA which renders professional services to the Boustead Group in the ordinary course of business

**Other than traffic offences, any convictions for offences within the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year**  
 Nil

**LAKSAMANA MADYA TAN SRI DATO' SERI  
AHMAD RAMLI HJ. MOHD NOR (R)**

**Managing Director, Boustead Naval Shipyard/  
Boustead Heavy Industries Corporation Berhad**

Age : 74  
Gender : Male  
Nationality : Malaysian

**Date of appointment to present position**  
17 August 2005

**Working experience**

- Commanding Officer KD GEMPITA
- Commander Tentera Laut Diraja Malaysia (TLDM) KD PELANDOK
- Captain TLDM at Markas Tentera Laut
- Commanding Officer KD KASTURI
- 1st Admiral at Majlis Keselamatan Negara
- Deputy Chief Navy
- Chief Navy until January 1999 (Retired)

**Qualification**

- Britannia Royal Naval College Dartmouth, United Kingdom
- Indonesian Naval Staff College, Indonesia
- United States Naval War College, USA
- Bachelor, Naval Postgraduate School in Monterey, California, USA
- Master in Public Administration, Harvard University, USA

**Directorship in public listed companies**

- Boustead Heavy Industries Corporation Berhad

**Directorship in public companies**

- Affin Islamic Bank Berhad
- Favelle Favco Berhad

**Family relationship with any director and/or major shareholder of the Company**

No

**Conflict of interests with the Company**

No

**Other than traffic offences, are there any convictions for offences within the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year**

Nil

**EN. FAHMY ISMAIL**

**Group Finance Director**

Age : 41  
Gender : Male  
Nationality : Malaysian

**Date of appointment to present position**  
1 October 2017

**Working Experience**

- 1999 to 2005 – Began his career as a management trainee and assumed several finance roles within the Renong Group, ranging from accounting, performance reporting, treasury and corporate finance. Last held position prior to joining Boustead Holdings Berhad (BHB) was Assistant Manager, Corporate Finance for SapuraCrest Petroleum Berhad
- 2006 – Manager, Corporate Planning Department, BHB
- 2009 – Chief Executive Officer, Boustead REIT Managers Sdn Bhd, the Manager of Al-Hadharah Boustead REIT
- 2014 to present – Chief Executive Officer, Boustead Plantations Berhad
- 2017 to present – Group Finance Director, BHB

**Qualification**

- 1998 – Bachelor of Commerce in Accounting and Finance, University of Sydney, Australia
- 2003 – Certified Practising Accountant, CPA Australia
- 2003 – Chartered Accountant, Malaysian Institute of Accountants

**Directorship in public listed companies**

Nil

**Directorship in public companies**

- Johan Ceramics Berhad

**Family relationship with any director and/or major shareholder of the Company**

No

**Conflict of interests with the Company**

No

**Other than traffic offences, any convictions for offences within the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year**

Nil



## PROFILE OF SENIOR MANAGEMENT TEAM

### DATO' FARSHILA EMRAN

**Managing Director,  
Pharmaniaga Berhad**

Age : 51  
Gender : Female  
Nationality : Malaysian

#### Date of appointment to present position

1 April 2011

#### Working Experience

- Assistant Representative of SEVES Sediver France from 1990 to 1995, a French public listed high voltage transmission line equipment company. She was later made the Malaysian Representative of the Company until 2001
- Founder of Idaman Pharma Sdn Bhd in 2001, prior to becoming the Managing Director of Pharmaniaga Berhad in 2011

#### Qualification

- Master of Business Administration (C), Universiti Utara Malaysia
- Diploma in Office Management, Universiti Teknologi MARA

#### Directorship in public listed companies

- Pharmaniaga Berhad

#### Directorship in public companies

Nil

#### Family relationship with any director and/or major shareholder of the Company

No

#### Conflict of interests with the Company

No

**Other than traffic offences, are there any convictions for offences within the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year**

Nil

### MR. DANIEL EBINESAN

**Advisor, Group Finance**

Age : 72  
Gender : Male  
Nationality : Malaysian

#### Date of appointment to present position

1 October 2017

#### Working experience

- Mr. Daniel joined Boustead Holdings Berhad (BHB) in April 1974 as Group Accountant and has held various positions in Group Finance since then
- He assumed the role of Chief Financial Officer in July 1996 and subsequently appointed as Group Finance Director until October 2017. He is now the Advisor, Group Finance of BHB
- A member of the Board of Trustees of Kumpulan Wang Simpanan Kakitangan Estet Malaysia since 1996

#### Qualification

- Fellow of the Chartered Institute of Management Accountants
- Life Member of the Malaysian Institute of Certified Public Accountants
- Member of the Malaysian Institute of Accountants

#### Directorship in public listed companies

- Pharmaniaga Berhad

#### Directorship in public companies

- MHS Aviation Berhad

#### Family relationship with any director and/or major shareholder of the Company

No

#### Conflict of interests with the Company

No

**Other than traffic offences, are there any convictions for offences within the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year**

Nil



## DATUK KOO HOCK FEE

Divisional Director, Industrial

Age : 66  
Gender : Male  
Nationality : Malaysian

### Date of appointment to present position

1 November 1995

### Working Experience

- 1972 to 1977 – Messrs. Morgan Brown & Haynes, London, United Kingdom
- 1977 to 1980 – Messrs. Peat Marwick Mitchell & Co - Audit Senior/Supervisor
- 1980 to 1982 – Head of Internal Audit (Non Plantation), Boustead Holdings Berhad (BHB)
- 1986 to 1990 – General Manager, Boustead Trading Sdn Bhd
- 1990 to 1993 – Divisional Director, Trading Division, BHB
- 1993 to 1995 – Managing Director, SA Travel and Tours Sdn Bhd
- 2005 to 2016 – CEO/Managing Director, UAC Berhad (UAC)
- 2016 to present – Director/Advisor, UAC

### Qualification

- Fellow of The Institute of Chartered Accountants in England and Wales
- Member of the Malaysian Institute of Accountants

### Directorship in public listed companies

Nil

### Directorship in public companies

- UAC Berhad
- Johan Ceramics Berhad

### Family relationship with any directors and/or major shareholder of the Company

No

### Conflict of interest with the Company

No

Other than traffic offences, are there any convictions for offences within the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year

Nil

## MR. CHOW KOK CHOY

Managing Director,  
Boustead Estates Agency

Age : 69  
Gender : Male  
Nationality : Malaysian

### Date of appointment to present position

23 May 2014

### Working experience

- 1969 to June 1971 – Assistant Estate Manager with Guthrie Estate
- July 1971 – Joined Barlow Boustead Estates Agency Sendirian Berhad as Assistant Estate Manager in Eldred Estate (Malakoff Bhd)
- 1978 – Estate Manager, Telok Sengat Estate
- 1990 – Senior Manager, Kuala Muda Estate
- 1993 – Planting Advisor, Boustead Estates Agency Sdn Bhd (BEA)
- 2001 – Planting Director, BEA
- 2008 – Director of Operations – Plantation, BEA
- 2014 to present – Chief Operating Officer, Boustead Plantations Berhad and Managing Director, BEA

### Qualification

- 1969 – Diploma in Agriculture, Universiti Pertanian Malaysia (formerly known as College of Agriculture)
- 1974 – Associate Diploma in Plantation Management, Incorporated Society of Planters
- 2000 – Master of Science in Plantation Management, Universiti Putra Malaysia

### Directorship in public listed companies

Nil

### Directorship in public companies

Nil

### Family relationship with any director and/or major shareholder of the Company

No

### Conflict of interests with the Company

No

Other than traffic offences, any convictions for offences within the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year

Nil

## PROFILE OF SENIOR MANAGEMENT TEAM

### DATUK MOKHTAR KHIR

**Group Director of Operations,  
Boustead Hotels and Resorts**

Age : 70  
Gender : Male  
Nationality : Malaysian

#### Date of appointment to present position

1 June 2003

#### Working experience

- Joined Faber Merlin Group in 1973 as General Manager, Merlin Cameron Highlands. He also held similar position at The Merlin Frasers Hill, The Merlin Kuala Lumpur, The Merlin Subang and The Merlin Perth, Australia
- Joined Landmarks Berhad in 1992 as General Manager – Hotel Operations
- 2003 to present – Group Director of Operations, Boustead Hotels & Resorts

#### Qualification

- Diploma in Hotel and Catering Management, Institut Teknologi MARA
- Management Development Programme from Asian Institute of Management, Manila, Philippines
- Certificate of Hotel Management, Cornell University New York, USA

#### Directorship in public listed companies

Nil

#### Directorship in public companies

Nil

#### Family relationship with any director and/or major shareholder of the Company

No

#### Conflict of interests with the Company

No

**Other than traffic offences, are there any convictions for offences within the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year**

Nil

### MR. TAN KIM THIAM

**Managing Director,  
Boustead Petroleum Marketing**

Age : 59  
Gender : Male  
Nationality : Malaysian

#### Date of appointment to present position

30 September 2005

#### Working experience

- Managing Director, Boustead Petroleum Marketing Sdn Bhd
- Managing Director, BP Malaysia Sdn Bhd
- Chief Operating Officer, BP Malaysia Sdn Bhd
- Retail Director, BP Malaysia Sdn Bhd

#### Qualification

- Bachelor of Engineering, Universiti Malaya

#### Directorship in public listed companies

Nil

#### Directorship in public companies

Nil

#### Family relationship with any director and/or major shareholder of the Company

No

#### Conflict of interests with the Company

No

**Other than traffic offences, are there any convictions for offences within the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year**

Nil





Site clearance for Mutiara Hills Sales Gallery





# Chairman's STATEMENT

GEN. TAN SRI DATO' MOHD GHAZALI  
HJ. CHE MAT (R)  
CHAIRMAN

“  
IT WAS AN  
EXCEPTIONALLY  
SUCCESSFUL YEAR  
FOR YOUR GROUP.”





## DEAR SHAREHOLDER,

THE YEAR 2017 HAS BEEN AN OUTSTANDING ONE FOR THE BOUSTEAD GROUP. AMIDST HEIGHTENED COMPETITION AND HEADWINDS FACED BY THE MARKETS IN WHICH OUR COMPANIES AND BRANDS OPERATE, WE ROSE ABOVE THESE CHALLENGES TO DELIVER A RECORD PROFIT BEFORE TAX OF RM1.1 BILLION.

REVENUE  
**RM10**  
BILLION

PROFIT AFTER TAX  
**RM923**  
MILLION

NET ASSETS  
**RM2.92**  
PER SHARE

On this score, it is a pleasure to present to you our annual report for the financial year ended 31 December 2017.

### ECONOMIC LANDSCAPE

The domestic economy saw steady growth in 2017 at 5.9%. Improvements in labour conditions and wage growth fuelled private consumption and domestic demand, even as Malaysia's commodity exports recorded an increase.

Our nation's strengthening economy was very much due to our stable political environment and a Government that is focused on ensuring that businesses thrive. Globally, political developments and policy changes, particularly in major developed economies, led to uncertainties in the investment climate which had further reverberations across the international landscape.

# CREATING A COMPETITIVE, OPEN AND ENGAGING WORKPLACE

## FINANCIAL PERFORMANCE

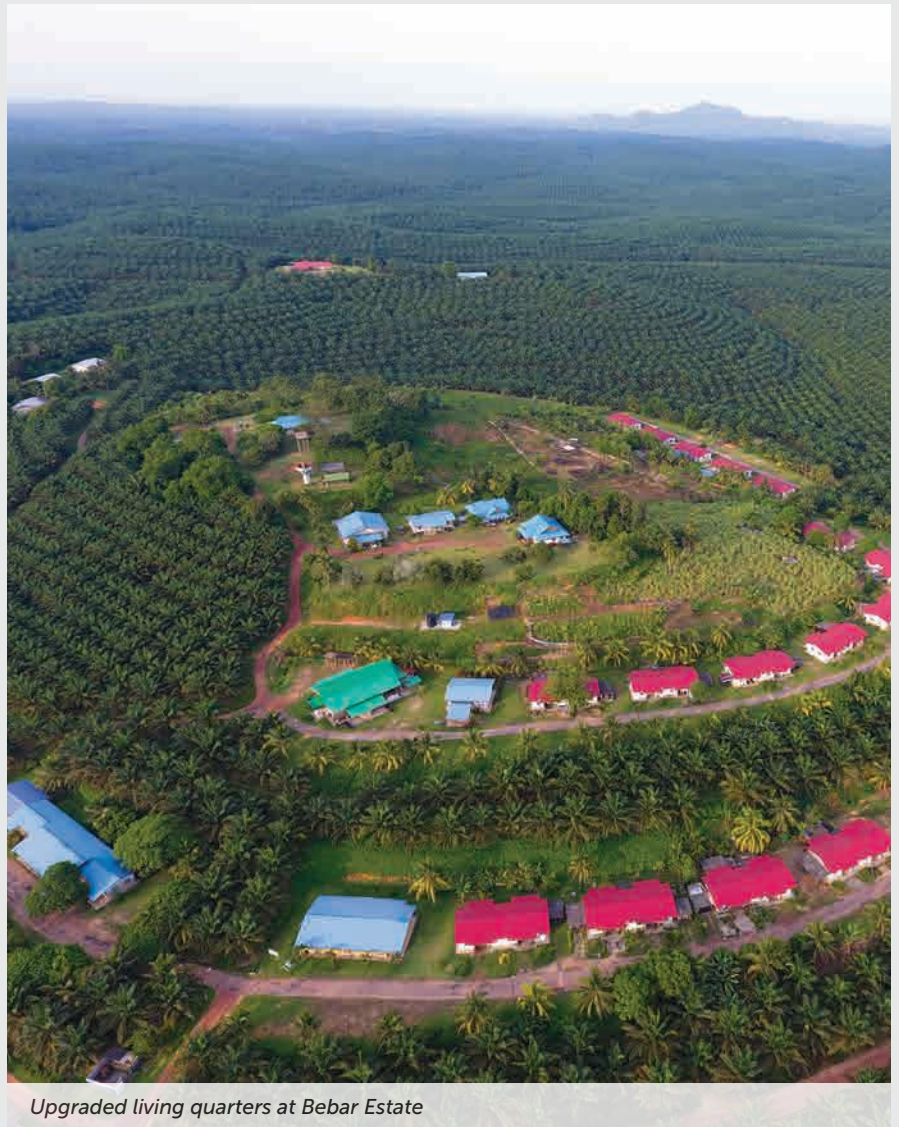
Your Group delivered exceptional results, with all six Divisions contributing positively to the bottom line. Profit after tax leaped to RM923 million compared with RM589 million last year. This was primarily achieved on the back of gains realised from the disposal of plantation land. The Plantation Division was a key contributor in 2017, delivering record high earnings to the Group.

Earnings per share ended at 22.8 sen, and net assets per share was RM2.92. Shareholders' funds stood at RM5.9 billion for the year ended 31 December 2017.

## DIVIDEND

Over the years, your Group has consistently held true to our commitment to reward our shareholders with positive yields. This year, we continued to deliver upon this promise as we announced a fourth interim dividend of 2.5 sen per share.

In total, dividends for the year was 11 sen per share, representing a dividend yield of 3.8% based on the closing price for the financial year. To date, dividends totalling 8.5 sen have been paid out to shareholders. The remaining 2.5 sen will be paid on 29 March 2018 to shareholders on the register as at 15 March 2018.



*Upgraded living quarters at Bebar Estate*

## HUMAN CAPITAL

In an increasingly digital era where information is easily exchanged at the click of a button, it is clear that we must be able to innovate and adapt to new ideas in order to retain a pole position in the market. In this regard, our talent pool remains our greatest asset, one that needs to be carefully nurtured in order to continue to flourish.

As such, Boustead Group is focused on creating a competitive, open and engaging workplace environment. Our core values provide common ground at every level as we attract, develop and retain talent. Through a myriad of programmes, activities and other initiatives, we have sought to develop the leadership capabilities and skills-set of our employees.

**SHAREHOLDERS'  
FUND  
RM5.9  
BILLION**

**DIVIDEND  
11  
SEN**

## SUSTAINABILITY

Alongside our commitments to our shareholders, we are equally dedicated towards our sustainability efforts in the Economic, Environment and Social categories. As one of the leading conglomerates in the nation, we wholeheartedly believe that it is incumbent upon us to set the example in integrating sustainability across all Divisions and into every aspect of our operations.

The Group is heartened to note that our efforts have had a positive impact, not only in terms of creating more sustainable practices for how we do business, but also in fostering a symbiotic and mutually beneficial relationship within the communities in which we operate.

We are pleased to provide a holistic update on the Group's sustainability efforts for the year in our Sustainability Report.

## OUTLOOK

By all indications, Malaysia's growth momentum is set to continue in the coming year, underpinned once again by domestic demand and private consumption. The Government's move to reduce income tax for mid-range income groups will lead to households benefiting from higher disposable income, which is expected to further support this domestic growth trend.

The global economy is expected to see a more balanced outlook in the year ahead. This too will likely have positive spillover to the Malaysian economy, as investments as well as the commodities sector look to be on the rise.

On the whole, the market outlook for 2018 is a favourable one. Combined with the growth strategies that are in place, along with the strength of our talent pool, we are confident that the Group is well-positioned to capitalise on new opportunities and overcome any challenges that may lie ahead.

## ACKNOWLEDGEMENT

Our Board members have been invaluable in providing unparalleled leadership, expertise and insight as they guided the Group to greater heights. Similarly, our management and staff have demonstrated tenacity and drive in forging the Group's path toward success.

I would also like to express my appreciation to our major shareholder, Lembaga Tabung Angkatan Tentera, for continuing to lend Boustead Group your utmost trust and confidence. As always, we are deeply grateful to our shareholders, financiers, business associates, consultants and the regulatory authorities for their ongoing support.



**GEN. TAN SRI DATO' MOHD GHAZALI HJ. CHE MAT (R)**

Chairman

5 March 2018



“

ALL OUR **FINANCIAL INDICATORS** POINT TO THE FACT THAT OUR DIVISIONS HAVE **PERFORMED** ADMIRABLY”

# CHIEF EXECUTIVE'S

## REVIEW

DEAR SHAREHOLDER,

IT HAS BEEN AN EXCEPTIONAL YEAR FOR BOUSTEAD HOLDINGS BERHAD. WE CROSSED A SUBSTANTIAL MILESTONE OF OVER RM1 BILLION IN PROFIT BEFORE TAX, A FIRST FOR THE GROUP. THIS IS A HIGHPOINT IN OUR HISTORY, ACHIEVED AGAINST A BACKDROP OF TOUGH MARKET CONDITIONS DUE TO HEIGHTENED COMPETITION AND A CHALLENGING ENVIRONMENT THAT DEMANDS MUCH MORE FROM BUSINESSES TO REALISE THEIR GOALS.





**TAN SRI DATO' SERI  
LODIN WOK KAMARUDDIN**  
DEPUTY CHAIRMAN/GROUP MANAGING DIRECTOR

We are pleased that our Divisions have delivered such earnings. Once again, this attests to the fact that our diversified nature is the ideal structure for us to continue growing and seizing the business opportunities that lie ahead.

## FINANCIAL PERFORMANCE

Organic growth drove our profitability, coupled with disposal of lands. The opportunity to unlock value was timely, given that we would not have been able to garner such results if we were to maintain some of these land banks. On this premise, we recorded an outstanding profit before

tax of RM1.1 billion. Revenue grew by 20% compared with last year to a record RM10 billion. Profit after tax came in strongly as well at RM923 million. All our financial indicators point to the fact that our Divisions have performed admirably.

Leading the way was the Plantation Division, followed by the Trading & Industrial Division. The Heavy Industries Division marked a turnaround, while the Finance & Investment, Pharmaceutical and Property Divisions delivered solid results.

On the back of this exemplary performance and testament to our prudent management, shareholders benefitted from strong dividend yields and dividend payouts. Total dividend for the year is 11 sen per share, with a total payout of RM223 million. This represents a dividend yield of 3.8% based on the closing price for the financial year. The fourth interim dividend of 2.5 sen per share will be paid on 29 March 2018 to shareholders on the register as at 15 March 2018.

As we grow our businesses and improve our competitive edge in the various sectors that we operate in, we have successfully reduced our gearing ratio to 0.7 times (2016: 0.9 times). The Boustead Group is asset-rich and a gearing ratio of this nature is highly acceptable. Shareholders' funds have also grown to RM5.9 billion.

Despite strong fluctuations in commodities, the Plantation Division delivered a record profit of RM733 million, representing a profit contribution of 66% to the Group. This was driven by disposal of plantation lands. We chose to undertake this disposal as urbanisation is spreading at a rapid pace in certain areas where our plantation estates are located. It is important to note that we did not dispose of plantation lands to other players in the plantation sector. The disposal was one-off in nature, netting us a gain of RM555 million for 678 hectares of land. In tandem, the organic growth due to strong crop production and crude palm oil prices further boosted earnings.



The Trading & Industrial Division was the second strongest contributor, delivering a profit of RM132 million. This was propelled by Boustead Petroleum Marketing Sdn Bhd (BHPetrol), as a result of its business operations and logistical efficiencies. UAC Berhad and its group of companies further reinforced the Division's bottom line. The Division's profit contribution to the Group amounted to 12%.

The Heavy Industries Division posted an impressive turnaround, registering a profit of RM73 million. This was primarily due to improved performances by Boustead Naval Shipyard and MHS Aviation Berhad (MHS).

The Affin Group which is the primary contributor to the Finance & Investment Division did well during the year despite intense competition in the banking and finance sector. The Division recorded a profit of RM71 million compared with RM62 million in the previous year.





In the Property Division, our investment properties particularly in the retail sector have been plagued by an oversupply of shopping malls and excess office space in prime areas, which has clearly eaten into our profitability. The Division was impacted due to these conditions and as such delivered a profit of RM54 million.

The Pharmaceutical Division remains a mainstay of profitability for Boustead, posting a profit of RM54 million. This was supported by solid performances by the Division's various segments, particularly its Indonesian operations which have become a key driver given the sheer size and strong prospects of this thriving market.

## CORPORATE INITIATIVES

The Group had a busy year in terms of strengthening our fundamentals. We stand firm in our commitment to unlock the value of our businesses. In line with this, we are focused on ensuring effective usage of our land bank. Accordingly, we undertook the disposal of 678 hectares of plantation land with high development potential. As a result, we were able to realise the capital appreciation of the lands at a substantial premium. This subsequently enabled us to embark on the proposed acquisition of 11,600 ha of plantation land, which will see the Group substantially expanding our land bank.







Further to this, we are also acquiring 6.59 acres of prime freehold land in the heart of Kuala Lumpur on Jalan Cochrane, for residential development.

As part of our ongoing drive to tap the capital markets for efficient cost of funding, in 2017 we established an Islamic Medium Term Note Programme of up to RM2.5 billion in nominal value. We have raised RM1 billion which was successfully taken up by investors, with the remaining RM1.5 billion to be issued in the future. Proceeds will be utilised towards the replacement of bonds that will be due and for property development activities.

In a bid to improve its operational efficiencies, the Affin Group has undergone a restructuring. We are pleased that they have streamlined their corporate structure in order to create better organisational alignment. This investment is indeed a viable one for the Group and it bodes well that they have initiated this effort.

Continuing our strategy from prior years, we have taken active steps to review business strategies for companies within our portfolio which are not performing or are lagging behind. It is important that companies with potential are strengthened and transformed to contribute to the Group. Of course, we will not hesitate to review the business potential of the companies within our portfolio of investments.

Towards this end, we ceased operations of Boustead Sissons Paints Sdn Bhd and Boustead Engineering Sdn Bhd as we had spent a great deal of time and effort to revive the business prospects for these companies. However, given their loss-making record and lack of contribution, it was a prudent decision to bring these entities to a close. We assure our shareholders that on an annual basis, we will do the needful to improve the contributions of our various companies to the Group's bottom line.



## SUSTAINABILITY COMMITMENT

As the Group pushes forward, we appreciate the importance of ensuring that we grow and develop in a sustainable manner. This is all the more pertinent given our role as one of the leading conglomerates in Malaysia, as we strive to lead by example.

Over these past many years, we have instituted various policies and programmes in order to achieve this. This was formalised in 2016 with our inaugural Sustainability Report, which provided an overview of the key sustainability initiatives undertaken across our various business units.

Building on this, as part of our proactive approach to sustainability, we are mindful of the need to have a greater focus on materiality. This helps to identify areas of relevance not only for the Group but also for our stakeholders.

To this end, in our 2017 Sustainability Report, driven by our Sustainability Committee we have taken a conscious effort to address key material issues in Economic, Environment and Social areas. The initiatives carried out during the year are well in line with the Group's Sustainability Vision, Building a Legacy of Sustainable Growth as a Leading Diversified Conglomerate.

## OUTLOOK

We are heartened by the strong prospects that the Group is poised to leverage on. The year ahead will certainly bring its fair share of setbacks and challenges, particularly with heightened competition in many of the sectors that we are thriving in. We are confident of our track record and the fundamentals that your Group has in place.

To pursue our growth plans, in 2018 we have committed capital expenditure in the region of RM1.3 billion. Of this, we have allocated approximately RM675 million for the proposed acquisition of plantation land and RM430 million to expand our land bank for property development activities. The remaining capex will be utilised to reinforce our presence in the hospitality sector, particularly for Royale Chulan Cherating. Funds will also go towards shoring up our position in the plantation sector by upgrading our estates and mills. We are always on the lookout to acquire viable businesses and have allocated a portion of the capex as part of our war chest for potential acquisitions.



UAC is the main contractor for affordable housing in Bukit Jalil

## CHIEF EXECUTIVE'S REVIEW

As for our various business segments, we are bullish on the Plantation Division, with the proposed acquisition of plantation land amounting to 11,600 hectares (ha) which is expected to be completed by the second quarter of 2018. This will leapfrog our land bank by a considerable 14% to 93,400 ha. This latest acquisition that we are pursuing is indeed scarce in Malaysia, given that land banks of this size are few and far between. This is an extremely viable acquisition, especially given the robust age profile of the estates. The fact that they are strategically located in close proximity to our existing estates will also provide economies of scale.

While this may not result in immediate yields, we are taking a long-term position. As a forward-thinking Group with a track record of over a century in the plantation sector, we are conscious of the need to plan for our future growth.

The Heavy Industries Division continues to see good progress in the Littoral Combat Ship project as well as the Littoral Mission Ship project. Operational efficiencies have also been strengthened. Apart from this, MHS Aviation Berhad now has better visibility in terms of settlement for the termination of a joint operations contract, which is a positive development.





In our Trading & Industrial Division, we are focused on expanding our network of BHPetrol retail petroleum stations. This investment has certainly flourished over the years. The retail petroleum industry has also greatly transformed and evolved, now providing convenience stores, drive-ins and other one-stop services to engage customers. We are at the forefront of delivering this to customers and will leverage on the strong potential of these services. Additionally, UAC Berhad was appointed as the main contractor for Lembaga Tabung Angkatan Tentera and Perumahan Penjawat Awam 1Malaysia's affordable housing project in Bukit Jalil, which is expected to further support the Division's performance.

The entire banking and finance sector is undergoing rapid changes with the introduction of fintech and the evolution of services. Consumers are demanding more and demanding it now. The Affin Group which is a core driver in the Finance & Investment Division has performed well and we expect this to continue in the coming year.

Our Property Division benefits from assets that are second to none. This includes property investments that are strategically located in retail and commercial hubs along with office towers. We are confident that our prime portfolio of properties will bear fruit over the long-term. We have also planned for launches in our township in Johor, our new Mutiara Hills township, our One Cochrane condominium project and a commercial building in our signature development in Mutiara Damansara.

Tapping into the vast prospects of the healthcare sector, the Pharmaceutical Division is focused on expanding its presence, both domestically and in the international marketplace. Along with ongoing research and development into new products, we are bullish on the prospects that Indonesia holds for Pharmed. To this end, we are increasing our energy and resources to grow market share in Southeast Asia's largest country.

On the whole, we are optimistic that the year ahead will be a much better one for the Group. The socioeconomic and political stability of our nation will certainly be a contributing factor. The Group is exploring numerous opportunities to strengthen organic growth and, for the right reasons, enter into new business ventures.

To do this, we have taken great strides to build our talent pool by grooming young business leaders who are taking the helm of various businesses of the Group. We are pleased with their performance and they are indeed part and parcel of our corporate culture.

We would like to assure our shareholders that our commitment is second to none. We will redouble our efforts to unlock value and deliver results, especially for our shareholders who have been loyal to us over these many years.

In the ensuing pages, there is a detailed elaboration of how our Divisions have performed and prospects ahead. This is followed by a thorough analysis of our sustainability efforts. We have expanded our sustainability cause far and wide, permeating every facet of our organisation. I trust you will find the respective reports insightful.

Boustead would not have been able to achieve such excellent results without the combined efforts of a myriad of parties. Our deepest gratitude to our shareholders as well as our host of customers, both institutional and consumers in general. And of course, to all the regulatory authorities, thank you for your unwavering support.



**TAN SRI DATO' SERI LODIN WOK KAMARUDDIN**

Deputy Chairman/Group Managing Director

5 March 2018

# PLANTATION DIVISION







## KEY DEVELOPMENTS

PROPOSED LAND ACQUISITION

**11,600** HA

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LAND DISPOSAL

**678** HA

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The Plantation Division was once again a major contributor to the Group, registering a profit of RM733 million, a significant increase compared with RM276 million in the previous year. This was primarily attributable to gains realised on disposal of plantation land amounting to RM555 million. The Division also registered a stronger operating profit as a result of better crop production and higher crude palm oil (CPO) prices.



## MARKET REVIEW

It was a positive start to the year, with CPO prices rising above RM3,200 per metric tonne (MT) in the first two months. However, this was subsequently impacted by market conditions in the palm oil sector which put pressure on prices, including increased CPO production and significant soybean crop in South America and the United States.

The CPO market saw a recovery in September as prices rallied to RM2,900 per MT due to lower than expected palm oil production. This was primarily attributable to a decline in oil extraction rate (OER), reduced yields, a higher number of old lower-yielding palms, as well as labour shortages.

Nevertheless, market sentiment weakened in the final quarter of the year following the Indian government's sudden increase in import duties on edible oils, which led to a drop in CPO prices to RM2,400 per MT. Further compounding this was the European Union's (EU) move to phase out the use of palm oil-blended fuels. Malaysian exports experienced a slowdown as palm oil inventories grew to 2.73 million tonnes in December, the highest in over two years.

For the year under review, we registered an average CPO price of RM2,810 per MT, a 9% improvement compared with RM2,584 in the previous year. Average palm kernel price increased to RM2,505 per MT from RM2,460 last year.

REVENUE

**RM760  
MILLION**

PROFIT  
BEFORE TAX

**RM733  
MILLION**





## ESTATES AND MILLS

The Group's total land bank amounts to 81,800 hectares (ha), comprising 41 estates and 10 palm oil mills across Peninsular Malaysia, Sabah and Sarawak. Area under cultivation for the year stood at 65,000 ha, consisting of 59,100 ha of mature areas and 5,900 ha of immature areas.

Fresh fruit bunches (FFB) production increased by 7% to 973,513 MT, with higher average yield per ha of 16.7 MT from 15.6 MT in the previous year. The key contributor was our Peninsular estates, which recorded an average FFB yield of 19.4 MT per ha, an improvement from the previous year. This was achieved on the back of better production from the northern estates and young mature palms on the east coast estates.

Our Sabah estates registered a higher average yield of 17.3 MT per ha. Although production was hampered by adverse weather conditions, solid performances from Segaria and G&G Estates amongst others contributed to the improved yield. Resort Estate achieved impressive yields for 2017 supported by sufficient harvesters and new harvesting tools.

Average yield for our Sarawak estates came in at 10.8 MT per ha. Harvesting operations were impacted by extremely high rainfall, labour shortages, as well as ongoing native customary rights land disputes and blockades in Kelimut, Maong, Sungai Lelak and Bukit Limau estates. The blockade at Sungai Lelak Estate was successfully removed and we undertook rehabilitation works to normalise operations. However, while harvesting operations resumed in July 2017, this was impacted by a shortage of harvesters.

The processing capacity of our 10 palm oil mills stood at 425 MT FFB per hour. Our mills processed a total of 1,080,390 MT FFB in the year under review, of which 85% comprised fruits from our own estates.

Average FFB production cost was higher at RM313 per MT, mainly as a result of costs incurred to meet Roundtable on Sustainable Palm Oil standards, increased minimum wages, as well as reconstruction and maintenance of access roads in our Sabah estates. Milling cost increased to RM78 per MT while average palm oil production cost rose to RM1,731 per MT.



*Biological pest control measures using barn owls*

CPO production grew by 4% to 226,843 MT and palm kernel production was 46,896 MT, up by 6%. Average OER saw a marginal decline to 21%. However, this was higher than the Malaysian Palm Oil Board's (MPOB) national average of 19.7%, a reduction from 20.2% last year, reflecting an overall drop in OER across the country. Kernel extraction rate was 4.3%, consistent with last year, although this was lower than the MPOB average of 4.9%.

Sungai Jernih Palm Oil Mill was our top performer for the year, achieving the highest OER of 23.8%. This was closely followed by Segaria Palm Oil Mill in Sabah with an OER of 23.2%.

Productivity and efficiency improvements across our estates continue at a heightened pace via the mechanisation of our FFB harvesting and collection. This includes the usage of lighter hybrid carbon fibre poles for harvesting in tall palm areas and motorised cutters for young palms where terrain permits.

To further improve accessibility into areas with narrow terraces or soggy grounds, compact flotation tyre transporter vehicles were used for in-field FFB collection and to facilitate mulching of empty fruit bunches. Additional mini-tractors were mobilised for FFB collection in hilly areas. We have in place at five of our estates bin transportation systems, which are integrated with in-field and main-line mini tractors for crop evacuation, to further reduce manual labour requirements.

In addition, we introduced a smart fertiliser spreader which features in-built calibration equipped with sensors and a Global Navigation Satellite System (GNSS) as well as internet capabilities at our Telok Sengat Estate.

Building on our success from using barn owls to curb the rat population at our Peninsular estates, we implemented this at our Sabah estates. This biological pest control measure has shown positive results in reducing the rat population and generating savings for chemical baiting.

## RESEARCH & DEVELOPMENT

Our associate company, Applied Agricultural Resources Sdn Bhd (AAR), continues to drive our research and development initiatives, which are focused on enhancing efficiency and yields in a sustainable manner.

AAR's oil palm breeding programme has produced clonal and semi-clonal planting materials with superior oil yields. As a clear reflection of this, the next generation AA Hybrida II planting materials have potential to achieve oil yields that are 15% higher than AA Hybrida I and 57% higher than AA DxP, our first-generation planting materials. The Division currently has 21,916 ha planted with high oil-yielding clonal planting materials.

Our efforts are ongoing to prevent the spread of pathogens, particularly on mitigation of Ganoderma infection. Research into the use of beneficial microbes to enhance oil palm growth is also underway. Fields trials are currently taking place, with results indicating that it is possible to reduce fertiliser usage by as much as 25% by inoculating endophytic microbes to young palms.

We continue to utilise GPS technologies in our oil palm agro-management. We are also using drones in our oil palm estates for field mapping, palm census and monitoring purposes.





*Demonstration of smart fertiliser spreader application*

## OUTLOOK

We are focused on enhancing efficiencies across our operations, coupled with strategic expansion of our land bank to strengthen our earnings potential. In line with this, the proposed acquisition of 11,600 ha of plantation land within the district of Labuk and Sugut in Sabah is indeed a viable opportunity, enabling the Division to increase our total land bank by 14% to 93,400 ha.

With the estates located in close proximity to our existing estates, we will be able to achieve greater economies of scale. Moreover, the estates have a robust age profile, comprising 64% oil palms in their prime maturity between 10 to 20 years and 10% young mature palms between 4 to 9 years. This certainly augurs well for our long-term growth prospects.

As part of our balanced growth strategy, we are conscious of the importance of efficient usage of our land bank. To this end, we have undertaken a proposed land disposal comprising 139 ha in Seberang Perai Utara, Pulau Pinang, in addition to our previous disposal of 678 ha of land. Due to its high development potential, we are able to realise the capital appreciation of the land at a premium.

Our ongoing replanting exercise ensures that we are able to drive yields and profitability. In 2018, we aim to complete the replanting of 2,400 ha of oil palm.

In the year ahead, the CPO market is expected to be impacted by challenges, including higher palm oil production which is predicted to outpace consumption. Abundant crops for other edible oils are also anticipated to put pressure on CPO prices.

Nevertheless, we are optimistic that the Division will be able to remain resilient. While the resolution by the EU to ban palm oil-based fuel by 2020 has impacted the market, we are encouraged by the actions taken by the Governments of Malaysia and Indonesia to resolve this.

The Malaysian Government's move to suspend export taxes for the first three months of the year has eased pressure on palm oil stockpiles, which is expected to support CPO prices in the near term. Over the long term, Indonesia's biodiesel mandate and increasing consumption of palm-oil blended fuels is predicted to absorb higher volume of palm oil stock and boost CPO prices.

Moving forward, we are confident we will be able to drive sustainable growth by leveraging on our strengths and unlocking further value for the Division.



# PROPERTY DIVISION



BERJAYA TIMES SQUARE

IKEA

MyTown

PHASE 2

JALAN COCHRANE

FUTURE RESIDENTIAL

FUTURE OFFICE



KL TOWER

Tun Razak Exchange (TRX)

PAVILION

## KEY DEVELOPMENTS

TAMAN MUTIARA RINI

**536 UNITS**

LAUNCHED

ONE COCHRANE RESIDENCES

**448 UNITS**

TO BE LAUNCHED



Building on its strong portfolio of assets, the Property Division undertook to unlock value and drive long-term prospects for the Group. However, amid challenging market conditions and high start-up costs of our investment in MyTOWN Shopping Centre, the Division registered a lower profit of RM54 million in 2017. This was compared with a profit of RM324 million last year, which benefitted from a gain of RM210 million arising from the disposal of an associate company.



*Aerial view of Taman Mutiara Rini in Johor*

### PROPERTY DEVELOPMENT

This segment of our business recorded a profit of RM64 million. It was driven by strong demand for our residential properties in Taman Mutiara Rini, Johor.

Taman Mutiara Rini continued to see a good take-up rate for all launches in 2017. We successfully launched 536 units during the year, primarily comprising double storey terrace houses and shophouses at affordable prices. The well-planned township, first launched in 1996, draws buyers who appreciate gated communities and proximity to facilities such as schools, parks and retail centres.

The year saw the start of works on our third township development project, Mutiara Hills, located in Semenyih, Selangor. We commenced earthworks for this 240-acre mixed development project, which is strategically located in close proximity to the University of Nottingham Campus.

In our thriving Mutiara Damansara township, construction of our latest office development, Nucleus Tower, is progressing well. As a result of the modern and sustainable features incorporated within the building design, this iconic office tower will be certified with Green Building Index Gold accreditation and have MSC status.





*One Cochrane Residences Sales Gallery*



*Nucleus Tower, Mutiara Damansara*

At our One Cochrane Residences condominium project, the Sales Gallery has been completed. The condominium project has drawn strong interest from the market with the Sales Gallery now open. A total of 448 condominiums will be launched in 2018.

We remain focused on tapping into opportunities to develop our existing land bank. To this end, earthworks are underway for our industrial development land in Bukit Raja, Klang.

In addition, we acquired 6.59 acres of land in Jalan Cochrane which is earmarked for residential development.

## PROPERTY INVESTMENT

Our property investment segment posted a profit of RM6 million during the year under review. This was attributable to challenging internal and external factors, including start-up costs for MyTOWN Shopping Centre in its first year of operations and weaker consumer spending which impacted the retail sector.

Despite the demanding backdrop, we made good progress on our investment properties during the year as a result of our portfolio of properties in prime locations and our efforts to constantly refresh our tenant mix.

Our retail investment properties in Mutiara Damansara, the Curve and eCurve, maintained a dedicated following of patrons. In order to drive shopper traffic, we welcomed several exciting new outlets at the Curve. This included top international brands such as Machines, Smiggles, Galito's Flame-Grilled Chicken, Hot Wings, Typo and Hamleys. This is in line with the rebranding exercise we are undertaking to remain relevant in the crowded retail arena.

## REVENUE

**RM596  
MILLION**

## PROFIT BEFORE TAX

**RM54  
MILLION**



MRT pedestrian link at MyTown

Along with this, our shopping malls played host to a number of significant events, such as roadshows by Greenpeace and the World Wildlife Fund.

While there have been an increasing number of new shopping malls in the Klang Valley, MyTOWN Shopping Centre stands apart. The Group has a 50% interest in this asset. Having opened to the public in March 2017, the 1.1 million square-foot mall has since enjoyed growing footfall, leveraging on the strong appeal of its anchor tenants and renowned global and local retailers including one of the largest IKEA stores in Malaysia, Parkson Department Store, Golden Screen Cinemas, Village Grocer, Zara, Uniqlo and many others.

Coupled with its location in the heart of Kuala Lumpur in the prime area of Jalan Cochrane, MyTOWN Shopping Centre is highly accessible, particularly with the opening of the underground pedestrian walkway which links the Cochrane Mass Rapid Transit (MRT) Station directly into the mall in December 2017.

Meanwhile, indoor theme parks KidZania Kuala Lumpur and KidZania Singapore, in which the Group holds a minority investment, continued to attract visitors, especially during the holiday season.

## HOTELS

Competition has certainly intensified in the tourism sector, on the back of new players coming into the market and increasing pressure on pricing.

Our stable of hotels was impacted by this challenging environment. While we recorded growth in revenue for our Royale Chulan Penang and Royale Bintang Kuala Lumpur, this was moderated by increasing competition in the prime areas of Kuala Lumpur and Penang.

As part of our drive to remain competitive and elevate the appeal of our hotels, we are undertaking various measures such as the refurbishment of Royale Chulan Curve. At our Royale Chulan Damansara, we are expanding the ice skating rink with the aim of promoting our recreational activities.

Our Royale Chulan Cherating Resort which officially opened in February 2017 has seen an encouraging response. The five-star resort comprising 18 villas and 17 suites offers attractive holiday packages to guests including beachfront activities such as windsurfing and kayaking.



Royale Chulan Penang



## OUTLOOK

While the property sector is expected to see demanding market conditions, we are focused on leveraging on our strengths to weather this. With its attractive portfolio of properties, we are positive that this Division will contribute to the long-term growth of the Group and enable us to remain resilient.



Our property development projects are progressing well, with our new township development Mutiara Hills proceeding as planned. Meanwhile, Nucleus Tower is set to receive its Certificate of Completion and Compliance in 2018. We hope to launch industrial lots in our Bukit Raja development as well.

With MyTOWN Shopping Centre fully operational and the newly opened MRT pedestrian link enhancing connectivity, we expect to see improved contributions from the shopping mall in the year ahead.

Our One Cochrane Residences is also targeted to launch in 2018 and we are confident that this will further raise the Division's profile as a leading developer.

As for our hotel operations, we are optimistic that our ongoing refurbishment and renovation efforts will bear fruit.

In tandem with strengthening our existing portfolio, we are actively pursuing opportunities to expand our land bank and recently embarked on the acquisition of a prime parcel of freehold land located along Jalan Cochrane in Kuala Lumpur, totalling 6.59 acres. The land has been earmarked for high-rise residential development, with an expected gross development value of approximately RM1.1 billion.

With its strategic location in the heart of the city and its close proximity to public transportation hubs as well as key shopping areas, the Jalan Cochrane land represents significant potential and value in terms of a residential development.

With these plans in place, we are confident that the Division will remain a key contributor to the Group.



Royale Chulan Cherating



# PHARMACEUTICAL DIVISION





## KEY DEVELOPMENTS

HALAL CERTIFIED PRODUCTS

**>60**

PRODUCTS

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PRODUCT RANGE

**>30**

NEW PRODUCTS REGISTERED

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The Pharmaceutical Division was a solid contributor to the Group's bottom line, turning in a profit of RM54 million. This marks an improvement compared with the previous financial year, primarily supported by stronger contributions from the Division's overseas operations.



Puchong plant

### MANUFACTURING

The Manufacturing segment's profitability-enhancing initiatives had a positive impact on cost optimisation. This allowed the segment to register a profit of RM75 million amidst a challenging operating environment.

In line with our efforts to propel sustainable growth of our manufacturing operations, we undertook several key initiatives at our seven sites to improve manufacturing processes and efficiencies. The commissioning of new machines enabled us to enhance our production output and bring down our changeover time.

We further enhanced procurement methods, which saw us achieve cost savings as a result of strategic negotiations with our vendors. Our improvements to operational excellence enabled us to maintain competitive pricing for our superior quality products.

In 2017, the segment's plant in Puchong achieved a major milestone as the nation's first pharmaceutical plant to install and commission freeze drying technology for the lyophilisation of small volume injectable pharmaceutical products. We were able to achieve this feat by completing a stringent qualification process.

REVENUE

RM2.3  
BILLION

PROFIT  
BEFORE TAX

RM54  
MILLION





*SweetRoyale Stevia, anchor product for Community Pharmacy*

Consistent with our long-term strategy to strengthen our business streams with viable investments, we entered into a strategic partnership with Paradigm Industry Sdn Bhd. As a result of this, we now have the capacity to manufacture Stevia-based products and have introduced SweetRoyale Stevia as an anchor product for our Community Pharmacy. This natural sweetener is easily available through e-commerce sites including, [www.royalepharma.com](http://www.royalepharma.com), Lazada, Shopee and 11street.

In line with our aim to establish ourselves as a leading international provider of Halal pharmaceuticals and medical devices, we have heightened production of our Halal certified products, with more than 60 new products added to our portfolio in 2017 alone, bringing the total to over 90.

Through our focus on expanding our Halal business stream, we are playing our part to strengthen Malaysia's position as a global Halal hub. We are assisting Jabatan Kemajuan Islam Malaysia (JAKIM) and Department of Standards Malaysia to develop the Malaysian Standard for Halal Medical Devices - General Requirements. Once the Standard comes into effect, we will be able to attain Halal certification for our medical devices, providing us with further means to capitalise on the exciting opportunities available in the Halal industry.



*PT Errita Pharma plant in Bandung, Indonesia*

### LOGISTICS & DISTRIBUTION

The Logistics and Distribution segment was reinforced by strong growth for our international business operations. Ensuing from our continuous efforts to grow our non-concession business, this market segment contributed 51% to the Division's revenue for the fiscal year while the concession business contributed 49%.

We prioritised customer satisfaction as evidenced by our attainment of 99% order fulfilment for Ministry of Health (MOH) facilities throughout Malaysia. Overall, 95% of all orders were delivered within a shorter period.

In the same vein, our Customer Care Call Centre was able to achieve a success rate of 93% for incoming calls answered within three rings. Moreover, we received primarily 'Excellent' and 'Good' responses for the Customer Satisfaction Surveys we organised for our key clientele as part of our efforts to keep a close eye on our service levels.

Reflecting the consistently high level of services we provide, we further expanded our clientele to the Ministry of Home Affairs, the Ministry of Higher Education and Institut Jantung Negara.

Our generic pharmaceutical products performed well with positive growth in prescription volumes. Our Aspira respiratory product and Ignyde urology product commanded a significant market share of 50% and 55% respectively.

We embarked on several initiatives to ensure that the quality of our products is sustained across the supply chain. We implemented exacting requirements for our vendors to safeguard the quality of all deliveries.

Additionally, our transportation vehicles were equipped with temperature control systems. These measures assisted us in meeting the stringent requirements of Good Distribution Practice.

### INDONESIA

We made significant strides in 2017 to build our presence on the international stage, led by our Indonesian operations.

Our listed subsidiary in Indonesia, PT Millennium Pharmacon International Tbk (MPI), saw a 15% increase in sales mainly driven by its medical products, registering a revenue of IDR2.1 trillion or RM690 million. Our manufacturing facility driven by PT Errita Pharma also recorded a turnaround in its results.



PT MPI staff at their new warehouse in Cakung, Jakarta

MPI's acquisition of 15% equity interest in PT Errita Pharma marks a new phase of growth for the segment. As a result of the synergies derived from this strategic acquisition, MPI now has access to high quality and affordable medicines to boost its generic drugs portfolio and penetrate the upstream market.

This has opened up prospects for the segment, enabling us to capitalise on the implementation of Indonesia's National Health Insurance Scheme to venture into the government and private hospital markets.

As part of our growth strategy for the Indonesian market, we expanded our product range to include more than 10 new products in 2017, with more than 20 new products submitted for registration.

Additionally, we submitted our bio-collagen wound care management products to the regulatory agency in Indonesia for approval, consistent with our strategy to increase our presence in Indonesia.

## RESEARCH AND DEVELOPMENT

Our research and development (R&D) efforts are core to our growth in the fast-evolving pharmaceutical sector. Consistent with our focus on fortifying our stable of products through innovation, more than eight products were approved by the National Pharmaceutical Regulatory Agency. This new development brings us closer to our goal of developing more than 250 products by 2024.

We are committed to ensuring the quality, safety and efficacy of all our products. All our generic products undergo bioequivalence studies, ensuring that our generic products are bio-equivalent to the innovator products and are clinically interchangeable. To date, more than 65 Pharmaniaga products conform to the required bio-equivalent status, with more in progress.

Moreover, we employ stringent clinical investigations, clinical reviews on product quality and pharmacovigilance initiatives throughout all our manufacturing facilities. We are currently in the midst of updating our pharmacovigilance system to align with the latest Malaysian Pharmacovigilance Guidelines.



Our phytomedicine projects for the development of two products utilising local herbs - Kacip Fatimah (KF) and Patawali progressed steadily. We were able to trademark and patent our KF finished products in Malaysia and the United States of America. Our Pharmaniaga KF extraction method has been trademarked as unique and capable of producing high quality extracts. Our next step is to patent more features of the KF project.

We have undertaken pre-clinical tests in an accredited OECD GLP research laboratory in Australia for our patented KF extract. Data from the pre-clinical tests validates the superior quality of our extract, which conforms to international regulatory standards.

Moving forward, we look to establish the KF finished product as a safe, high quality and effective phytomedicine that aids in improving women's health and vitality.

## OUTLOOK

Rising awareness on the importance of healthcare along with the increasing access to healthcare globally bodes well for the Pharmaceutical Division.

This is further sweetened by the Malaysian Government's focus on the growth of the healthcare sector as evidenced by the allocation of RM27 billion for the MOH as part of the 2018 National Budget.

As an industry leader, we are well placed to tap into the vast prospects the sector holds to propel sustainable growth.

We commenced the 2018 fiscal year on a strong note on the back of a price revision for our concession agreement with MOH. The revision entailed the expansion of our product list by more than 700 items. The price revision to the 2017-2019 Approved Products Purchase List is expected to have a positive impact on gains in 2018.





Propelling product innovation remains a key focus as we push forward to create innovative, high quality products that cater to customer needs.

Our collaboration agreement for the supply of a new Hepatitis C treatment for Malaysians is a momentous milestone for the Division and the Group. This will allow us to strengthen our position as the region's pharmaceutical manufacturer of choice.

Apart from furnishing us with distribution rights for the region, the collaboration will also enable us to capitalise on the transfer of technology. Importantly, we will be manufacturing a treatment regime that is expected to cost less than US\$1 per day, allowing us to contribute to providing greater access to safe, effective and affordable treatment for Hepatitis C.

Tapping on the prospects of the Halal sector, we signed a Memorandum of Collaboration for the development of Halal vaccines with the Technology Depository Agency (TDA) under the Ministry of Finance Malaysia and Hilleman Laboratories, a joint venture between Merck & Co and Wellcome Trust Foundation.

We will continue to seek out strategic partnerships that are not only beneficial to the Division, but also allow us to play our part in the growth of the nation's healthcare sector for the benefit of all Malaysians.

# HEAVY INDUSTRIES DIVISION







## KEY DEVELOPMENTS

KEEL LAYING CEREMONIES FOR  
**LCS 2 & LCS 3**

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NAMING AND LAUNCHING OF  
**MAHARAJA LELA**

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## HEAVY INDUSTRIES DIVISION

The Group's Heavy Industries Division reported a turnaround in its results for the year, recording a profit of RM73 million compared with the previous year's deficit of RM120 million.

The Division's revenue grew by 69%, primarily driven by higher billing for the Littoral Combat Ships (LCS) project and ship repair projects, as well as the recognition of revenue from the Littoral Mission Ships (LMS) project.

### REVENUE

**RM1.7  
BILLION**

### PROFIT BEFORE TAX

**RM73  
MILLION**



Naming ceremony of MAHARAJA LELA

**Boustead Heavy Industries Corporation Berhad (BHIC)** registered a lower profit of RM12 million. This was mainly due to weaker contributions from a joint venture company, which impacted results.

**Boustead Naval Shipyard Sdn Bhd (BN Shipyard)** posted a higher profit of RM29 million. This was achieved by virtue of the fact that we are making accelerated progress for the LCS project, as well as the reversal of provision for Liquidated Ascertained Damages on ship repair projects.

## DEFENCE & SECURITY

Kick-starting a year of milestones for the LCS project driven by BN Shipyard was the keel laying ceremony for LCS 2 held in February 2017.

This was followed by the naming and launching into water of the first LCS unit named MAHARAJA LELA in August 2017. The momentous event took place in the presence of Sultan of Perak Darul Ridzuan, DYMM Sultan Nazrin Muizzuddin Shah, DYMM Raja Permaisuri of Perak Darul Ridzuan, Tuanku Zara Salim, YB Dato' Seri Hishammuddin Tun Hussein as well as other dignitaries.

Closing the year was the keel laying ceremony for LCS 3 in December 2017.

Additionally, we received a letter of acceptance from the Ministry of Defence (MINDEF) for a contract to supply four units of LMS for RM1.17 billion. The first of two ships will be built in China through a first-time collaboration between BN Shipyard and China Shipbuilding & Offshore International Co Ltd. Through this project, the Group's personnel along with the Royal Malaysian Navy (RMN) will be exposed to the intricacies of building the LMS. The basic design of the LMS was completed in 2017.



The Division provides a wide range of maintenance, repair and overhaul (MRO) services for RMN vessels and commercial ships. This covers military and commercial surface vessels, submarines, helicopters and critical equipment such as combat management systems and essential control systems, defence electronics, weaponry, electrical equipment and engines.

During the year, we undertook repair and refit works for KD PAHANG, KD SRI INDERASAKTI, KD JEBAT, KD GANYANG, KD MAHAWANGSA and TRV TEGUH SAMUDERA.

In line with the Division's transformation initiative aimed at improving operational efficiencies, we achieved the on-schedule completion of refit works for KD LEKIU and KD KELANTAN, which were delivered to RMN in April 2017. This achievement was a significant milestone for the Group as it marked the first simultaneous handing over of two vessels in BN Shipyard's history.

As part of Phase 3 of the BN Shipyard Rationalisation Programme, experts from Daewoo Shipbuilding and Marine Engineering of South Korea, one of the world's largest shipyards, assisted in production planning, production engineering and pallet management for our BN Shipyard. This resulted in cost savings amounting to RM9.6 million in 2017 while we were also able to deliver the refitted KD MAHAWANGSA two days ahead of schedule.

We provide the full-spectrum of In-Service Support (ISS) that ensures the optimal operational availability of critical defence assets. Boustead DCNS Naval Corporation Sdn Bhd provided ISS to KD TUNKU ABDUL RAHMAN and KD TUN RAZAK, the two RMN Scorpene submarines. Refit works for the two submarines are currently ongoing.

The merger of BHIC Defence Techservices Sdn Bhd (BDTS) and BHIC Electronics and Technologies Sdn Bhd saw the restructuring and rebranding of BDTS as a 'one-stop centre' for combat management systems MRO. As a result, BDTS is now focused on MRO works for weapons, sensors and electronics systems.

The newly restructured BDTS received a Letter of Award from MINDEF for the supply and delivery of a communication suite for Squadron 23rd Frigate of the RMN. The two-year contract is valued at RM19.5 million.

In addition, BDTS delivered naval guns and a communications and navigation system for KD PAHANG as well as three units of Army Skyguard Radars (Air Defence System), torpedo launchers and a communications and navigation system for KD LEKIU. BDTS also undertook the maintenance and supply of spare parts for Skyguard Radar and 35mm Oerlikon guns for the Malaysian Army.





*MRO services for RMAF, MMEA and RMN helicopters*

BHIC AeroServices Sdn Bhd (BHICAS) undertook and completed MRO works on six units of RMN's Fennec AS555SN helicopters in 2017. MRO works on the Malaysian Maritime Enforcement Agency's (MMEA) AS365N3 helicopters are ongoing. In addition, BHICAS received a Letter of Award from the Government in July 2017 for the extension of the Royal Malaysian Air Force EC725 ISS contract by three years. The extension will run until 31 March 2020 with an additional contract value of RM215.0 million.

### COMMERCIAL

The commercial shipbuilding segment faced further pressure amidst the slowdown in the sector. However, we were only involved in several commercial MRO projects during this period.

Boustead Langkawi Shipyard Sdn Bhd undertook MRO works on white boats and local ferries during the year. We also completed Docking for Essential Defect works on RMN's KLD TUNAS SAMUDERA, with the ship delivered to RMN ahead of schedule. We are encouraged by the possibility of supplying small vessels to MMEA and are looking into this prospect.

In addition, BHIC Shipbuilding & Engineering Sdn Bhd and Boustead Penang Shipyard Sdn Bhd secured several small-scale MRO works during the year.

The Group continues to be involved in the design of a 60-metre 60-tonne Anchor Handling Tug Supply Vessel. This will be the first Malaysian-designed Offshore Support Vessel under the Government's Entry Point Project for the shipbuilding and ship repair segment.



*Ship repair work at Boustead Langkawi Shipyard*

## ENERGY

The oil and gas industry was impacted by ongoing challenges in terms of long-term uncertainties amidst low oil prices and scale back in capital expenditure by PETRONAS and other oil majors. The segment benefitted from the conditional approval of variation orders and reimbursement claims for the Belum Topside project.

**MHS Aviation Berhad (MHS)** is in the midst of finalising settlements with its main clients, PETRONAS Carigali Sdn Bhd, ExxonMobil Exploration and Production Malaysia Inc, Sapura Exploration and Production (PM) Inc and EQ Petroleum Production Malaysia Ltd. This positively impacted the segment's results.

## OUTLOOK

The Malaysia Shipbuilding and Ship Repair Strategic Plan 2020 and Malaysia Shipping Master Plan were formulated to promote the sustainable growth of the industry while providing Malaysia with a competitive edge in the region.

Looking ahead, the Heavy Industries Division will leverage on the operational efficiencies achieved as a direct result of our transformation initiatives as we move forward amidst challenging market conditions.

Our Defence and Security segment is expected to contribute positively due to the many defence contracts that are now part of our order book. The Group is encouraged by the trust placed in us by the Government as evidenced by these contracts.

The first LCS unit is expected to be completed in 2019 and the first LMS unit is expected to start construction in the latter half of 2018. The LMS will be part of the five core asset classes in RMN's armada in line with its 15 to 5 Transformation Plan. RMN's 15 to 5 Transformation Plan to reduce its asset classes is expected to bode well for the Group, as it indicates the commissioning of new vessels and more MRO works for our shipyards.

Providing support for the nation's critical assets remains a key focus in 2018. At the same time, we will pursue other potential contracts particularly with the Royal Malaysian Police and MMEA, while actively exploring regional prospects.

As we move forward, we look to capitalise on collaborations and joint ventures in the oil and gas services and equipment sector to diversify the Energy Division's income base.



# FINANCE & INVESTMENT DIVISION







## KEY DEVELOPMENTS

INTERNATIONAL VESSELS DOCKED  
AT BOUSTEAD CRUISE CENTRE

**261**

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AFFIN HOLDINGS BERHAD  
AND AFFIN BANK BERHAD  
**REORGANISATION  
EXERCISE**

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## FINANCE & INVESTMENT DIVISION

The Finance & Investment Division posted an improved profit of RM71 million compared with RM62 million last year. This was mainly as a result of reduced net finance costs for Boustead Holdings Berhad arising from lower borrowings due to utilisation of proceeds from the rights issue. This was achieved despite reduced share of results from the Affin Group to the Division.



*Affin Bank Group participates at LIMA'17*

PROFIT

RM71  
MILLION

TOTAL ASSETS

RM2.9  
BILLION

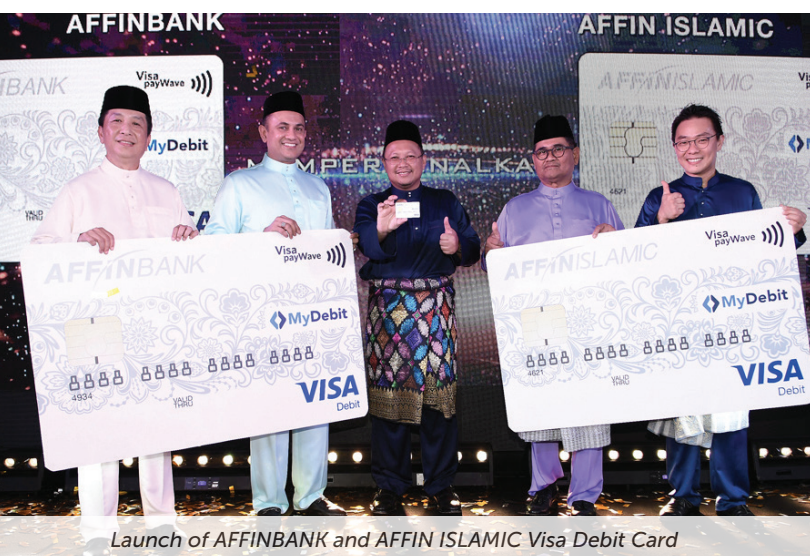
**Affin Group** registered a profit of RM698 million, contributing a profit of RM106 million to Boustead.

Affin Holdings Berhad (AHB) and Affin Bank Berhad (ABB) undertook a reorganisation exercise in 2017 which saw the positioning of ABB as the new holding company of the reorganised Affin Group. This also entailed AHB's listing status on the Main Market of Bursa Malaysia Securities Berhad being transferred to ABB. The transfer of listing status was completed on 2 February 2018, with the withdrawal of AHB's listing status and admission of ABB to the Official List of Bursa Securities.

The reorganisation allows for the simplification of Affin Group's shareholding and corporate structure. This creates greater opportunities to enhance efficiencies and enables ABB to spearhead Affin's growth.

**Affin Bank Berhad** recorded a reduced profit of RM551 million. This was attributable to increased overhead expenses and higher loan impairment.

The Bank advanced in the second phase of its three-year AFFINITY programme, which is aimed at strategic transformation to improve performance and operating efficiencies. Phase 2 involves building digital banking capabilities with enhanced analytics to strengthen customer engagement, expand targeted growth segments, drive productivity through automation and enhance customer experience.



As part of its objective to develop a comprehensive digital banking platform, the Bank embarked on a collaboration with Fullrich Malaysia Sdn Bhd, a local financial technology solutions provider, and Cyberview Sdn Bhd, to launch Malaysia's first collective-driven e-wallet, TaPay. A mobile application, TaPay reduces the need to carry cash, credit cards, rewards programme cards and receipts.

In line with Bank Negara Malaysia's Financial Sector Blueprint which calls for financial institutions to expand Islamic financing portfolios to 40% by 2020, the Bank's Priority Islamic Policy (PIP) surpassed targets for the year. The PIP now comprises 34% of the Bank's total portfolio.

During the year, the Bank launched the AFFIN ISLAMIC Visa Debit Card, replacing the existing MyDebit card. Leveraging on the latest payment technology, this provides customers with easy and secure access to deposit accounts.

The Bank also introduced its first point-based loyalty programme, AFFIN Rewards, in which customers are able to earn points with their AFFINBANK or AFFIN ISLAMIC Debit Cards to redeem rewards. As part of its consumer banking initiatives, the Bank's 'Shop, Dine & Win' campaign encouraged AFFIN ISLAMIC Debit Card members to perform retail transactions to win attractive prizes along with AFFIN Rewards points.

The Bank continues to command a strong network, with 98 conventional branches and 9 Islamic branches nationwide.

*Affin Islamic Bank Berhad* a wholly-owned subsidiary of ABB, posted a lower profit of RM118 million. This was mainly due to higher overhead expenses and allowance for impairment.

*Affin Hwang Investment Bank Berhad (Affin Hwang Capital)* turned in a stronger profit of RM184 million. This was attributable to higher net interest income as a result of higher average interest earning assets, increased fee income due to higher billings, particularly from corporate advisory fees and private placement fees, as well as higher net brokerage income, arising from better equity market sentiment in 2017.

We broadened our range of products and services, particularly in our securities and asset management businesses. As a result, our securities business grew its market share and continued to be ranked number one on Bursa Malaysia for the fourth consecutive year. The asset management business remained focused on increasing assets under administration and growing private retirement funds.

In the investment banking space, we were able to realise the value of several investment assets on the back of favourable market conditions. In order to expand our capabilities, we established merger and acquisitions, project advisory and valuation services.

For our achievements in the capital markets, Affin Hwang Capital (AHC) received several notable accolades in 2017. This included Bursa Malaysia's Best Overall Equities Participating Organisation as well as the prestigious Best Securities House in Malaysia by Asiamoney. AHC was also recognised by World Bank Group for our role in the issuance of the world's first green sukuk.

*AXA Affin Life Insurance Berhad* recorded a deficit of RM23 million in 2017. This was mainly attributable to higher reserves for future policyholders' liabilities.

*AXA Affin General Insurance Berhad* posted a lower profit of RM141 million, due to reduction in premiums and lower gains in disposal of investment.



**Irat Properties Sdn Bhd** is driven by its two business segments, namely property investment and automated traffic enforcement. Under its property investment portfolio, the prime properties of Royale Chulan Kuala Lumpur and Chulan Tower are the company's strongest assets. Strategically located in the heart of the city, these properties continued to see solid appreciation in value.

In its automated traffic enforcement segment, Irat Properties' wholly-owned subsidiaries, A.T.E.S. Sdn Bhd and Beta Tegap Sdn Bhd, hold concession agreements with the Government to install, operate and maintain traffic enforcement cameras and systems. This is aimed at reducing road accidents and improving road safety. A total of 21 cameras are currently operational.

**Boustead Travel Services Sdn Bhd (BTS)** delivered a higher profit of RM7 million for the year. This was primarily attributable to its core business in corporate ticketing. The company also expanded its focus in the travel sector to hotels and the Meetings, Incentives, Conventions and Events industry to further boost revenue growth.

With three branches in the Klang Valley and 80 highly capable employees, BTS offers a wide range of services to its clientele which comprise leading international airlines such as Malaysia Airlines, Singapore Airlines, Etihad, Qatar Airways, Emirates, KLM and Lufthansa, amongst others. As a result of its high level of service, the company remains one of the top five travel management companies in Malaysia.



Traffic enforcement camera

**Boustead Cruise Centre Sdn Bhd (BCC)** registered improved results in 2017. Ongoing upgrading efforts to BCC facilities have borne fruit, leading to increased bookings from well-known international cruise liners such as Star Cruises and Royale Caribbean International. A total of 248 international cruise vessels docked at the terminal, up by 85% from last year, in addition to 13 foreign naval vessels. The establishment of BCC's terminal as a key home port by cruise operators has facilitated cruise journeys from Port Klang for both domestic and international passengers.



Boustead Cruise Centre



DYMM Raja Zarith Sofiah conferred with honorary degree from UNMC



HRH Prince Charles visits UNMC as part of his official tour of Malaysia

**University of Nottingham in Malaysia Sdn Bhd**, commonly known as the University of Nottingham Malaysia Campus (UNMC) is a top higher learning institution with a student population of nearly 5,000.

During its July 2017 graduation ceremony, UNMC was honoured to present an honorary degree to DYMM Raja Zarith Sofiah binti Almarhum Sultan Idris Shah, Permaisuri of Johor. The university also played host to His Royal Highness Prince Charles, Prince of Wales, who visited UNMC as part of his official tour of Malaysia.

Demonstrating the calibre of UNMC, students and staff members both received local and international recognition for their achievements in the year under review. This included the L'Oreal-UNESCO Women in Science fellowship, the 2017 Jan Atkin Prize and the MYUK60: A Great British Adventure competition prize.

In collaboration with the World Bank and the Government of Bangladesh, the Bangladesh College Education Development Project is progressing well. UNMC welcomed the inaugural batch of 100 master trainers and six policy makers for this project.

**Drew Ameroid (Malaysia) Sdn Bhd** posted positive results for the year, amidst rising product costs and an increasingly competitive operating environment. The company achieved steady growth in the dewatering polymer market and aims to maintain its focus in the waste water segment. There are several projects and equipment sales in the pipeline to ensure sustained growth.

**Kao (Malaysia) Sdn Bhd** delivered an improved performance in 2017, recording a 9% increase in sales and double-digit growth in profit. Key drivers were the company's core brands, 'Biore', 'Laurier' and 'Attack', which saw good momentum propelled by strategic marketing campaigns. The company's focus on shop-front activities further improved brand distribution. To penetrate new market segments, 'Segreta', 'Curel' and 'MegRhythm' were launched, receiving an encouraging response from consumers.

**Boustead Credit Sdn Bhd** turned in positive results for the year as stronger controls on non-performing accounts resulted in lower impairment. A right-sizing exercise and cost optimisation efforts which commenced in the previous year bore fruit.

**Cadbury Confectionery Malaysia Sdn Bhd** recorded a 15% increase in revenue driven by double-digit growth for both domestic and export businesses. Despite challenging market conditions such as commodities costs, foreign exchange fluctuations and inflationary pressures, Cadbury strengthened its market share for its range of chocolates, attaining the number one market position.



# TRADING & INDUSTRIAL DIVISION







## KEY DEVELOPMENTS

BHPETROL  
TOTAL NO OF STATIONS

**380**

UAC BERHAD  
**MAIN CONTRACTOR**

FOR RUMAH MAMPU MILIK  
PROJECT IN BUKIT JALIL

## TRADING & INDUSTRIAL DIVISION

The Trading & Industrial Division delivered excellent results with a profit of RM132 million, becoming the second highest profit contributor to the Group. Boustead Petroleum Marketing Sdn Bhd was once again a key driver of the Division's performance, while other business segments also performed admirably.



**Boustead Petroleum Marketing Sdn Bhd (BHPetrol)** recorded a profit of RM105 million for the year under review. This was in comparison to the profit of RM131 million last year, which included gains realised from the disposal of three BHPetrol service stations amounting to RM34 million.

At a purely operational level, the company achieved a 6% increase in profit for the year under review. This was chiefly driven by improvements made to business operations across the board, particularly in terms of product supply arrangements as well as logistical efficiencies. Higher average fuel prices compared with the previous year also served to bolster operating margins.



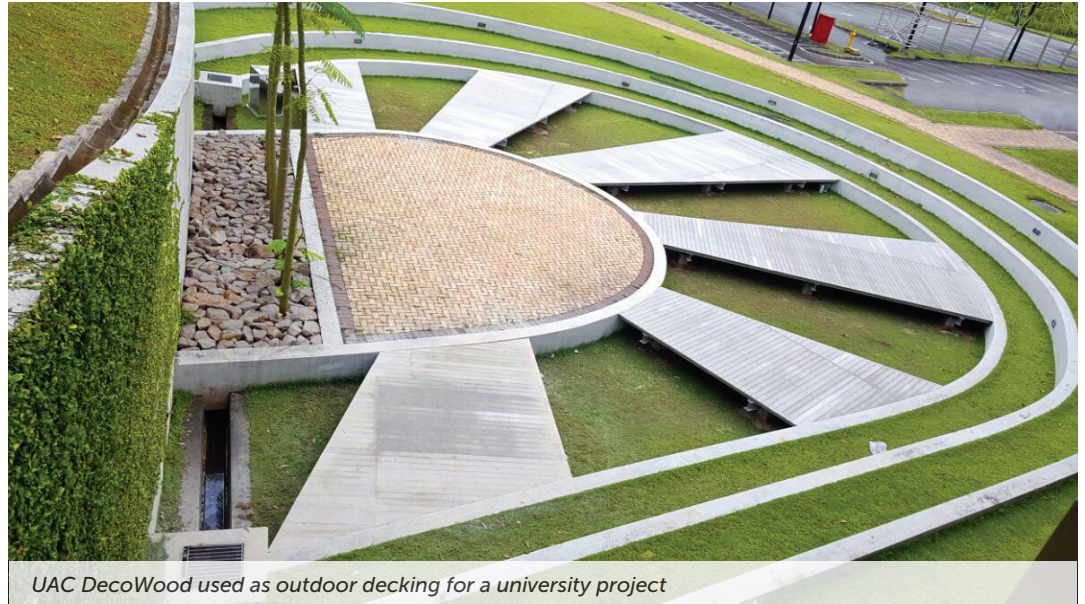
Volume growth was a core focus for BHPetrol throughout the year. Towards this end, 22 new service stations were opened nationwide and greater emphasis was placed on upgrading existing stations to improve overall customer experience. In tandem, new marketing initiatives were implemented, including an enhanced loyalty programme designed to attract and retain a solid customer base. As testament to these efforts, the retail business saw increased volume despite heightened competition in the sector.

Growth for the liquefied petroleum gas (LPG) segment was constrained for 2017, due to market challenges as well as a mandatory scheduled sphere requalification for one of our LPG plants. Nonetheless, the company had planned ahead of time to mitigate the impact of the requalification exercise to defend our market share.

The lubricants segment successfully achieved increased volumes, offsetting higher product costs to maintain profit levels.







*UAC DecoWood used as outdoor decking for a university project*



*UCO SolidPanel used as internal and external walls for Petronas project*

The **UAC Berhad Group** delivered an improved profit of RM26 million for the year compared with RM17 million in the year before. The improvement in the year under review came partly from the growth in its core businesses and partly from a reduction in the loss incurred by its wholly owned subsidiary, Boustead Sissons Paints Sdn Bhd, as this operation was wound down pending the sale of its assets. This company ceased operations following the completion of this sale at the end of the year.

The company faced various challenges due to subdued market demand for its range of building products and building systems in both the domestic and overseas markets. Revenue from export sales increased on the back of the strong US Dollar during the year but this was offset by higher costs of imported raw materials and consumables. Nonetheless, softer demand for core products namely the UCO Superflex flat sheets was balanced out by the success of the company's new range of products, including thicker UCO Superflex boards as well as DecoWood. The Industrial Building System (IBS) product range also continued to capture market share with a strong order book.



IBS Wall System seminar in Kuching

UAC added yet another milestone to its track record in the year under review, as it was appointed to be the main contractor for Lembaga Tabung Angkatan Tentera and Perumahan Penjawat Awam 1Malaysia Rumah Mampu Milik high rise residential project in Bukit Jalil. The IBS range of products along with other fibre cement products will be utilised as building materials for this development. The company also made great strides in promoting awareness on its product offerings through participating in various roadshows, public seminars and trade exhibitions in 2017.

Meanwhile, **Boustead Global Trade Network Sdn Bhd**, another UAC subsidiary, registered RM2 million in profit for the year, driven by its general insurance agency business. **Boustead Wah Seong Sdn Bhd**, a 50% associate company holds a 51% equity in a business in Yangon, Myanmar which operates a 200-meter long jetty with warehousing and bulk liquid storage facilities at the Thilawa Port outside of Yangon. This operation benefited from the improved economic conditions in that country through increased cargo volume through the port. The contribution for the year from this investment was RM1.8 million.



Archidex Exhibition 2017

**Boustead Building Materials Sdn Bhd** performed well considering market pressures in the form of subdued sentiments, intensified competition, and a declining number of new property launches. Bolstered by higher sales of building materials as well as progress billings from ongoing construction and project management businesses, the company posted increased revenue. Nonetheless, the overall slowdown of the sector impacted margins, leading to lower earnings.





# SUSTAINABILITY REPORT

## OVERVIEW

**In tandem with our drive to create greater value not only for the Group, but also the communities in which we operate, our sustainable business practices take into consideration *Economic, Environmental and Social* pillars.**

The primary objective of this Sustainability Report is to elaborate on the Group's collective sustainability efforts. Our Sustainability Report covers the Group's efforts and initiatives undertaken in the financial year ended 31 December 2017.

The content of this report details material issues pertinent to the Group's diversified business streams and highlights key measures carried out by our various business units and subsidiaries in Malaysia. As this report is the baseline year of reporting, only selected indicators for 2017 will be featured.

Reflecting our commitment to sustainability, the Group's employees came together to create a sustainability logo, featured in this Report. The vibrant image which depicts corporate buildings and employees within the symbol of a leaf encapsulates our aim of sustainable growth.





## Governance Structure

The Group has established a governance structure to drive and manage sustainable practices across our various operations. Through this structure, we have established a clear direction and introduced well-defined policies for the Group's sustainable development journey.

Sustainability Governance	Roles	Key Responsibilities
Board of Directors	Setting the tone	Ultimately accountable for the management of sustainability matters for the Boustead Group.
Board Sustainability Committee	Strategy and stewardship	Review and approve strategic sustainability policies and framework in line with the Group's commitment towards sustainable development.
Sustainability Management Committee	Management and monitoring  Accountability and performance	Recommend sustainability policies and framework to the Board Sustainability Committee.  Upon approval from the Board Sustainability Committee, implement and monitor progress of the Group's sustainability initiatives.

## Board Sustainability Committee – Members and Meetings

The Board Sustainability Committee held a total of three meetings during the financial year. Details of the composition of the Committee and the attendance by each member at the Committee meetings are set out as follows:

Name of Director	Meeting Attendance
Tan Sri Dato' Seri Lodin Wok Kamaruddin (Chairman)	3/3
Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad	3/3
Datuk Francis Tan Leh Kiah	3/3



## Sustainability Vision

### BUILDING A LEGACY OF SUSTAINABLE GROWTH AS A LEADING DIVERSIFIED CONGLOMERATE

With the Boustead Group's active involvement across key sectors of the Malaysian economy, we are fully aware of the pertinent need to drive sustainable and inclusive growth in the Economic, Environmental and Social arenas.

We assess our sustainable business practices based on material issues that are relevant to the Group's operations and by evaluating risks and opportunities in these areas. As a result, we have been able to enhance our sustainability priorities. We believe that a holistic approach will ultimately grow our business in a sustainable and balanced manner.

Our approach to sustainability covers material issues in the following three core areas of impact:



#### ECONOMIC

Ensuring the sustainable growth of our businesses is in line with our drive to **stay relevant** and bring about positive economic impact extending to local communities



#### ENVIRONMENT

**Protect the environment** by embracing greener and more eco-friendly practices



#### SOCIAL

- Strengthen our reputation as an **employer of choice** by investing in our people and developing their talents to unlock greater value
- **Reaching out to communities** in which we operate by giving back to those in need, facilitating access to education, youth empowerment and active engagements

# Stakeholder Engagement

Continuous engagement with our stakeholders is imperative in order for the Group to develop more robust and comprehensive sustainable business strategies. To achieve better outcomes for both our business as well as our stakeholders, we firmly believe in active engagements.

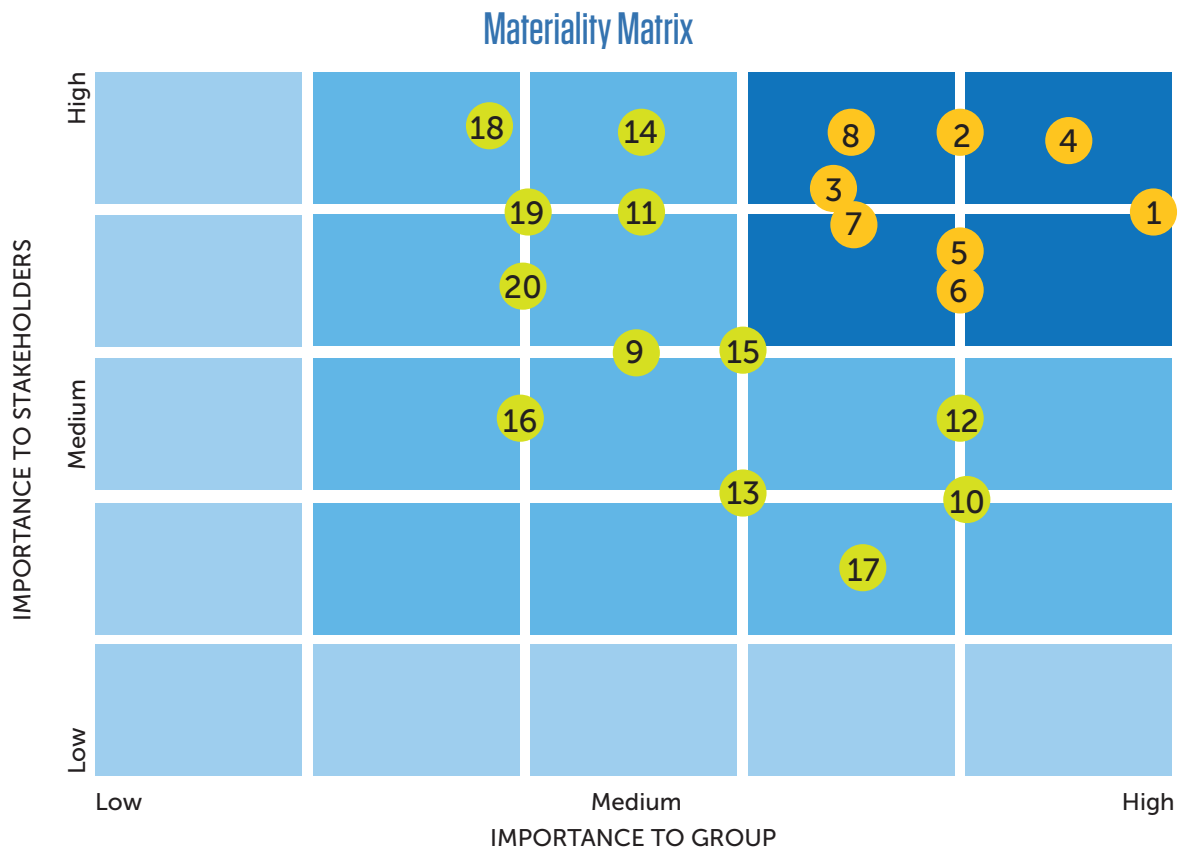
As such, across all our core businesses, we have designated representatives to reach out to key stakeholders via various engagement methods. During these engagements, we take the opportunity to share and update our stakeholders on pertinent details and information, have ongoing discussions to identify material issues as well as find ways to achieve common goals.

Key Stakeholder Group	Engagement Type
Regulatory Bodies	Dialogue sessions, meetings, correspondences and on-site inspections
Board of Directors	Meetings and correspondences
Shareholders & Investors	General meetings, quarterly reporting and annual report
Employees	Employee surveys, internal communications, engagement sessions and sports & recreational activities
Customers	Dialogue sessions, customer engagement surveys and feedback forms
Suppliers & Business Partners	Periodic meetings and dialogue sessions
Local Communities	Periodic meetings and dialogue sessions



## Materiality Analysis

Based on feedback and views from our stakeholder engagement initiatives, we are able to identify the top 20 issues in relation to our Group's business operations. All the issues within the Materiality Matrix will be reviewed from time to time and revised accordingly.



- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>1 Products &amp; services</li> <li>2 Providing business opportunities</li> <li>3 Business continuity</li> <li>4 Legal and regulatory compliance</li> <li>5 Protecting the environment</li> <li>6 Health and safety</li> <li>7 A performance-driven culture</li> <li>8 Reaching out to communities</li> <li>9 Development of facilities and infrastructure</li> <li>10 Waste management</li> </ul> | <ul style="list-style-type: none"> <li>11 Labour issues</li> <li>12 Minimising delays in delivery of products and services</li> <li>13 Emergency response team</li> <li>14 Constant engagement with stakeholders</li> <li>15 Increasing asset value</li> <li>16 Fertiliser management</li> <li>17 Infrastructure problems</li> <li>18 Strengthening multicultural communities</li> <li>19 Employment and job opportunities</li> <li>20 Eco-friendly products</li> </ul> |
|--|---|

## Top 8 Material Issues

We assessed the issues based on stakeholder priorities and determined the material issues that are most relevant to the Group's operations and have the greatest impact. The **top eight** risks and opportunities deemed to be most important to the Group and stakeholders are reported in this Sustainability Report.





## ECONOMIC : STAYING RELEVANT

Businesses that embrace sustainability are able to thrive in the long-term, together with society as a whole. In line with this, across the Group our business units embrace sustainable business practices in tandem with our pursuit of sustainable economic growth.

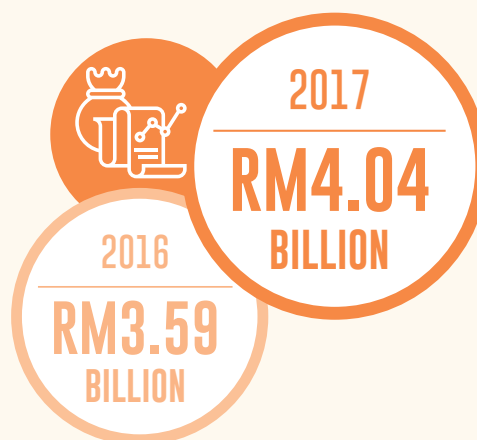
This includes creating synergies across the organisation while generating employment, fostering investment, spurring infrastructure development, encouraging the growth of vendors especially amongst small medium enterprises (SMEs), all the while adhering to stringent regulations and high standards.

### Products & Services

As we operate in an increasingly challenging and competitive business environment, we are strongly focused on providing superior products and services. We achieved a strong profit in 2017, which is a clear reflection of the top-quality products and services the Group provides via our various business streams.

As a result, we have been able to contribute positively to Malaysia's Gross Domestic Product (GDP).

## Contribution to GDP



As part of our commitment to build a sustainable future for all, we ensure that the approach adopted across our diversified business streams has a positive economic impact.

Testament to the quality of our products and services, the Group has received recognition from well-established industry organisations and external bodies.



## Key awards and certifications

1 BrandLaurette Best Brands Award - Pharmaniaga

2 Putra Brand Awards - BHPetrol

3 Asia Corporate Excellence & Sustainability Awards - Pharmaniaga

4 Frost & Sullivan's Malaysian Pharmaceutical Company of the Year - Pharmaniaga

5 Ministry of Higher Education SETARA - The University of Nottingham Malaysia Campus

6 Hotels.com - Royale Chulan Damansara

7 Lloyd's Register Quality Assurance Awards - Boustead Naval Shipyard





## QUICK FACTS

BHIC and BN Shipyard  
**>3,600**  
vendors registered

**66%**  
are Bumiputera  
companies

The RoyalePharma  
Alliance Programme  
**>130**  
members nationwide

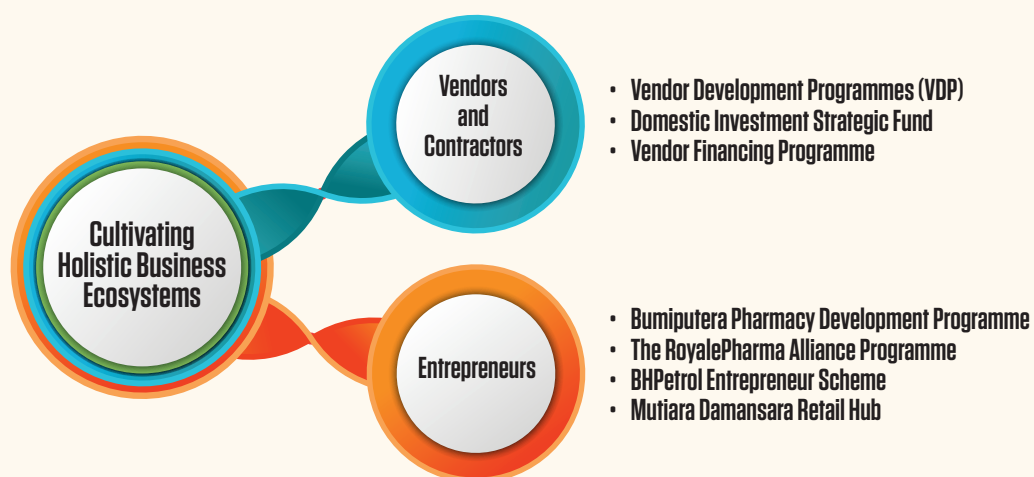
BHPetrol stations  
**15**  
Dealer Owned,  
Dealer Operated

## Providing Business Opportunities

### *Supporting Local Business Development and SMEs*

In line with the Government's mandate for Government-Linked Companies to contribute to the nation's economic growth, we are committed to supporting the positive development of communities by providing employment and business opportunities.

As key stakeholders of our business units, our suppliers, vendors and contractors play a crucial role in our business activities. We believe that we are able to boost economic growth through vendor development and fostering the creation and development of business ecosystems to support the business activities of subsidiaries, associate companies and joint venture companies.



Six of the Group's vendors were selected as National Champions in the Ministry of International Trade and Industry's VDP, out of only nine awards given out

## QUICK FACTS

**↑ R&D Investment**  
2017 : RM41 million  
2016 : RM38 million

New pharmaceutical  
products  
**>30** registered

**21,916 ha**  
replanted with high  
oil-yielding planting  
materials

**GPS & Drones**  
used in supervision  
of plantation estates

### Business Continuity

#### *Continuous Improvement via R&D*

Our business operations are strongly focused on technology and innovation to ensure business continuity. Our Group invests significantly to remain relevant through the development of new products as well as improving processes and procedures.

Given our established presence in the pharmaceutical sector, our R&D efforts are aimed at manufacturing high quality cost-competitive pharmaceutical products for various therapeutic sectors. We conduct continuous research into

pharmaceutical products in various dosage forms. These products are currently at development initiation, formulation or registration review stages.

In 2017, we registered more than 30 products locally and internationally. In addition, we were the first pharmaceutical plant in Malaysia to install and apply freeze-drying technology for the lyophilisation of small volume injectable pharmaceutical products.



Pharmaniaga's registered local and international products





Along with this, we are developing phytomedicines with scientifically-proven medicinal claims. To date, we are working on two phytomedicine projects, Kacip Fatimah and Patawali. Ultimately, these projects will enhance the marketability of local herbs as phytomedicine, and are also in tandem with the Government's objectives of developing high-value, quality herbal products.

Our building materials segment offers eco-friendly building products and is developing a third-generation wall system utilising ultra-lightweight foam in place of expanded polystyrene. Another product in the developmental stage is a colour-through floor plank resembling timber. This will be a more sustainable product as it will allow for reduced usage of actual timber.



*Building constructed using our eco-friendly materials*

# 1

**1st** pharmaceutical plant in Malaysia to install and apply freeze-drying technology

# 2

**2nd** batch of NGPV with improved designs

# 3

**3rd** generation wall system is being developed utilising ultra-lightweight foam in place of expanded polystyrene

Our plantation arm works closely with Applied Agricultural Resources Sdn Bhd (AAR) in terms of R&D efforts to improve yields in plantation estates in a sustainable manner. We have successfully commercialised AA Hybrida II which has shown a 15% yield improvement compared with AA Hybrida I. To date, we have replanted a total of 21,916 hectares with high oil-yielding planting materials. In addition, GPS and drones are used in the supervision of our plantation estates.

Our Heavy Industries Division has embarked on R&D efforts to improve designs for the second batch of New Generation Patrol Vessels (NGPV).

We are currently developing a Palm Oil Mill Effluent (POME) Polishing System at pre-commercialisation scale for water recycling and reuse. Other initiatives underway include studies on organic fertiliser to control disease in oil palms and intelligent energy management for off-grid battery application.

### *Anti-Corruption Policies*

The Group is committed to maintaining the highest standards of integrity and professionalism in all business dealings. To maintain the integrity of our business operations, we have a strict Code of Ethics and Conduct in place which states the ethical principles, values and behaviour expected of all employees within the Group. Amongst others, the Code encompasses guidelines on illegal gratification and business courtesies that employees must abide by.

To further strengthen this, we have implemented anti-corruption and prevention initiatives. Our employees participate in anti-corruption awareness training sessions. As a reflection of our commitment to ensure good corporate governance and uphold the Group's core values of *respect, integrity, teamwork and excellence*, the Group and our subsidiary companies signed the Malaysian Anti-Corruption Commission (MACC) Corruption-Free Pledge.



*Bousteadians at the Corruption-Free Pledge Ceremony at Royale Chulan Kuala Lumpur*

### **Legal & Regulatory Compliance**

We strive to ensure that the Group and all our business units are fully compliant with all rules and regulations relevant to our organisation.

We firmly safeguard human rights and strictly adhere to labour laws. Throughout our operations, we conduct the necessary internal and external audits to ensure we meet all applicable standards and requirements.





## ENVIRONMENT: PROTECTING THE ENVIRONMENT

In today's globalised world, natural resources are growing increasingly scarce. As such, the Group is fully conscious of the significant role that our various businesses play towards the conservation and preservation of our environment. It is imperative that we protect our planet not just for today, but for generations to come.



*Biogas plant at Telok Sengat Palm Oil Mill*

### *Safeguarding Our Ecosystem*

We incorporate environmentally-friendly measures across our business units in order to reduce our carbon footprint.

In our hotel operations, we have implemented energy efficiency practices such as energy-saving devices for all motor-powered machines, LED light bulbs and utilising eco-friendly natural products. In UNMC, we use solar powered electricity.

As part of our efforts to minimise our carbon footprint, our biogas plant at our Telok Sengat Mill in Kota Tinggi, Johor, captures biogas enabling us to reduce Greenhouse Gas (GHG) emissions. Most of the captured biogas is earmarked to power a gas engine generating electrical power. The electricity is then utilised for milling and domestic consumption.



*Solar panels installed at UNMC*



## QUICK FACTS



**Zero burning**  
policies across the Group

**60-acre**  
Urban Forest in  
Taman Mutiara Rini

**460,952 m<sup>3</sup>**  
biogas captured  
GHG emissions ↓ **20%**

Our pharmaceutical manufacturing operations have measures in place to ensure optimal usage of resources via recycling and waste reduction programmes, water usage efficiency, anti-pollution and energy-saving measures.

In our building materials segment, ongoing environmental initiatives include recycling process water, recycling process sludge and green sheet off-cuts, as well as re-purposing useable portions of rejected sheets for fibre cement pallets. Our petroleum fuel terminal has completed the commissioning of a water drainage system, which serves to reduce scheduled waste quantity at the terminal.

As part of our plantation operations, we are committed to conserving our ecosystem's natural biodiversity. In line with this, we assess and maintain High Conservation Value (HCV) areas in all our Roundtable on Sustainable Palm Oil (RSPO) and Malaysian Sustainable Palm Oil (MSPO) certified plantations and mills. We have developed methods to monitor the status of HCV land impacted by our plantation and mill operations.

Within our Taman Mutiara Rini township in Johor, we created an urban forest which benefits the overall environment by providing a green belt in the residential area.



The 60-acre Urban Forest in Taman Mutiara Rini



### *Minimising Pollution*

We have various initiatives in place to mitigate pollution. This is evident in our zero-burning policies implemented through our plantations replanting programme, as well as via our shipyards.

Along with this, our shipyards have operational controls in place with oil leakage and water spillage prevention methods in accordance with environmental regulations to prevent pollution. We regularly maintain the equipment, machineries and vehicles used at shipyards and other premises to minimise emissions and maximise energy efficiency.

We conduct monthly sampling, testing and monitoring of effluent discharge from oil separators at our retail petroleum business. As part of our sustainable business practices in our plantations, we have an integrated pest management system in place to reduce the usage of pesticides and herbicides. As an oil palm matures, we gradually reduce the usage of crop protection chemicals.

Our retail petroleum business also practises scheduled disposal of waste as per the Department of Environment's requirements. Our shipyards practise segregation of waste and scrap of disposal bins, and ensure that no rubbish or waste is disposed into the sea.



*Zero burning policies: Leftover palms decompose naturally in our estates*





*UNMC – turning food waste into compost*

### *Use of Sustainable Materials*

Our building materials segment offers a wide-range of sustainable products for the construction industry, which utilise recycled materials.

In our plantation operations, our RSPO-certified business units produce certified sustainable palm oil and certified sustainable palm kernel. Further to this, in 2017 our LTT Sabah Estate and Trong Business Unit were awarded with RSPO certification. We also successfully renewed RSPO certification for all RSPO certified business units. Our Segaria Business Unit is on track to receive RSPO and MSPO certification in the first half of 2018.

Our Nucleus Tower in our Mutiara Damansara township incorporates modern and sustainable features within the building design. This office tower will be accredited with Green Building Index Gold Rating and MSC Status. In addition, we have applied for QLASSIC, a quality assessment tool from the Construction Industry Development Board Malaysia.

Our commitment to ensuring quality standards is reflected by the certifications and accreditations we have received.



*Recycling programme at our inaugural Boustead Sustainability Day*

### *Cultivating a Sustainable Culture*

Beyond implementing sustainability across our business, we aim to nurture and instil sound environmental practices amongst our employees. We believe that by inculcating a greater understanding and awareness on the importance of green practices, our people will not only value the initiatives that our Group is taking, but also play an active role towards more environmentally-friendly business operations.

Throughout our operations, we encourage our employees to minimise waste by recycling paper and ensuring efficient use of resources. We have sustainable policies in the workplace, including disallowing the use of polystyrene and providing water dispensers to reduce the use and purchase of bottled water. Additionally, we encourage our employees to use softcopies of documents instead of printing paper whenever possible.





## SOCIAL: EMPLOYER OF CHOICE

Our Group adopts a holistic approach to business. This entails making a positive impact on people, from our own employees to the communities in which we operate. As a result of our committed efforts, we have touched hundreds of thousands of lives over the years and we will continue to reach out to more.

We believe that our people are our greatest asset and the backbone of our operations. Our success would not be possible without a skilled and dedicated talent pool; hence we invest significantly into providing opportunities for our employees, as well as providing a conducive and harmonious work environment.

### Health and Safety

Across all our businesses, we ensure that our employees operate in safe and conducive work environments. We provide training which promotes occupational health and safety and we have established Safety & Health Committees in our various business operations.

Our employees regularly undergo hazard identification, risk assessment and control training, fire drill exercises and emergency response training in order to raise our health and safety management standards and to reduce risks at the workplace. We conduct regular safety briefings to raise awareness amongst staff as well as suppliers. These measures are in line with the regulations set by the Department of Occupational Safety and Health Malaysia (DOSH).

In 2017, key health and safety activities included first aid training, fire drills, evacuation exercises and training in proper use of equipment. Our ongoing efforts have certainly borne fruit during the year, with zero fatalities and reduced incidences of injuries and lost working days recorded.



**Group-wide  
injury rate: \***  
**2017 : 4.61**  
**2016 : 4.80**



**Fatality rate:**  
**2017 : None**  
**2016 : None**

*\* per 1,000 employees (Malaysia only)*

*Note: Injury rate is defined as total cases requiring hospitalisation due to injuries or illnesses arising from work-related operations.*

## QUICK FACTS

**15,347**  
employees  
in Malaysia



69%



31%

**546**  
new staff



**67%**  
< age of 36



Building a pipeline  
for the future with  
fresh talent

**Total training hours**  
40 hours: Exec  
20 hours: Non-Exec

In our hotel operations, our employees are trained in the crucial aspects of food safety, food handling, kitchen safety, as well as in the Halal Assurance Management System. Our employees in the building materials segment also undergo yearly medical check-ups.

As per mandatory requirements by local authorities, our retail petroleum segment conducts inland oil spill training every three years, forklift training every two years and safety training to ensure that our employees prioritise health and safety while on site.

In compliance with OHSAS 18001, Health, Safety and the Environment (HSE) audits were carried out at all three of our shipyards to enhance the HSE Management System across our Heavy Industries Division. The overall HSE objectives were effectively communicated to all shipyard personnel to ensure commitment to comply with relevant OHSAS legislations. As testament to our adherence to HSE principles and practices, our heavy industries segment was awarded with Occupational Health & Safety Management Certification (OHSAS) 18001-2007.

By conducting health and safety efforts across all our business streams, we aim to continuously create and raise awareness amongst all our employees on the importance of prioritising health and safety at all times.

### A Performance-Driven Culture

The Group's core values of *respect, integrity, teamwork and excellence*, coupled with our core competencies have enabled us to create a performance-driven culture.

With our staff of over 15,000 in Malaysia, we are proud to employ a diverse workforce of all ages, gender and background. We offer a wealth of career development opportunities along with attractive remuneration packages to draw in fresh talent.

As we believe our people are the driving force of our success, we constantly empower our employees through various talent development and leadership programmes.



Our top talents participated in the Tun Razak Youth Leadership Award organised by the Malaysian Institute of Management





Deputy Chairman/Group Managing Director at our Townhall meeting

## Engaging with Our Employees

Two-way communication in the workplace is vital for alignment between employees and our Group's overall business strategy. We encourage our employees to interact regularly with the management and keep our employees abreast of the latest developments within the organisation. This is achieved through various communication channels, both formal and informal such as Townhall meetings, e-info and social media platforms. We also have annual performance reviews with our employees.

Through our Townhall meetings which are organised across the Group, our employees have the opportunity to engage directly with the Senior Management. At the same time, the Senior Management has the opportunity to update employees on the Group's strong performance, strategic plans and prospects ahead.

As part of our commitment to nurturing a high-performance work culture and environment, we conduct biennial Employee Engagement Surveys. These surveys provide an avenue to our people to give their comments and feedback for our Group's further improvement.

In 2017, our employee engagement initiatives were conducted based on the findings of the 2016 survey. These included the introduction of e-learning, improvement and introduction of employee benefits and the digitalisation of our Performance Management System.

To reinforce bonds between employees, we encourage strong employee engagement via teambuilding initiatives, sports & recreation activities, annual staff dinners, social gatherings and more.

## Rewards & Recognition

We have structured attractive remuneration packages to ensure employees are justly rewarded and to ensure that we remain competitive to attract strong talent as a top employer of choice. As a reflection of this, the Group offers a substantially higher average entry level executive salary compared to standard entry level wages as reported by an online industry recruitment platform.

We also recognise employees for commendable performances via rewards as well as facilitating opportunities for career advancement.

To show appreciation to employees who have demonstrated loyalty and dedication, we have awards such as the Long Service Award, Best Employee Award, as well as Commendation Letters.



Average entry level  
executive salary  
**1.28 times**  
> industry average



Employer's contribution  
to retirement funds  
**12% - 17%**  
vs mandatory of 12%



## SOCIAL: REACHING OUT TO COMMUNITIES

### QUICK FACTS

**SOSN initiatives**  
**>RM800,000** for  
**43 programmes** involving  
**7,000 participants**

**PINTAR**  
**Programme**  
**RM40,000**  
**disbursed**

**ORANGE RUN**  
**Contributed**  
**RM30,000**  
**to three charities**

As a caring corporate citizen, we are dedicated to contributing positively to the community. We support deserving causes via fundraising initiatives, provide financial assistance and donations in kind. We are committed to giving back to those less fortunate, as well as hosting awareness campaigns.

We believe that we have an obligation to lessen the financial burden of the underprivileged in society and to extend assistance wherever possible to those in need.

Our Corporate Social Responsibility programme known as Skuad Operasi Sihat Negaraku (SOSN) is a community health programme that provides complimentary health education, counselling services and basic medical screening to the general public and the suburban and rural areas, including Orang Asli communities. This initiative aims to raise awareness on the importance of leading healthy and active lifestyles.



*Back to School programme recipients at Pelita Kanowit, Sibit*

In 2017, we supplied construction materials to repair homes of the less fortunate through our Di Celah-Celah Kehidupan (DCCK) programme for the seventh consecutive year.

We continued our efforts to encourage Malaysians to lead more active lifestyles through our 12th edition of the BHPetrol Orange Run.

Our Khidmat Masyarakat programme is conducted at our retail petroleum service stations to strengthen relationships with the surrounding communities.



## QUICK FACTS



Provided scholarships  
to **2,267**  
children of  
Armed Forces  
personnel



**198**  
graduates took part

Cerah Ceria bersama



**1,000**  
students impacted



Complimentary health screening for the Rakyat by SOSN volunteers

### *Cultivating a Brighter Tomorrow*

We are committed to empowering our nation's youth through various educational initiatives. We supported programmes for schools, assisted underprivileged families, provided financial assistance and essential school items as well as sponsored school activities through the PINTAR Programme.

In addition, Yayasan LTAT which is supported by the Group provided scholarships to children of Armed Forces personnel who excelled in their examinations in 2017.

We sponsored Back to School programmes throughout our various business segments, donating funds to schools, underprivileged communities and needy families, along with providing essential school items and supporting school activities.

By alleviating poverty and providing greater opportunities to learn, we are confident that we are ultimately creating a brighter future for the younger generation. To this end, we donated computers to schools, day-care centres and pre-learning centres.



One of our SL1M recruitment drives

We continued our Cerah-Ceria Bersama BHPetrol campaign to instil road safety awareness amongst primary school students.

We contributed our UAC UCO SolidPanel product to the Civil Engineering Department of Universiti Sains Malaysia to build their 'Dataran Pelajar'. We are confident that this contribution will help create an even more conducive learning environment for the students.

Through our Skim Latihan 1Malaysia (SL1M) – Boustead Graduate Internship Programme, we offer opportunities to young talents to enrich their career prospects and enhance employability. During this internship programme, we provide soft skills training and practical experiences, giving them invaluable exposure to the working world.



Raising awareness on road safety with Cerah-Ceria Bersama BHPetrol programme



# Audit Committee Report

## MEMBERS AND MEETINGS

A total of five meetings were held during the year. Details of the composition of the Committee and the attendance by each member at the Committee meetings are set out below:

Name of Director	Status of Directorship	Independent	Attendance of Meetings
Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad <sup>1</sup>	Senior Independent Non-Executive Director (Chairman of the Committee)	Yes	5/5
Datuk Francis Tan Leh Kiah	Independent Non-Executive Director	Yes	5/5
Datuk Azzat Kamaludin	Non-Independent Non-Executive Director	No	3/5

Note: <sup>1</sup>The Audit Committee Chairman's profile can be viewed on page 12 of this Annual Report.

The Audit Committee membership is in line with Paragraphs 15.09 & 15.10 of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities and Malaysian Code of Corporate Governance (MCCG) Practice 8.1 & 8.2, in which:

- All members are Non-Executive Directors and majority of the members are Independent Directors;
- No alternate director is appointed as a member;
- The Chairman is a member of the Malaysian Institute of Accountants;
- The Chairman of the Audit Committee is not the Chairman of the Board; and
- None of the Committee member is a former key audit partner of the Company's external auditor.

The Audit Committee meetings were also attended by the Deputy Chairman/Group Managing Director, Group Finance Director and Head of Group Internal Audit at the Audit Committee's invitation and as and when appropriate. The meetings have been appropriately structured with Audit Committee members receiving notices, agendas and papers sufficiently in advance of the meetings.

The Audit Committee Chairman reports to the Board on principal matters deliberated at Audit Committee meetings.

Minutes of each Audit Committee meeting are recorded and tabled for confirmation at the following meeting and subsequently presented to the Board for notation. The Audit Committee Chairman also conveys to the Board matters of significant concern as and when raised by the external auditors or internal auditors.

All members of the Audit Committee have and will continue to undertake professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules. Details of the Audit Committee members' trainings can be viewed on page 112 of this Annual Report.

The Audit Committee Terms of Reference (TOR) is accessible for viewing on the Company's official website at [www.boustead.com.my](http://www.boustead.com.my).

## ACTIVITIES DURING THE FINANCIAL YEAR

During the year, the Audit Committee carried out its duties as set out in its Terms of Reference. The main activities undertaken were as follows:

### Financial Reporting

1. Reviewed the quarterly unaudited financial results and audited annual financial statements of the Group to ensure compliance with the MMLR, applicable approved accounting standards and other statutory and regulatory requirements prior to recommending for approval by the Board of Directors.
2. Reviewed the impact of any changes to the accounting policies and adoption of new accounting standards as well as accounting treatments used in the financial statements.
3. Obtained assurance from the Group Finance Director that:
  - appropriate accounting policies had been adopted and applied consistently;
  - the going concern basis applied in the annual financial statements and quarterly financial statements was appropriate;
  - prudent judgements and reasonable estimates had been made in accordance with Financial Reporting Standards (FRS);
  - adequate processes and controls were in place for effective and efficient financial reporting and disclosures under the FRSs and MMLR; and
  - the annual financial statements and the quarterly financial statements did not contain material misstatements and gave a true and fair view of the financial position of the Group and the respective companies within the Group for 2017.

### External Audit

During the year, the Audit Committee together with the external auditors:

1. Reviewed 2017 audit plan and scope of work for the Group.
2. Reviewed the audit fees, the number and experience of audit staff assigned to the audit engagement, resources and effectiveness of the external auditors.
3. Reviewed the performance of external auditors, their independence and objectivity.
4. Discussed on audit report and evaluation of the systems of the internal controls.
5. Reviewed major audit findings and reservations arising from the interim and final audits, significant accounting issues and any matter the external auditors may wish to discuss.
6. Discussed the external auditors' review of the Statement on Risk Management and Internal Control for 2017.
7. Reviewed the external auditors' management letter and management response.

The Audit Committee met with the external auditors twice during the year in the absence of Management to discuss amongst others, audit issues and reservations arising from the interim and final audits.

The external auditors have assured the Audit Committee that in accordance with the terms of all relevant professional and regulatory requirements, they had been independent throughout the audit engagement for 2017.

The external auditor's non-audit service fees and the statutory audit fees are available on pages 169 and 249 of this Annual Report.

## Internal Audit

During the year, the Audit Committee:

1. Reviewed with the internal auditors their annual audit plan which is risk-based and focused on significant risk areas to ensure adequate scope and comprehensive coverage over the activities of the Group.
2. Reviewed and deliberated internal audit reports and to monitor/follow-up on remedial action.
3. Reviewed the corrective actions taken by the Management in addressing and resolving issues as well as ensuring that all key issues were adequately addressed on timely basis.
4. Reviewed the adequacy of resource requirements and competencies of staff within Group Internal Audit function to execute the annual audit plan and the results of the work.
5. Reviewed the effectiveness of internal audit processes and the resources allocated to Group Internal Audit.
6. Reviewed the Risk Management Committee's report on key risk profiles and risk management activities.
7. Reviewed the Audit Committee Report, Corporate Governance Overview Statement and Statement on Risk Management and Internal Control and recommend to the Board for approval prior to their inclusion in the Company's annual report.

## Related Party Transactions

1. Reviewed the Circular to Shareholders relating to shareholders' mandate for recurrent related party transactions of revenue or trading nature prior to recommending it for Board's approval.
2. Monitored the related party transactions entered by the Company and the Group pursuant to the shareholders' mandate obtained at the Annual General Meeting held on 6 April 2017.
3. Reviewed the related party transactions entered by the Company and the Group as well as the disclosure and the procedures relating to related party transactions.

4. Reviewed the Framework and Procedures on related party transactions in order for the said framework to be abreast of the provisions of the MMLR.

## INTERNAL AUDIT FUNCTION

The Group has an in-house Group Internal Audit function whose principal responsibility is to evaluate and improve the effectiveness of risk management, control and governance processes. This is accomplished through a systematic and disciplined approach of regular reviews and appraisals of the management, control and governance processes based on the review plan that is approved by the Audit Committee annually.

Group Internal Audit adopts a risk-based methodology in planning and conducting audits by focusing on key risks areas and activities that are aligned with the Group's strategic plans. Group Internal Audit has also adopted internal audit standards and best practices based on the International Professional Practices Framework (IPPF) promulgated by The Institute of Internal Auditors.

The Terms of Reference of Group Internal Audit function are clearly spelt out in Group Internal Audit Charter. Group Internal Audit function had operated and performed in accordance to the principles of the Charter that provides for its independence function. Group Internal Audit function reports directly to the Audit Committee, and is independent of the activities it audits.

The Company has an adequately resourced internal audit function to assist the Audit Committee and the Board in maintaining an effective system of internal control and overall governance practices within the Company and the Group. The Head of Group Internal Audit updates name and qualification of the internal auditors to the Audit Committee on quarterly basis to ensure competency of the internal audit function.

To enable continuous provision of value added services to the Group, Group Internal Audit personnel had attended various trainings and conferences organised by professional associations such as the Institute of Internal Auditors Malaysia (IIAM) and the Malaysian Institute of Accountants (MIA) to enhance their knowledge, leadership and communications skills.



Group Internal Audit has a total of 37 internal auditors as at 31 December 2017, comprising staff from diverse backgrounds. The level of expertise and professionalism within Group Internal Audit is as follows:

Qualification	No. of Internal Auditors	Percentage of total auditors
Certified Internal Audit	6	16%
Professional Accounting (ACCA, CIMA, CPA, CA, MIA)	8	22%
Post Graduate (MBA, Masters, PhD)	3	8%
Total	17	46%

During the year, Group Internal Audit has completed and issued internal audit reports for 104 assignments based on approved annual audit plan and ad hoc request from the Audit Committee and Management.

The audit conducted in 2017 covered a wide range of operational areas within the Group which include plantation, mill operations, manufacturing plant, sales and marketing, property investment and management, project development and management, hotel operations, IT system and services, retail and downstream activities, heavy industries, maintenance and repair services, back office and support functions, financial reporting processes and operations, human capital and many others.

The corresponding audit reports were presented to the Management Committee and Audit Committee for attention, deliberation and corrective actions.

During the financial year, Group Internal Audit function had undertaken the following activities:

- Prepared the annual audit plan for approval by the Audit Committee.
- Performed risk-based audits based on the annual audit plan, including follow-up of matters from previous internal audit reports.
- Issued internal audit reports to the Management on risk management, control and governance issues identified from the risk-based audits together with recommendations for improvements for these processes.
- Undertook ad-hoc reviews and investigations on matters arising from the audits and/or requested by the Management and/or Audit Committee and issued reports accordingly to the Management.

- Reported on a quarterly basis to the Management Audit Committee on significant risk management, control and governance issues from the internal audit reports issued, the results of investigations and special reviews undertaken and the results of follow-up of matters reported.
- Reported on a quarterly basis to the Audit Committee the achievement of the audit plan and status of resources of Group Internal Audit function.
- Conducted regular follow-up and monitoring on the implementation of recommendations made by Group Internal Audit function to ensure that appropriate corrective actions are taken on a timely basis or within agreed timelines.
- Liaised with the external auditors to maximise the use of resources and for effective coverage of the audit risks.
- Reviewed the procedures relating to related party transactions entered into by the Group to ensure that the related party transactions have been conducted on the Group's normal commercial terms and are not to the detriment of the Group's minority shareholders.
- Conducted workshops and communication sessions with the Management and operational staff on internal controls, internal audit observations and proposed action plans on the areas covered during the audit processes.

All audit work for the internal audit function during the year was conducted in-house. There were no areas of the internal audit programmes which were outsourced.

The total cost incurred for Group Internal Audit function in respect of the financial year ended 31 December 2017 amounted to RM5.4 million (2016: RM5.1 million).

# ■ Corporate Governance Overview Statement

This Corporate Governance Overview Statement sets out the principal features of Boustead Holdings Berhad (BHB or the Company) and its subsidiaries' (collectively referred to as the Group) corporate governance approach, summary of corporate governance practices during the financial year as well as key focus areas and future priorities in relation to corporate governance. The Corporate Governance Overview Statement is made pursuant to Paragraph 15.25(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (MMLR) and guidance was drawn from Practice Note 9 of the MMLR and the Corporate Governance Guide (3rd edition) issued by Bursa Malaysia Securities Berhad (Bursa Malaysia).

The Corporate Governance Overview Statement is augmented with a Corporate Governance Report, based on a prescribed format as enumerated in Paragraph 15.25(2) of the MMLR so as to provide a detailed articulation on the application of the Group's corporate governance practices vis-à-vis the Malaysian Code on Corporate Governance (MCCG). The Corporate Governance Report is available on the Group's website, <http://www.boustead.com.my> as well as via an announcement on the website of Bursa Malaysia.

This Corporate Governance Overview Statement should also be read in tandem with the other statements in the Annual Report namely Statement on Risk Management and Internal Control, Audit Committee Report and Sustainability Report.

## CORPORATE GOVERNANCE APPROACH

The Board of Directors (Board) of BHB is committed towards reinforcing its market position in the six core business areas of the Group, whilst remaining true to the Group's well-established corporate governance philosophies which are ingrained in the Group's core values, namely, **Respect, Integrity, Teamwork** and **Excellence**. The Board believes that a robust and dynamic corporate governance framework is essential to form the bedrock of responsible and responsive decision making in the Group.

The Group's overall approach to corporate governance is to:

- promote heightened accountability at the leadership level (Board and Senior Management);
- adopt the substance behind corporate governance enumerations and not merely in form;
- conduct a thorough debate and rigorous enquiry process before establishing corporate governance systems, policies and procedures;
- identify opportunities to drive the synergistic implementation of corporate governance systems, policies and procedures for improved strategic and operational decision making; and
- find a fine balance in meeting the expectations of the different groups of stakeholders of the Group.

Given that the Board forms the pivot of good corporate governance, the Board steers efforts to promote meaningful and thoughtful application of good corporate governance practices. The Group regularly reviews its corporate governance arrangements and practices to ascertain if they reflect prevailing norms, market dynamics, emerging trends, developments in the regulatory tapestry and evolving stakeholder expectations. Such efforts turned out to be quintessential in the year 2017 given that regulatory authorities introduced a slew of reform measures including the operationalisation of Companies Act 2016, incarnation of the new MCCG by Securities Commission Malaysia and amendments to MMLR.

Against the backdrop of the aforementioned regulatory developments, the Group undertook a recalibration of its corporate governance framework and meted out measures to adhere to these enumerations in substance. Premised on the notion that improving corporate governance is aspirational in nature and ultimate in abstraction, the Group will continue to enhance its daily business activities to ensure that they are guided by the hallmarks of accountability, objectivity and transparency.

## SUMMARY OF CORPORATE GOVERNANCE PRACTICES

In manifesting the Group's commitment towards sound corporate governance, the Group has benchmarked its practices against the relevant promulgations as well as other best practices.

BHB has applied all the Practices encapsulated in MCCG for the financial year ended 31 December 2017 except:

- Practice 4.2 (Two-tier shareholder voting process to retain an Independent Director who has served for more than 12 years);

- Practice 4.5 (Board to comprise 30% women Directors);
- Practice 6.1 (Remuneration Policy for Directors and Senior Management);
- Practice 7.2 (Disclosure of the top five Senior Management personnel's remuneration on a named basis in bands of RM50,000); and
- Practice 11.2 (Adoption of integrated reporting).

In line with the latitude accorded in the application mechanism of MCCG, the Company has provided forthcoming and appreciable explanations for the departures from the said practices. The explanations on the departures are supplemented with a description on the alternative measures that seek to achieve the Intended Outcome of the departed Practices, measures that the Company has taken or intends to take to adopt the departed Practices as well as the timeframe for adoption of the departed Practices. Further details on the application of each individual Practice of MCCG are available in the Corporate Governance Report.

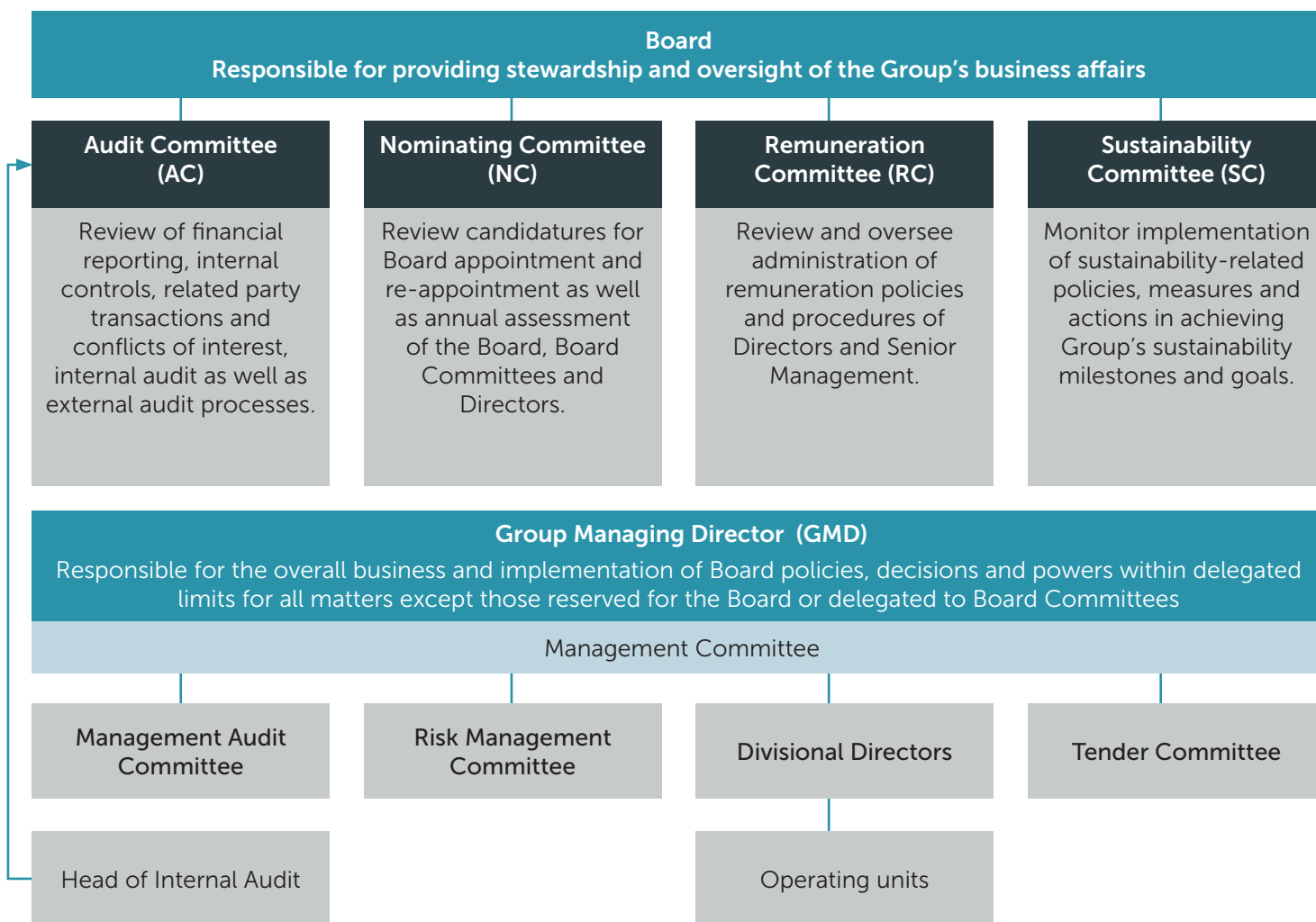


## CORPORATE GOVERNANCE OVERVIEW STATEMENT

A summary of the Group's corporate governance practices with reference to the MCCG is described below.

### BOARD'S ROLES AND RESPONSIBILITIES

The Board is responsible for the corporate governance practices of the Group. Being at the helm of the Group, the Board governs the affairs of the Group on behalf of the shareholders and retains full and effective control over the Group.



As depicted in the above illustration, Board Committees have been established to assist the Board in its oversight function with reference to specific responsibility areas. It should however be noted that at all times, the Board retains collective oversight over the Board Committees. These Board Committees have been constituted with clear terms of reference and they are actively engaged to ensure that the Group is in adherence with good corporate governance.

The Board has formalised a Board Charter which sets out the ethos of the Group, structure and authority of the Board. The Board Charter is the primary document that elucidates on the governance of the Board, Board Committees and individual Directors. The Board Charter was recently reviewed on 5 March 2018 and is made available on the Group's website, <http://www.boustead.com.my>.

The Directors allocate sufficient time to discharge their responsibilities effectively and attend Board and Board Committee meetings with sufficient regularity to deliberate on matters under their purview. Board meetings are held at quarterly intervals with additional meetings convened for particular matters, when necessary. During the year, the Board has deliberated on business strategies and critical issues concerning the Group, including business plan, annual budget, significant acquisitions and disposals, financial results as well as key performance indicators. The attendance of individual Directors at Board and Board Committees meetings during the financial year 2017 is outlined below:

Director	Board	AC	NC	RC	SC
<b>Executive Directors</b>					
Tan Sri Dato' Seri Lodin Wok Kamaruddin	4/4			3/3	3/3
Dato' Sri Ghazali Mohd Ali	4/4				
<b>Non-Independent Non-Executive Director</b>					
Datuk Azzat Kamaludin	4/4	3/5	3/3	3/3	
<b>Independent Non-Executive Directors</b>					
Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)	4/4		3/3	3/3	
Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad	4/4	5/5	3/3	3/3	3/3
Datuk Francis Tan Leh Kiah	4/4	5/5			3/3
Datuk Zainun Aishah Ahmad*	N/A				

 Board/Board Committee Chairman  Member

\* There were no Board meetings held subsequent to the appointment of Datuk Zainun Aishah Ahmad to the Board on 1 December 2017.

There is clear delineation of roles of the Board and Management. The GMD is the conduit between the Board and the Management in driving the success of the Group's governance and management function. The GMD manages and implements the Board's policies and decisions through the Group Management Committee.

In performing their duties, all Directors have access to advice and services of a suitably qualified Company Secretary. The Company Secretary acts as a corporate governance counsel and ensures good information flow within Board, Board Committees and Senior Management. The Company Secretary attends all meetings of the Board and Board Committees and advises the Directors on the requirements encapsulated in the Company's Constitution and legislative promulgations such as the Companies Act

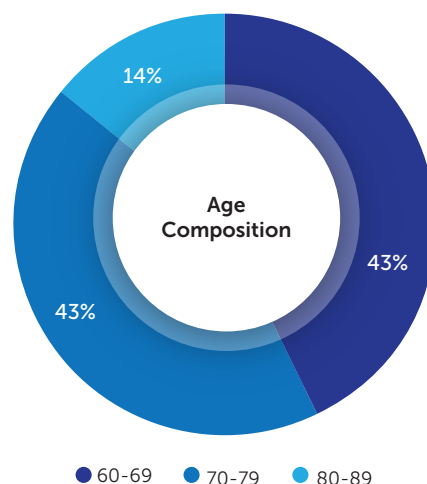
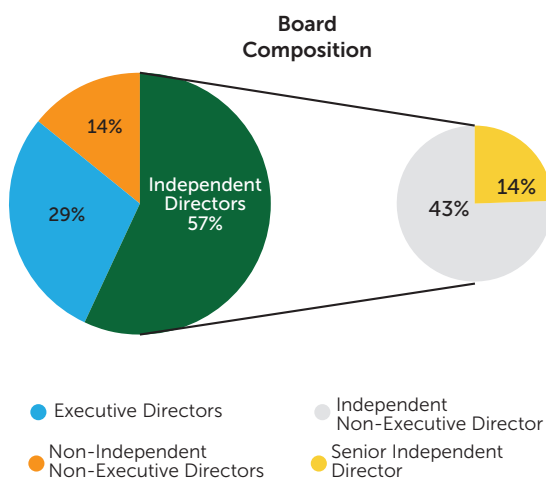
2016, Capital Markets and Services Act 2007 (Amendment 2012) and MMLR. Management provides Directors with complete, adequate and timely information prior to meetings and on an ongoing basis to enable them to make informed decisions.


As Integrity is a core value of the Group, the Board is cognisant of its responsibility to set the ethical tone for the Group. A Code of Ethics and Conduct and Whistleblowing Policy have been put in place to foster an ethical culture and allow legitimate ethical concerns to be escalated in confidence without risk of reprisal. The Code of Ethics and Conduct and Whistleblowing Policy are reviewed periodically by the Board. The Code of Ethics and Conduct is published on the Group's website, <http://www.boustead.com.my>.


# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## BOARD COMPOSITION

The Board of the Company comprises of seven members, two of which are Executive Directors and five are Non-Executive Directors. Four of the Directors are Independent Directors, which is in excess of the MMLR one third. Recognising that the Group is a diversified conglomerate with six core businesses – property, plantation, pharmaceutical, heavy industries, finance & investment and trading & industrial, the Board strives to ensure that it has an appropriate mix of skills, qualifications and experience to discharge its role and responsibilities effectively based on the Group's nature of business. The Board, from time to time undertakes a review of its composition to determine areas of strengths and improvement opportunities.



  
 First female on the Board in 2017  
**+ 14%**

  
 Board Independence  
**50%** (2016) **►** **57%** (2017)



Appointments to the Board are made via a formal, rigorous and transparent process, premised on meritocracy and taking into account objective criteria such as qualification, skills, experience, professionalism, integrity and diversity needed on the Board in the context of the Group's strategic direction. In the case of Independent Directors, the NC assesses the candidate's ability to bring the element of detached impartiality and objective judgement to boardroom deliberations.

The Board, with the assistance of the NC, regularly assesses the skills, experience, independence and diversity required collectively for the Board to effectively fulfill its role. The Board was satisfied that there was mutual respect among Directors which contributed to a democratic environment so as to constructively deliberate and undertake a robust decision-making process. In line with the policy pronouncement by the Government for boards of the top 100 listed issuers to have at least one female director, the Board has welcomed a new female Director onto its fold in 2017. The proportion of female Directors on the Board is in line with the average of 14% female representation held amongst the non-executive directors of the top 300 listed issuers<sup>1</sup>. Notwithstanding that, the Board endeavours to increase the proportion of female representation in the near future.

The Board reviews its performance, and that of Board Committees and individual Directors on annual basis based on a set of predetermined criteria in a process that is facilitated by the NC. For the year under review, the NC's key activity was to assess the overall Board and Board Committees' performance and effectiveness as a whole. The NC was satisfied that the Board and Board Committees' composition had fulfilled the criteria required, possess a right blend of knowledge, experience and mix of skills. In addition, the NC also recommended for the Board to endorse the re-election of the relevant Directors at the forthcoming Annual General Meeting (AGM).

In reviewing the independence of Independent Directors, the NC and Board adopt a qualitative approach in assessing if Independent Directors possess the intellectual honesty and moral courage to advocate professional views without fear or favour. The Board is cognisant of the rebuttable presumption that extended tenure leads to entrenchment and as such, the Board remains watchful for such indicators of entrenchment amongst long serving Independent Directors.

## REMUNERATION

BHB aims to set remuneration at levels which are sufficient to attract and retain high calibre Directors and Senior Management needed to run the business successfully, taking into consideration all relevant factors including the function, workload and responsibilities involved.

As for oversight on remuneration matters, the Board has established a specialised Committee, namely RC which comprises a majority of Non-Executive Directors. The RC implements policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of Board and Senior Management.

A review on the quantum and composition of Executive Directors' remuneration is undertaken once every three years and once every four years for Non-Executive Directors.

<sup>1</sup> KPMG Report on Non-Executive Directors' Remuneration 2017

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

Remuneration details of the Directors for the financial year ended 31 December 2017 for the Group and the Company are as follows:

In RM'000	Group						
Directors	Fees	Salaries	Bonuses	Retirement funds	Meeting, travelling and other allowances	Benefits in kind	Total
<b>Executive Directors</b>							
Tan Sri Dato' Seri Lodin Wok Kamaruddin	483	1,949	1,102	818	22	109	<b>4,483</b>
Dato' Sri Ghazali Mohd Ali	–	1,144	633	290	–	90	<b>2,157</b>
<b>Non-Executive Directors</b>							
Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)	372	–	–	–	91	53	<b>516</b>
Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad	141	–	–	–	34	–	<b>175</b>
Datuk Azzat Kamaludin	336	–	–	–	44	–	<b>380</b>
Datuk Francis Tan Leh Kiah	123	–	–	–	24	–	<b>147</b>
Datuk Zainun Aishah Ahmad	8	–	–	–	1	–	<b>9</b>
<b>Total</b>	<b>1,463</b>	<b>3,093</b>	<b>1,735</b>	<b>1,108</b>	<b>216</b>	<b>252</b>	<b>7,867</b>

In RM'000	Company						
Directors	Fees	Salaries	Bonuses	Retirement funds	Meeting, travelling and other allowances	Benefits in kind	Total
<b>Executive Directors</b>							
Tan Sri Dato' Seri Lodin Wok Kamaruddin	–	1,949	1,102	818	–	109	<b>3,978</b>
Dato' Sri Ghazali Mohd Ali	–	–	–	–	–	–	<b>–</b>
<b>Non-Executive Directors</b>							
Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)	156	–	–	–	74	53	<b>283</b>
Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad	141	–	–	–	34	–	<b>175</b>
Datuk Azzat Kamaludin	128	–	–	–	27	–	<b>155</b>
Datuk Francis Tan Leh Kiah	123	–	–	–	24	–	<b>147</b>
Datuk Zainun Aishah Ahmad	8	–	–	–	1	–	<b>9</b>
<b>Total</b>	<b>556</b>	<b>1,949</b>	<b>1,102</b>	<b>818</b>	<b>160</b>	<b>162</b>	<b>4,747</b>

## AUDIT COMMITTEE

The AC is relied upon by the Board to, amongst others, provide advice in the areas of financial reporting, external audit, internal control environment and internal audit process, review of related party transactions as well as conflict of interest situations. The AC also undertakes to provide oversight on the risk management framework of the Group.

The AC is chaired by an Independent Director who is distinct from the Chairman of the Board. All members of the AC are financially literate, whilst the Chairman of the AC is a member of the Malaysian Institute of Accountants. The AC has full access to both the internal and external auditors who, in turn, have access at all times to the Chairman of the AC. The role of the AC and the number of meetings held during the financial year as well as the attendance record of each member are set out in the AC Report in the Annual Report.

## RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board is cognisant that a robust risk management and internal control framework helps the Group to achieve its value-creation targets by providing risk information to enable better formulation of the Group's strategies and decision making. The Group has established policies and framework for the oversight and management of material business risks and has adopted a formal Risk Management

Policy. The Group, through the Risk Management Committee (a Management-level Committee), maintains detailed risk registers which are reviewed and updated on half yearly basis. Key focus areas of risks are reported and deliberated at the AC meetings.

The internal audit function is carried out by the in-house Group Internal Audit (GIA) of BHB. The GIA function reports directly to the AC, and is independent of the activities it audits. GIA's authority, scope and responsibilities are governed by an Internal Audit Charter, approved by the AC.

Further information on the Group's risk management and internal control framework is made available on the Statement of Risk Management and Internal Control of the Annual Report.

## COMMUNICATION WITH STAKEHOLDERS

The Group is fully committed to maintain a high standard for the dissemination of relevant and material information on the development of the Group. The Group also places strong emphasis on the importance of timely and equitable dissemination of information to shareholders and stakeholders. Key shareholder and stakeholder communication modes include Annual Report, quarterly results analyst briefings, announcement to Bursa Malaysia, Sustainability Report, corporate website and investor relation activities.

The Group's investor relations activities are aimed at developing and maintaining a positive relationship with all the stakeholders through active two-way communication.

Contact for enquiries regarding investor relation matters of the Group: [ir@boustead.com.my](mailto:ir@boustead.com.my).

## CONDUCT OF GENERAL MEETINGS

The Group is of the view that General Meetings are important platforms to engage with its shareholders as well as to address their concerns. During the immediate preceding five years, all Directors were present at the AGMs to answer questions raised by shareholders. The Chairman, GMD and Chairmen of Board Committees will provide written answers to any significant question that cannot be readily answered. The Group encourage shareholders to attend and participate in the AGM by providing adequate advance notice and holding the AGM at a readily accessible location. The location of the AGM is customarily nestled in Klang Valley, which is generally reflective of the shareholders' geographical dispersion.

### NOTICE OF AGM

Date: 12 April 2018

Venue: Royale Chulan Damansara, Petaling Jaya

- 28 days' notice
- Ample parking space
- Walking distance from Mutiara Damansara Mass Rapid Transit (MRT) station



## FOCUS AREAS ON CORPORATE GOVERNANCE

Corporate governance was clearly imperative for the Group in the year 2017 against the backdrop of regulatory changes in the domestic corporate governance realm and a relatively challenging economic environment that is characterised by volatile market conditions and commodity prices. In 2017, the importance of corporate governance as a source of competitive advantage for financing also became more clearly evident given that BHB issued its Islamic Medium Term Notes worth RM500 million under a sukuk programme with a nominal value of up to RM2 billion.

Against the aforementioned setting, during the year under review, the Board directed its focus on the core duties of the Board which is grounded on the creation of long-term value for stakeholders.

Corporate governance areas which gained heightened attention from the Board during the financial year ended 31 December 2017 are as follows:

### Independence of the Board

During the year 2017, the Board reinforced the aspect of independence on its Board by appointing a new Independent Director. The appointment of the said Independent Director, Datuk Zainun Aishah Ahmad, resulted in the Board having a majority of 57% Independent Directors on the Board. The appointment serves to facilitate greater checks and balances during deliberations and decision-making.

It is recognised that having objectivity in the boardroom extends beyond quantitative measures such as number of independent directors and their respective tenures. In order to harness the collective wisdom from greater participation of Independent Directors, Independent Directors have access to key gatekeepers of the Group such as external and internal auditors to discuss or share concerns about the Group and exchange views on potential improvements in governance.

### Boardroom Diversity

The Board recognises the importance of diversity in averting “groupthink” and “blindspots” in the deliberation and decision making process. Recognising gender as a key facet of the various diversity dimensions, the Board is committed to developing a corporate culture that also embraces the aspect of gender diversity.

On 1 December 2017, the Board welcomed its first female Director, Datuk Zainun Aishah Ahmad. Her appointment is expected to pave the way for more women to join the Board in the future.

### Review of Board Charter and Board Committees’ Terms of Reference

The Board undertook to review and update its Board Charter alongside the Terms of Reference for each of the Board Committees. Changes were made to reflect the revised regulatory expectations as well as the expectations of stakeholders for Directors to exercise greater vigilance and scepticism in understanding and shaping the direction of the Group. These authoritative documents serve to guide the governance and conduct of the Board and Board Committees.

### Professional Development of Directors

During the year under review, Directors were accorded with a host of opportunities to develop and maintain their skills and knowledge. Directors attended various training programmes to keep themselves abreast of changes in legislative promulgations and industry practices. The Board, through the NC was satisfied with the type of programmes attended by each Director during the year to enhance their knowledge and performance.

The list of training programmes that were attended by the Board members are outlined below:

Name	Programme title and Organiser	Date(s)
<b>Executive Directors</b>		
Tan Sri Dato' Seri Lodin Wok Kamaruddin	<ul style="list-style-type: none"> <li>Seminar Pelabur Global 2017 (Vega Hermosa International Sdn Bhd)</li> </ul>	18 February 2017
	<ul style="list-style-type: none"> <li>Breakfast Talk with Asian Corporate Governance Association: Corporate Governance Watch 2016 – Ecosystems Matter (ICLIF-MINDA)</li> </ul>	7 March 2017
	<ul style="list-style-type: none"> <li>Performance Management System for Estates &amp; Mills Management (Boustead Estates Agency Sdn Bhd)</li> </ul>	25 April 2017
	<ul style="list-style-type: none"> <li>FIDE Forum 1st Distinguished Board Leadership Series – “Efficient Inefficiency: Making Boards Effective in a Changing World” (FIDE Forum)</li> </ul>	4 May 2017
	<ul style="list-style-type: none"> <li>FIDE Forum Invitation – 2nd Distinguished Board Leadership Series “Risk and Reward: What Must Board Know About A Sustainable Financial Institution Remuneration System for Senior Management and Material Risk Takers” (FIDE Forum)</li> </ul>	8 June 2017
	<ul style="list-style-type: none"> <li>Presentation on Companies Act 2016 by Messrs. Azmi &amp; Associates (Affin Hwang Investment Bank Berhad (AHIB))</li> </ul>	17 July 2017
	<ul style="list-style-type: none"> <li>Global Banking Conference – China’s Banking Industry : Opportunities for Growth (Asian Institute of Chartered Bankers (AICB))</li> </ul>	1 – 2 August 2017
	<ul style="list-style-type: none"> <li>Half-Day Talk on Companies Act 2016 and Malaysian Code on Corporate Governance (Boardroom Corporate Services (KL) Sdn Bhd)</li> </ul>	5 October 2017
	<ul style="list-style-type: none"> <li>Affin Hwang Capital Conference Series 2017 – Opportunities Amidst Geo-Political Shifts (AHIB)</li> </ul>	5 October 2017
Dato' Sri Ghazali Mohd Ali	<ul style="list-style-type: none"> <li>10th Malaysian Property Summit 2017 (Persatuan Penilai, Pengurus Harta, Ejen Harta &amp; Perunding Harta Swasta Malaysia)</li> </ul>	23 February 2017
	<ul style="list-style-type: none"> <li>2nd Annual Retail in Malls 2017 (Trueventus)</li> </ul>	29 – 30 March 2017
	<ul style="list-style-type: none"> <li>9th Iskandar Malaysia CEO Forum (Khazanah Nasional Berhad)</li> </ul>	13 April 2017
	<ul style="list-style-type: none"> <li>Navigating Markets (Affin Hwang Capital)</li> </ul>	20 July 2017
	<ul style="list-style-type: none"> <li>Malaysian Code on Corporate Governance : Dealing with Issues and Expectation on Board Leadership and Effectiveness (Securities Industry Development Corporation)</li> </ul>	3 August 2017
	<ul style="list-style-type: none"> <li>4th Future Workplace Forum – Rethink, Redesign, Realign : Creating Tomorrow’s Workplace (Enterprise Innovation)</li> </ul>	18 August 2017
	<ul style="list-style-type: none"> <li>Half-Day Talk on Companies Act 2016 and Malaysian Code on Corporate Governance (Boardroom Corporate Services (KL) Sdn Bhd)</li> </ul>	5 October 2017

Name	Programme title and Organiser	Date(s)
<b>Non-Independent Non-Executive Director</b>		
Datuk Azzat Kamaludin	<ul style="list-style-type: none"> <li>International Directors Summit 2017 – Enhancing Resilience Through Governance for Sustainability (Malaysian Directors Academy (MINDA))</li> <li>Khazanah Megatrends Forum 2017 (Khazanah Research Institute)</li> <li>Focus Group Session on the Proposed Revision of the Corporate Governance Guide (Bursa Malaysia)</li> </ul>	21 – 22 August 2017  2 – 3 October 2017  11 October 2017
<b>Independent Non-Executive Directors</b>		
Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)	<ul style="list-style-type: none"> <li>Transparency in Corporate Reporting – Assessing Malaysia's Top 100 Public Listed Companies (Malaysian Institute of Corporate Governance)</li> <li>Half Day Talk on Code of Corporate Governance 2016 and the Companies Act 2016 (Affin Holdings Berhad (AHB))</li> <li>Half-Day Talk on the Implications of MFRS 9 on Business Strategy and Cybersecurity Risk Implications (AHB)</li> <li>Leaders Roundtable Meeting (30% Club Malaysia Chapter)</li> </ul>	8 August 2017  14 September 2017  28 November 2017  8 December 2017
Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad	<ul style="list-style-type: none"> <li>Companies Act 2016 (Boardroom Corporate Services (KL) Sdn Bhd)</li> <li>Half Day Talk on Code of Corporate Governance 2016 and the Companies Act 2016 (AHB)</li> <li>Half-Day Talk on the Implications of MFRS 9 on Business Strategy and Cybersecurity Risk Implications (AHB)</li> </ul>	18 May 2017  14 September 2017  28 November 2017
Datuk Francis Tan Leh Kiah	<ul style="list-style-type: none"> <li>International Directors Summit 2017 – Enhancing Resilience Through Governance for Sustainability (MINDA)</li> </ul>	21 – 22 August 2017
Datuk Zainun Aishah Ahmad	<ul style="list-style-type: none"> <li>Directors Away Day Strategy Presentation (Scomi Group)</li> <li>The New Companies Act 2016 – The Key Issues and Pitfalls and Disclosures of Interest by the Nominee Director (Permodalan Nasional Berhad)</li> <li>Fraud and Risk Management Workshop (Bursa Malaysia)</li> <li>Companies Act 2016 and Malaysian Code of Corporate Governance 2017 (British American Tobacco (M) Berhad)</li> </ul>	25 January 2017  12 May 2017  13 July 2017  25 October 2017



## CORPORATE GOVERNANCE PRIORITIES (2018 AND BEYOND)

The Board recognises that there are always opportunities for improvement in its corporate governance activities in order for the Group to continue to engender trust and confidence amongst stakeholders. The Board has identified the following set pieces on its horizon that will help it to achieve its corporate governance objectives.

YEAR  
2019  
—  
2021

### Review of Constitution

Shareholders' voting rights are enshrined under the Company's Constitution, which states that every shareholder has one vote for every share he or she holds and resolutions are to be decided by a simple majority for ordinary resolutions and 75% of votes for special resolutions.

In order for BHB to proceed with the two-tier voting process for resolutions to retain an Independent Director beyond the 12th year, the Company will need to review its Constitution before proposing any amendments to accommodate the MCCG prescription of non-large shareholders having a stronger voice on the retention of long-serving Independent Directors through second-tier voting. Taking into account the Companies Act 2016 and the MMLR, BHB intends to amend its Constitution at the AGM of the Company in 2019 in order to streamline its provisions with the aforementioned Act and listing requirements. This will provide buffer time for Management to be thorough and comprehensive in their review of the Constitution. At the same time BHB will review the enabling provisions for the unique feature prescribed by MCCG before proposing any amendments to its Constitution.

### Boardroom diversity

In fostering gender diversity, the Board endeavours to establish and formalise a diversity policy, set targets, measures and annually assess both the targets and the progress in achieving them.

The Board endeavours to appoint one additional female Director by the year 2020 (i.e. 25% women representation on the Board) and to meet the 30% target by 2021.

LONG  
TERM  
PLAN

### Sustainability reporting

BHB aims to leverage on its existing qualitative sustainability indices and adopt a more mature form of sustainability reporting. The Board will set the direction for Management to establish necessary systems and controls with the presence of quality non-financial data that will support the development of such forms of reporting. BHB will also actively engage stakeholders to formalise a better understanding of what is expected and desired from its sustainability reporting.

# ■ Statement on Risk Management and Internal Control

Pursuant to Paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (MMLR), the Board is pleased to provide the Statement on Risk Management and Internal Control for financial year ended 31 December 2017 which was prepared in accordance with Practice 9.1 and 9.2 of the Malaysian Code of Corporate Governance (MCCG) and the “Statement of Risk Management and Internal Control – Guidelines for Directors of Listed Issuers”.

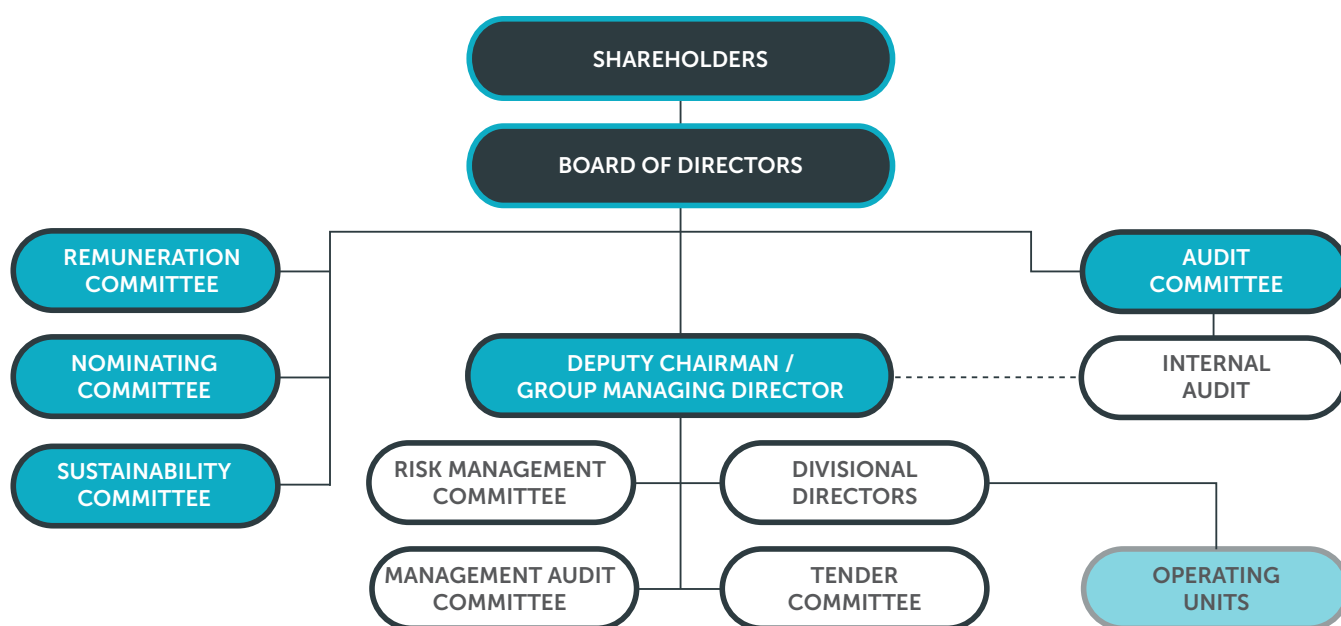
## BOARD RESPONSIBILITY

The Board acknowledges its overall responsibility for maintaining a sound system of internal control to safeguard shareholders’ investments and the Group’s assets and for reviewing the adequacy and integrity of the system. Notwithstanding this, due to the limitations that are inherent in any system of internal control, the Group’s internal control system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Group’s system of internal control covers risk management and financial, operational and compliance controls. The Board does not regularly review internal control systems of associates and joint ventures, as the Board does not have direct control over their operations. Notwithstanding the above, the Group’s interests are served through representation on the boards of the respective companies and the receipt and review of management accounts and enquiries thereon. Such representation also provides the Board with information for timely decision making on the continuity of the Group’s investments based on the performance of the associates and joint ventures. The representation report to the Group in the event that these associates or joint ventures do not appropriately manage significant risks.

Except for insurable risks where insurance covers are purchased, other significant risks faced by the Group (excluding associates and joint ventures) are reported to, and managed by the respective boards within the Group.

The internal control system of the Group is supported by an appropriate organisation structure with clear reporting lines, defined lines of responsibilities and authorities from respective business units up to the Board level as follows:



## RISK MANAGEMENT

Risk management is regarded by the Board as an important aspect of the Group's diverse and growing operations with the objective of maintaining a sound internal control system. To this end, the Group has established the appropriate risk management infrastructure to ensure that the Group's assets are well protected and shareholders' value enhanced.

The Management, through its Risk Management Committee (RMC), is entrusted with the responsibility of implementing and maintaining the enterprise risk management (ERM) framework to achieve the following objectives:

- communicate the vision, role, direction and priorities to all employees and key stakeholders;
- identify, assess, treat, report and monitor significant risks in an effective manner;
- enable systematic risk review and reporting on key risks, existing control measures and any proposed action plans; and
- create a risk-aware culture and building the necessary knowledge for risk management at every level of management.



## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

In line with the achievement of the above objectives, the Group has undertaken the following:

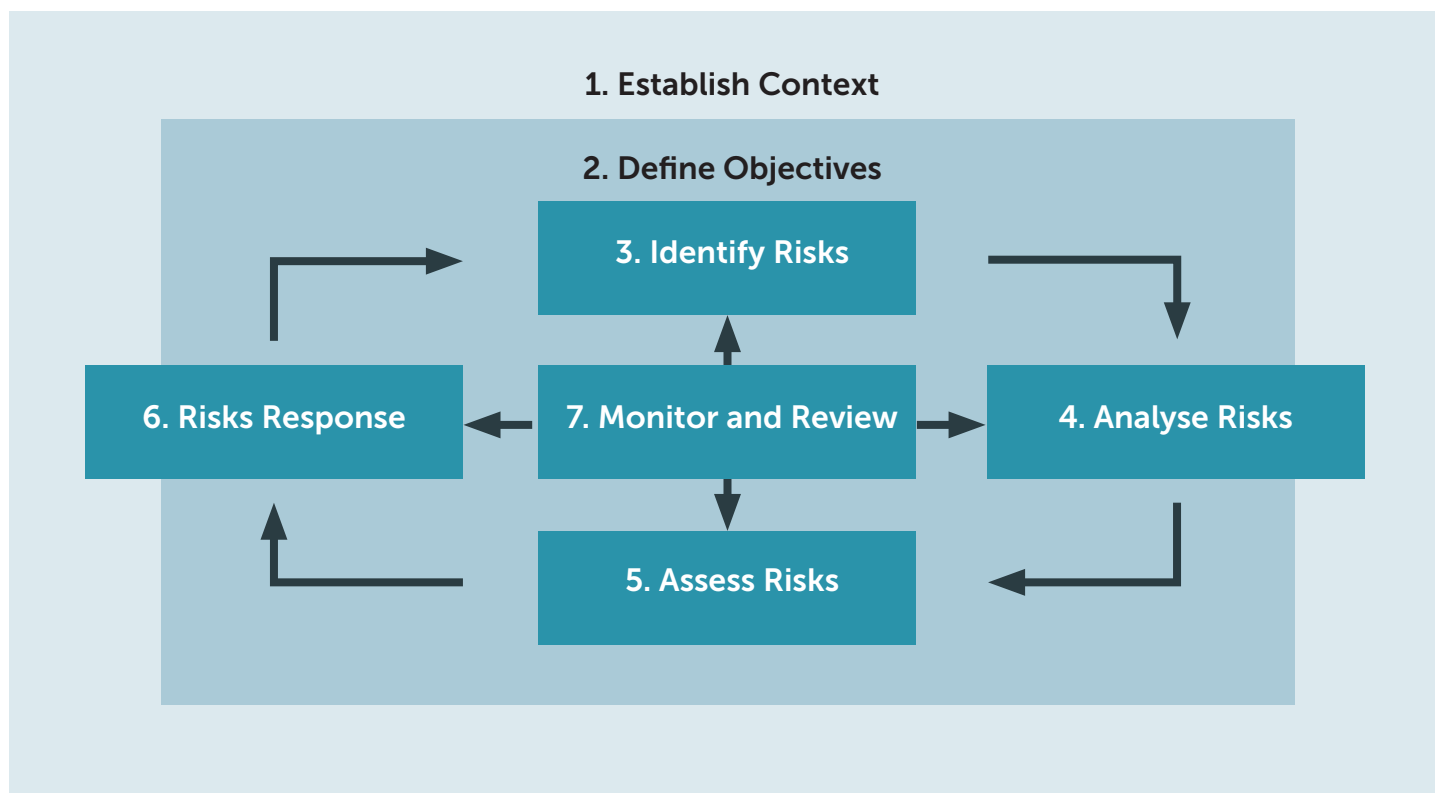
- formalisation of risk management policy and procedures and adopted a structured and systematic risk assessment, monitoring and reporting framework which are tailored to the specific circumstances of the Group. The Group's risk management practices are generally aligned with the principles of ISO 31000 and the Committee of Sponsoring Organisation of the Treadway Commission's Enterprise Risk Management Integrated Framework;
- appointment of dedicated risk officer to coordinate the ERM activities within the Group, to supervise the ERM policy implementation and documentation at Group level and to act as the central contact and guide for ERM issues within the Group;

- heightened risk awareness culture in the business processes through risk owners' accountability and sign-off for action plans and continuous monitoring;
- compilation of the business units' risk profiles in relation to the Group risk parameters, the top risks from each business segment and reported to the RMC for review, deliberation and approval; and
- inculcated a culture of continuous improvement in risk management through risk review meetings; and provided a system to manage the central accumulation of risk profiles data with risk significance rating for the profiles as a tool for prioritising risk action plans.

Consequently, the Group has in place the necessary risk infrastructure encompassing the risk assessment process, organisational oversight and reporting function to instil the appropriate discipline and control around continuously improving risk management capabilities.

The Group's Risk Assessment Process is depicted in the following diagram;

### Process For Managing Risk



Risk assessment, monitoring and review of the various risks faced by the Group are a continuous process within the key operating units with the RMC playing a pivotal oversight function.

The RMC convenes on a half yearly basis to review the key risk profiles and submit a summary report to the Audit Committee, where the majority of members are Independent Directors.

Amidst delivering growth for its stakeholders, the Group will continue its focus on sound risk assessment practices and internal control to ensure that the Group is well equipped to manage the various challenges arising from the dynamic business and competitive environment.

### **The Group's Key Risks**

The Group has put in place a robust risk management framework to identify, assess, treat, report and monitor key risks which may hinder the Group from achieving its objectives.

Principally, the Group's key risks are as follows:

#### **1. Fluctuation in Commodities Prices**

Fluctuation of commodities prices, such as crude oil and crude palm oil (CPO) are primarily based on local and international market conditions, which could have a material adverse effect on the Group's financial condition.

External factors that are beyond the Group's control i.e. changes in the Government policies, fluctuation of foreign exchange, changes in supply and demand, and etc. could influence the price movement.

Recognising the uncertainties, the Group has put in place mitigating actions to minimise the risk impact such as constant monitoring of the commodities prices, taking hedging positions as approved by Senior Management, and improving operational effectiveness and efficiencies.

#### **2. Reliance on Key Personnel**

The Group believes its future success largely depends on the Group's ability to hire, develop, motivate and retain competent employees and key personnel. The experience and knowledge gained by the Group's key personnel, especially the Chairman, Deputy Chairman/Group Managing Director and senior management team, may be difficult to replace as they have been instrumental in the development, growth and success of the Group.

In this respect, the Group ensures that it has the ability to attract and retain the Group's existing Directors and key personnel through the implementation of human resource strategies and developing a human resource plan that includes suitable compensation packages, career development and human resource training and development for the key management.

In addition to the above, the Group has put in place talent development programmes to provide opportunities for employees to hone the capabilities and leadership skills. The Group nurtures talents through notable programmes such as Accountant Trainee Programme and Certified Internal Auditor.

As part of the Group's corporate social responsibility (CSR) commitment and in support of the Skim Latihan 1Malaysia (SL1M) launched by the Prime Minister Dato' Sri Mohd Najib bin Tun Abdul Razak, the Group actively recruits young graduates throughout the year in order to increase the graduates' marketability and employability.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## KEY ELEMENTS OF INTERNAL CONTROL

Internal control is embedded in the Group's operations as follows:

- Clear organisation structure with defined reporting lines. There is a defined organisational structure within the Group with each division having clearly defined roles and responsibilities, levels of authority and lines of accountability.
- Each operating unit is responsible for the conduct and performance of business units, including the identification and evaluation of significant risks applicable to their respective business areas, the design and operation of suitable internal control and in ensuring that an effective system of internal control is in place.
- Defined level of authorities and lines of responsibilities from operating units up to the Board level to ensure accountabilities for risk management and control activities.
- The Group has various support functions comprising secretarial, legal, human capital, finance, treasury and IT which are centralised.
- The Board is supported by a qualified Company Secretary. The Company Secretary plays an advisory role to the Board, particularly on issues relating to compliance with the MMLR, the Companies Act 2016 and other relevant laws and regulations.
- RMC chaired by the Deputy Chairman/Group Managing Director sits regularly to review and recommend the risk management policies, strategies, major risks review and risk mitigation actions for the Company as well as reporting to the Audit Committee and Board on a periodic basis.
- Training and development programmes are established to ensure that staff are kept up to date with the necessary competencies to carry out their responsibilities towards achieving the Group's objectives.
- Code of ethics are established and adopted for the Board and all employees to ensure high standards of conduct and ethical values in all business practices.
- Whistle blowing policy to provide an avenue for employees to report any breach or suspected breach of any law or regulation, including business principles and the Group's policies and guidelines in a safe and confidential manner.
- Regular Board and Management meetings to assess the Group's performance and controls.
- The internal audit function provides assurance of the effectiveness of the system of internal control within the Group. Regular internal audit visits to review the effectiveness of the control procedures and ensure accurate and timely financial management reporting. Internal audit efforts are directed towards areas with significant risks as identified by Management, and the risk management process is being audited to provide assurance on the management of risks.
- Review of internal audit reports and follow-up on findings by the Management Audit Committee. The internal audit reports are deliberated by the Audit Committee, and are subsequently presented to the Board on a quarterly basis or earlier, as appropriate.
- Review and award of major contracts by the Tender Committee. A minimum of three quotations is called for and tenders are awarded based on criteria such as quality, track record and speed of delivery.
- Tender Committee comprising members of Senior Management which ensures transparency in the award of contracts.
- Clearly documented standard operating procedure manuals set out the policies and procedures for day to day operations to be carried out. Regular reviews are performed to ensure that documentation remains current, relevant and aligned with evolving business and operational needs.
- Consolidated monthly management accounts and quarterly forecast performance which allow Management to focus on areas of concern.
- Strategic planning, target setting and detailed budgeting process for each area of business which are approved both at the operating level and by the Board.



- Monthly monitoring of results against budget, with major variances being followed up and management action taken, where necessary.
- Regular visits to the operating units by members of the Board and Senior Management.
- The Boustead Core Values Initiative aligns all business units' initiatives towards a Group-wide common goal.
- Performance Management System, which is linked to and guided by Key Performance Indicators and accountability. The Key Performance Indicators are quantifiable measurements, contracted beforehand, reflecting the critical success factors of the business units to enhance staff's performance.
- Group Legal & Compliance department reports to the Deputy Chairman/Group Managing Director and monitors compliance with the applicable laws, rules, regulations and policies that governs the Group's core business. The function plays a key role in advising the Board and Management on legal matters and thereby preserving as well as safeguarding the Group's interest from a legal perspective.
- The monitoring, review and reporting arrangements in place provide reasonable assurance that the structure of controls and its operations are appropriate to the Group's operations and that risks are at an acceptable level throughout the Group's businesses. Such arrangements, however, do not eliminate the possibility of human error, deliberate circumvention of control procedures by employees and others, or the occurrence of unforeseeable circumstances.
- The Board believes that the development of the system of internal control is an ongoing process and has taken proactive steps throughout the year to improve its internal control system and will continue to undertake such steps. The Board is of the view that the system of internal control in place for the year under review is sound and sufficient to safeguard shareholders' investments, stakeholders' interests and the Group's assets.

## MONITORING AND REVIEW OF THE ADEQUACY AND INTEGRITY OF THE SYSTEM OF INTERNAL CONTROL

The processes adopted to monitor and review the adequacy and integrity of the system of internal control include:

- Periodic confirmation by the Chief Executive Officer, Chief Financial Officer and/or Risk Officer of the respective operating units on the effectiveness of the system of internal control, highlighting any weaknesses and changes in risk profile.
- Periodic examination of business processes and the state of internal control by the internal audit function. Reports on the reviews carried out by the internal audit function are submitted on a regular basis to the Management Audit Committee and Audit Committee.

## WEAKNESSES IN INTERNAL CONTROL THAT RESULT IN MATERIAL LOSSES

There were no material losses incurred during the financial year under review as a result of weaknesses in internal control. Management continues to take measures to strengthen the control environment.

## REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of Bursa Securities' MMLR, the external auditors have reviewed this Statement on Risk Management and Internal Control. The review was performed in accordance with Recommended Practice Guide (RPG) 5 (Revised 2015) issued by the Malaysian Institute of Accountants. RPG 5 (Revised 2015) does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

**This statement is made in accordance with a resolution of the Board of Directors dated 05 March 2018**

# ■ Directors' Responsibility Statement

The Directors reaffirm that they are collectively responsible for ensuring that the annual financial statements of the Group and the Company are drawn up in accordance with the applicable approved accounting standards in Malaysia, the provisions of the Companies Act 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad; and that these financial statements give a true and fair view of the financial position, financial performance and cash flows of the Group for the financial year ended 31 December 2017.

To ensure that financial statements are properly drawn up, the Directors have taken the following measures:

- applied the appropriate and relevant accounting policies on a consistent basis;
- made judgements and estimates that are prudent and reasonable; and
- prepared the financial statements on the going concern basis.

The Directors are responsible for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Company and which enable them to ensure that the financial statements comply with the Companies Act 2016. The Directors have overall responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Group and the Company to prevent and detect fraud and other irregularities.

**This statement is made in accordance with a resolution of the Board of Directors dated 5 March 2018.**

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# DIRECTORS' REPORT

The Directors have pleasure in presenting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

## PRINCIPAL ACTIVITIES

Boustead Holdings Berhad is an investment holding company incorporated in Malaysia in 1960. The Company's other principal activities include the provision of management services to Subsidiaries and property investment.

The principal activities of the Subsidiaries, associates and joint ventures are stated on pages 235 to 241. There have been no significant changes in the nature of these activities during the financial year under review.

## RESULTS

	Group RM Million	Company RM Million
Profit for the year attributable to:		
Shareholders of the Company	462.0	235.7
Holders of Perpetual Sukuk	73.7	73.7
Non-controlling interests	387.6	–
	923.3	309.4

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than as disclosed in the financial statements.

## DIVIDENDS

During the financial year under review, the Company paid the fourth interim dividend of 3.5 sen per share totalling RM70.9 million in respect of the financial year ended 31 December 2016 as declared in the Directors' report of that year.

The Directors have declared the following dividends in respect of the financial year ended 31 December 2017:

	Net dividend		Date Declared	Date of Payment
	Sen per share	RM Million		
First interim dividend	2.5	50.7	29 May 2017	23 June 2017
Second interim dividend	3.0	60.8	30 August 2017	28 September 2017
Third interim dividend	3.0	60.8	30 November 2017	29 December 2017
Fourth interim dividend	2.5	50.7	28 February 2018	29 March 2018
	11.0	223.0		

## DIRECTORS OF THE COMPANY

The Directors of the Company in office since the beginning of the financial year to the date of this report are:

Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R) #  
Tan Sri Dato' Seri Lodin Wok Kamaruddin #  
Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad  
Datuk Azzat Kamaludin #  
Dato' Sri Ghazali Mohd Ali #  
Datuk Francis Tan Leh Kiah  
Datuk Zainun Aishah Ahmad (Appointed on 1 December 2017)

# - Directors of the Company and certain of its Subsidiaries

## DIRECTORS OF THE COMPANY'S SUBSIDIARIES

The name of the Directors of the Company's Subsidiaries since the beginning of the financial year to the date of this report, excluding those who are already the Directors of the Company, are:

### Directors of Boustead Plantations Berhad:

Dato' Mohzani Abdul Wahab  
Datuk Zakaria Sharif  
Dr. Raja Abdul Malek Raja Jallaludin  
Maj. Gen. Dato' Hj. Khairuddin Abu Bakar (R) J.P.

*(For list of Directors of Boustead Plantations Berhad's subsidiaries, please refer to annual report of Boustead Plantations Berhad for the financial year ended 31 December 2017)*

## DIRECTORS OF THE COMPANY'S SUBSIDIARIES (CONT'D.)

### Directors of Pharmaniaga Berhad:

Dato' Farshila Emran  
 Daniel Ebinesan  
 Izzat Othman  
 Lieutenant General Dato' Seri Panglima Dr Sulaiman Abdullah (Retired)  
 Mohd Suffian Haji Haron

*(For list of Directors of Pharmaniaga Berhad's subsidiaries, please refer to annual report of Pharmaniaga Berhad for the financial year ended 31 December 2017)*

### Directors of Boustead Heavy Industries Corporation Berhad:

Laksamana Madya Tan Sri Dato' Seri Ahmad Ramli Hj. Mohd Nor (B)  
 Dato' Ishak Osman  
 Abd Malik A Rahman

*(For list of Directors of Boustead Heavy Industries Corporation Berhad's subsidiaries, please refer to annual report of Boustead Heavy Industries Corporation Berhad for the financial year ended 31 December 2017)*

### Directors of other Subsidiaries of the Company:

Admiral Tan Sri Ramlan Mohamed Ali (R)	
Adzli Shaferul Ramli	(Appointed 15 May 2017)
Cheah Swee Choo	
Dato' Seri Dr. Shafiq Sit Abdullah	
Dato' Baharuddin Musa	
Dato' Kho Hui Meng	
Dato' Shoib Abdullah	
Dato' Zainal Abidin Haji Ahmad	
Datin Rashidah Mohd Sies	
Datuk Koo Hock Fee	
Datuk Mokhtar Md Khir	
Dr. Mohamed Rais Saniman	(Resigned on 10 March 2017)
Fahmy Ismail	
Gan Boon Ting	
Ir. Azman Ahmad	
Ir. Ma'som Mahadi	
Ker Chooi Ngoh	(Resigned on 15 May 2017)
Koh Chor Meng	
Khoo Teng Chai	(Resigned on 31 January 2017)
Laksamana Tan Sri Dato' Seri Ahmad Kamarulzaman Hj Ahmad Badaruddin	
Leow Swee Ping	(Resigned on 1 July 2017)
Loh Wai Cheong	
Lt .Gen. Dato' Sri Shahrom Ibrahim (R)	
Lt .Gen. Dato Seri Hj Mohammad Ali Alwi (R)	
Marwan Ma'som	
Mej. Jen. Dato' Paduka Ghazali@Abdul Rahman Ibrahim	
Mohd Ali Zakaria	
Mohd Zaidi Zainol Rashid	



# DIRECTORS' REPORT

## DIRECTORS OF THE COMPANY'S SUBSIDIARIES (CONT'D.)

### Directors of other Subsidiaries of the Company: (cont'd.)

Mohsein Ma'som	
Nawal Hanafiah	
Nazri Suhaimie Mohd Nasir	(Appointed on 1 August 2017)
Norlymalis Jazmi Kamarudin	(Resigned on 12 July 2017)
Premila Rajaratnam	
Professor Graham Kendall	
Professor Nicholas James Miles	
Professor Sayed Nader Azam-Ali	
Professor Shearer Carrol West	(Appointed on 15 May 2017)
Rahim Mohd Som	
Professor Sir David Greenaway	(Resigned on 11 November 2017)
Shahril Mohd Khairi @ Bakhri	(Appointed on 1 August 2017)
Sharudin Jaffar	
Syed Naqiz Shahabuddin Syed Abdul Jabbar	
Tan Kim Thiam	
Tan Sri Datuk Mustafa Mansur	
YM Tengku Abu Bakar Ahmad Tengku Abdullah	
YM Tengku Tan Sri Dato' Seri Ahmad Rithauddeen Tengku Ismail	
Zairuddy Zainal	
Zubair Abdullah	

## DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate. Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as shown in Note 6 to the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member or with a company in which he has a substantial financial interest, except as disclosed in Note 43 to the financial statements.

The Company maintains a Directors' Liability Insurance for purpose of Section 289 of the Companies Act 2016, throughout the year, which provides appropriate insurance cover for the Directors of the Company. The amount of insurance premium effected for all Directors of the Company during the financial year was RM83,000. The Directors shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

# DIRECTORS' REPORT

## DIRECTORS' INTERESTS

According to the register of Directors' shareholding, the interests of Directors in office at the end of the financial year in shares of the Company and its related corporations were as follows:

	Number of ordinary shares		
	At 1/1/17	Acquired	Sold
			At 31/12/17
<b>Boustead Holdings Berhad</b>			
Tan Sri Dato' Seri Lodin Wok Kamaruddin	52,257,805	-	-
Datuk Azzat Kamaludin	112,000	-	-
<b>Pharmaniaga Berhad</b>			
Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)	220,000	-	-
Tan Sri Dato' Seri Lodin Wok Kamaruddin	12,500,148	-	-
Dato' Wira (Dr.) Megat Abdul Rahman			
Megat Ahmad	121,000	-	-
Datuk Azzat Kamaludin	226,260	-	-
Dato' Sri Ghazali Mohd Ali	143,000	-	-
<b>Boustead Plantations Berhad</b>			
Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)	1,560,000	-	-
Tan Sri Dato' Seri Lodin Wok Kamaruddin	27,836,800	-	-
Dato' Wira (Dr.) Megat Abdul Rahman			
Megat Ahmad	1,590,000	-	-
Datuk Azzat Kamaludin	1,550,000	-	-
Dato' Sri Ghazali Mohd Ali	1,234,000	-	-
Datuk Francis Tan Leh Kiah	1,190,000	10,000	-
<b>Boustead Heavy Industries Corporation Berhad</b>			
Tan Sri Dato' Seri Lodin Wok Kamaruddin	2,000,000	-	-
Datuk Azzat Kamaludin	350,000	-	-
Dato' Sri Ghazali Mohd Ali	75,000	-	-
<b>Boustead Petroleum Sdn Bhd</b>			
Tan Sri Dato' Seri Lodin Wok Kamaruddin	5,916,465	-	-
<b>Affin Holdings Berhad</b>			
Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)	119,220	-	-
Tan Sri Dato' Seri Lodin Wok Kamaruddin	1,051,328	-	-
Datuk Francis Tan Leh Kiah	50,000	-	-

Datuk Zainun Aishah Ahmad does not have any interest in shares in the Company or its related corporations during the financial year.

## OTHER STATUTORY INFORMATION

- (a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:
  - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
  - (i) 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
  - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances 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.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.
- (e) As at the date of this report, there does not exist:
  - (i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the Directors:
  - (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.





## DIRECTORS' REPORT

### SIGNIFICANT AND SUBSEQUENT EVENTS

Details of the significant and subsequent events are disclosed in Note 44 to the financial statements.

### AUDITORS AND AUDITORS' REMUNERATION

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Auditors' remuneration are disclosed in Note 6 to the financial statements.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit. No payment has been made to indemnify Ernst & Young during the financial year nor since the end of the financial year.

Signed on behalf of the Board in accordance with a resolution of the Directors

**GEN. TAN SRI DATO' MOHD GHAZALI HJ. CHE MAT (R)**

**TAN SRI DATO' SERI LODIN WOK KAMARUDDIN**

Kuala Lumpur  
5 March 2018

# STATEMENT BY DIRECTORS

## STATEMENT BY DIRECTORS PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R) and Tan Sri Dato' Seri Lodin Wok Kamaruddin, being two of the Directors of BOUSTEAD HOLDINGS BERHAD, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 136 to 241 are drawn up in accordance with 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 31 December 2017 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors

**GEN. TAN SRI DATO' MOHD GHAZALI HJ. CHE MAT (R)**

**TAN SRI DATO' SERI LODIN WOK KAMARUDDIN**

Kuala Lumpur  
5 March 2018

# STATUTORY DECLARATION

## STATUTORY DECLARATION PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, FAHMY ISMAIL, being the officer primarily responsible for the financial management of BOUSTEAD HOLDINGS BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 136 to 241 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur on 5 March 2018.

Before me

**ZAINALABIDIN BIN NAN**  
Commissioner for Oaths  
Kuala Lumpur

**FAHMY ISMAIL**

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF BOUSTEAD HOLDINGS BERHAD

### REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

#### **Opinion**

We have audited the financial statements of Boustead Holdings Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 136 to 241.

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 31 December 2017, and of their financial performance and their cash flows for the year then ended in accordance with Financial Reporting Standards 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. 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 judgment, 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.



## Key audit matters (cont'd.)

### Impairment assessment of non-financial assets

FRS 136: Impairment of Assets ("FRS 136") requires an entity to assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset.

In addition, irrespective of whether there is any indication of impairment, an entity shall also test goodwill acquired in a business combination for impairment annually. FRS 136 requires a cash-generating unit ("CGU") or group of CGUs to which goodwill has been allocated to be tested for impairment annually by comparing the carrying amount of the CGU or group of CGUs, including the goodwill, with its recoverable amount.

FRS 136 defines recoverable amount as the higher of an asset's or CGU's fair value less costs of disposal ("FVLCD") and its value in use ("VIU"). VIU is the present value of future cash flows expected to be derived from an asset or a CGU. The discount factor to be applied to the future cash flows should reflect current market assessments of the time value of money and the risks specific to the asset.

#### (a) Impairment assessment of goodwill

As at 31 December 2017, the Group's carrying amount of goodwill is RM1,176.8 million as disclosed in Note 24 to the financial statements. The Group is required to perform an impairment test annually by comparing the carrying amount of the cash generating units ("CGU") or group of CGUs, including the goodwill, with their recoverable amounts.

The aforementioned impairment review gave rise to impairment losses of goodwill of RM38.0 million as disclosed in Notes 8 and 24 to the financial statements.

#### (b) Impairment assessment of property, plant and equipment, biological assets and prepaid land lease payments

As at 31 December 2017, the carrying amount of property, plant and equipment, biological assets and prepaid land lease payments of the Group are RM4,845.3 million, RM1,234.9 million, RM51.7 million respectively. These are disclosed in Notes 13, 14, 17 respectively to the financial statements.

The Group is required to assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. During the financial year, management have identified indications of impairment mainly in the Heavy Industries and Plantation Divisions which are described below:

- Aircraft and building owned by MHS Aviation Sdn. Bhd. ("MHS"), a partially owned subsidiary of the Group (Heavy Industries Division)

As disclosed in Note 44(e) to the financial statements, during the financial year, MHS had received termination notices from PETRONAS Carigali Sdn. Bhd., Sapura Exploration and Production (PM) Inc, EQ Petroleum Production Malaysia Ltd and ExxonMobil Exploration and Production Malaysia Inc, each giving MHS a 90 days' notice of the respective party's intention to terminate the contract dated 29 June 2011 for the Provision of Rotary Wing Aircraft, Equipment and Services (For Heavy Type Aircraft – EC225).

- Oil palm estates and mills (Plantation Division)

As disclosed in Note 14, certain oil palm estates and mills of the Group with a net carrying amount of RM146.4 million were incurring losses, operating at near break-even level or have significant decline in Fresh Fruit Bunches ("FFB") yield.

Accordingly, impairment reviews performed for the aforementioned assets resulted in impairment losses of aircraft of RM42.9 million, building of RM4.0 million and biological assets of RM10.0 million as disclosed in Notes 6, 13 and 14 to the financial statements.

## *Key audit matters (cont'd.)*

### **Impairment assessment of non-financial assets (cont'd.)**

#### **(c) Impairment assessment of investment in subsidiaries**

As at 31 December 2017, the Company's carrying amount of the investment in subsidiaries is RM3,228.3 million as disclosed in Note 20 to the financial statements. The carrying amount of the Company's quoted investment in a subsidiary has exceeded its market value. Certain subsidiaries have also reported continuing operating losses and/or depleting shareholders' funds. These are indications that the investment in these subsidiaries with a carrying amount of RM976.4 million may be impaired. Accordingly, the Company has performed impairment tests by comparing the carrying amounts of the investment in subsidiaries with their respective recoverable amounts.

Given the significance of goodwill, property, plant and equipment, biological assets and prepaid land lease payments to the Group and investments in subsidiaries to the Company and the judgments and estimates involved in the assessment of the recoverable amount, we have identified the above impairment reviews as important to our audit.

Our procedures in reviewing the estimates and judgements in the impairment review involve, inter alia the following:

- Impairment assessments based on FVLCD

To the extent that management relied on valuation reports provided by independent professional valuers, we have considered the competence, capabilities and objectivity of the professional valuers. We have also assessed the key assumptions and methodology used by independent professional valuers. This would include comparisons with recent transactions involving other similar assets and where applicable, the age, size and title tenure.

- Impairment assessments based on VIU

We have assessed the key assumptions on which the cash flow projections are based, amongst others and where relevant, by comparing them against historical trends, existing contracts, order book, useful lives of the assets and price forecasts. We also evaluated the probability of securing significant future contracts by making enquiries with the project teams and reviewing project proposals to obtain an understanding of the status of negotiations and the likelihood of securing the contracts.

We also assessed the discount rate used to determine the present value of the cash flows and whether the rate used reflects the return that investors would require if they were to choose an investment that would generate cash flows of amounts, timing and risk profile equivalent to those that the entity expects to derive from the asset.

### **Revenue recognition from construction contracts and property development**

The Group is involved in a number of significant construction contracts and property development activities which span across multiple accounting periods as disclosed in Notes 5, 16 and 27 to the financial statements.

We have focused on this area due to the materiality to the overall results of the Group and also due to the nature of construction contracts and property development activities entered into by the Group which involves significant management judgement and estimation uncertainty. The Group uses the stage-of-completion method in accounting for these construction contracts or property development activities. The stage of completion is measured by reference to the proportion of costs incurred for work performed to date to the estimated total costs.

# INDEPENDENT AUDITORS' REPORT

## *Key audit matters (cont'd.)*

### **Revenue recognition from construction contracts and property development (cont'd.)**

In relation to the budgeted revenue, we have, amongst others and where applicable, agreed this to the signed contracts, letter of awards, approved changed orders and variation orders. We evaluated the additional revenue for change or variation orders to recover the additional costs incurred to supporting evidence including but not limited to correspondence with customers. We also assessed the probability of a deduction to budgeted revenue by reviewing the contractual delivery dates of the respective contracts against management's estimated delivery dates, progress reports and interviews with the project team and correspondences with customers.

In assessing management's assumptions in estimating the budgeted costs, we evaluate the budgeted costs to corresponding supporting evidence including but not limited to suppliers' contracts for materials and subcontractors' claims. We also reviewed management's workings on the computation of stage of completion.

### ***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 Group's annual report for the financial year ended 31 December 2017 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 and will 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 Financial Reporting Standards 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 Group's and the Company's ability 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 intends to liquidate the Company and its subsidiaries or the Company or to cease operations, or have no realistic alternative but to do so.



## *Key audit matters (cont'd.)*

### *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 International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- (a) 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.
- (b) 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 the Group's and the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by directors.
- (d) 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 Group's or the Company's ability 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.
- (e) 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.
- (f) 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.

# INDEPENDENT AUDITORS' REPORT

## *Key audit matters (cont'd.)*

### *Auditors' responsibilities for the audit of the financial statements (cont'd.)*

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 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 on pages 235 to 240.

## OTHER MATTERS

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.

### **ERNST & YOUNG**

AF: 0039

Chartered Accountants

Kuala Lumpur, Malaysia  
5 March 2018

### **AHMAD ZAHIRUDIN BIN ABDUL RAHIM**

No. 02607/12/2018 J

Chartered Accountant

# INCOME STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2017

		Group		Company	
	Note	2017 RM Million	2016 RM Million	2017 RM Million	2016 RM Million
<b>Revenue</b>	5	<b>10,020.1</b>	8,371.3	<b>358.9</b>	440.4
Operating cost	6	<b>(9,295.9)</b>	(7,909.4)	<b>(24.6)</b>	(31.2)
Results from operations		<b>724.2</b>	461.9	<b>334.3</b>	409.2
Gain on disposal of plantation land		<b>554.9</b>	124.2	–	–
Interest income	7	<b>41.8</b>	43.8	<b>93.6</b>	85.5
Other investment results	8	<b>6.4</b>	277.0	<b>3.4</b>	(8.0)
Finance cost	9	<b>(254.4)</b>	(293.6)	<b>(114.3)</b>	(120.7)
Share of results of associates		<b>112.0</b>	123.1	–	–
Share of results of joint ventures		<b>(67.9)</b>	4.0	–	–
<b>Profit before taxation</b>		<b>1,117.0</b>	740.4	<b>317.0</b>	366.0
Taxation	10	<b>(193.7)</b>	(151.3)	<b>(7.6)</b>	(5.3)
<b>Profit for the year</b>		<b>923.3</b>	589.1	<b>309.4</b>	360.7
Attributable to:					
Shareholders of the Company		<b>462.0</b>	369.0	<b>235.7</b>	287.0
Holders of Perpetual Sukuk		<b>73.7</b>	73.7	<b>73.7</b>	73.7
Non-controlling interests		<b>387.6</b>	146.4	–	–
<b>Profit for the year</b>		<b>923.3</b>	589.1	<b>309.4</b>	360.7
<b>Earnings per share – sen</b>					
<b>Basic/diluted</b>	11	<b>22.79</b>	20.03		

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



# STATEMENTS OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 31 DECEMBER 2017

	Group		Company	
	2017 RM Million	2016 RM Million	2017 RM Million	2016 RM Million
<b>Profit for the year</b>	<b>923.3</b>	589.1	<b>309.4</b>	360.7
Other comprehensive income/(loss):				
Items to be reclassified to profit or loss in subsequent period (net of tax)				
Net (loss)/gain on available for sale investments				
– Fair value changes	4.4	(1.0)	0.7	0.2
– Transfer to profit or loss upon disposal	0.1	2.9	–	–
Foreign currency translation	(17.1)	9.2	–	–
Share of other comprehensive income of investments accounted for using equity method	12.6	(4.0)	–	–
Other comprehensive income for the year	–	7.1	0.7	0.2
<b>Total comprehensive income for the year</b>	<b>923.3</b>	596.2	<b>310.1</b>	360.9
Attributable to:				
Shareholders of the Company	472.2	371.0	236.4	287.2
Holders of Perpetual Sukuk	73.7	73.7	73.7	73.7
Non-controlling interests	377.4	151.5	–	–
<b>Total comprehensive income for the year</b>	<b>923.3</b>	596.2	<b>310.1</b>	360.9

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

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

		Group		Company	
	Note	2017 RM Million	2016 RM Million	2017 RM Million	2016 RM Million
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	13	4,845.3	4,938.2	3.5	3.8
Biological assets	14	1,234.9	1,248.6	—	—
Investment properties	15	1,804.8	1,641.1	121.1	107.0
Development properties	16	643.8	636.6	—	—
Prepaid land lease payments	17	51.7	54.0	—	—
Long term prepayments	18	201.8	183.1	—	—
Deferred tax assets	19	52.5	46.3	—	—
Subsidiaries	20	—	—	3,228.3	3,229.3
Associates	21	2,051.5	1,973.7	939.4	939.4
Joint ventures	22	552.4	619.0	250.0	250.0
Investments	23	35.7	32.1	6.1	5.4
Intangible assets	24	1,391.0	1,435.2	—	—
Receivables	28	—	—	1,178.6	738.9
<b>Total non-current assets</b>		<b>12,865.4</b>	<b>12,807.9</b>	<b>5,727.0</b>	<b>5,273.8</b>
<b>Current assets</b>					
Inventories	25	743.8	863.9	—	—
Property development in progress	26	38.8	32.6	—	—
Due from customers on contracts	27	1,166.6	831.8	—	—
Receivables	28	2,247.9	1,617.6	510.6	822.5
Deposits, cash and bank balances	29	631.1	1,717.6	32.5	141.4
		<b>4,828.2</b>	<b>5,063.5</b>	<b>543.1</b>	<b>963.9</b>
Assets classified as held for sale	30	14.0	60.1	—	—
<b>Total current assets</b>		<b>4,842.2</b>	<b>5,123.6</b>	<b>543.1</b>	<b>963.9</b>
<b>Total assets</b>		<b>17,707.6</b>	<b>17,931.5</b>	<b>6,270.1</b>	<b>6,237.7</b>

		Group		Company	
	Note	2017 RM Million	2016 RM Million	2017 RM Million	2016 RM Million
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to shareholders of the Company</b>					
Share capital	31	2,735.7	1,013.5	2,735.7	1,013.5
Reserves	32	3,173.2	4,672.8	50.1	1,779.1
<b>Shareholders' equity</b>		<b>5,908.9</b>	<b>5,686.3</b>	<b>2,785.8</b>	<b>2,792.6</b>
Perpetual Sukuk	33	1,207.7	1,207.7	1,207.7	1,207.7
Non-controlling interests		1,801.1	1,606.9	–	–
<b>Total equity</b>		<b>8,917.7</b>	<b>8,500.9</b>	<b>3,993.5</b>	<b>4,000.3</b>
<b>Non-current liabilities</b>					
Borrowings	34	1,456.5	1,440.6	992.5	–
Payables	35	35.7	34.8	–	–
Deferred tax liabilities	19	160.8	125.6	2.7	2.6
<b>Total non-current liabilities</b>		<b>1,653.0</b>	<b>1,601.0</b>	<b>995.2</b>	<b>2.6</b>
<b>Current liabilities</b>					
Borrowings	34	4,727.4	5,876.1	1,247.2	2,212.6
Payables	35	2,296.4	1,799.7	34.2	22.2
Due to customers on contracts	27	82.1	127.1	–	–
Taxation		31.0	26.7	–	–
<b>Total current liabilities</b>		<b>7,136.9</b>	<b>7,829.6</b>	<b>1,281.4</b>	<b>2,234.8</b>
<b>Total liabilities</b>		<b>8,789.9</b>	<b>9,430.6</b>	<b>2,276.6</b>	<b>2,237.4</b>
<b>Total equity and liabilities</b>		<b>17,707.6</b>	<b>17,931.5</b>	<b>6,270.1</b>	<b>6,237.7</b>

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

# STATEMENTS OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital RM Million	Reserves RM Million	Total attributable to shareholders of the Company RM Million	Perpetual Sukuk RM Million	Non- controlling interests RM Million	Total equity RM Million
<b>Group</b>						
At 1 January 2017	1,013.5	4,672.8	5,686.3	1,207.7	1,606.9	8,500.9
Effect of implementation of Companies Act 2016 (Note 31)	1,722.2	(1,722.2)	–	–	–	–
Profit for the year	–	462.0	462.0	73.7	387.6	923.3
Total other comprehensive income/(loss) for the year	–	10.2	10.2	–	(10.2)	–
Total comprehensive income for the year	–	472.2	472.2	73.7	377.4	923.3
<b>Transactions with owners</b>						
Perpetual Sukuk (Note 33)						
– Distribution	–	–	–	(73.7)	–	(73.7)
Adjustments arising from the finalisation of purchase price allocation on acquisition of a Subsidiary	–	–	–	–	0.3	0.3
Share of effect on changes in group's structure of an associate on dilution of its subsidiary	–	(0.5)	(0.5)	–	–	(0.5)
Changes in ownership interest in Subsidiaries						
– Additional investment in a Subsidiary	–	(5.4)	(5.4)	–	(10.8)	(16.2)
– Issue of shares by a Subsidiary	–	(0.5)	(0.5)	–	1.1	0.6
– Share options granted by a Subsidiary	–	–	–	–	6.9	6.9
Dividends (Note 12 and Note 20)	–	(243.2)	(243.2)	–	(180.7)	(423.9)
At 31 December 2017	2,735.7	3,173.2	5,908.9	1,207.7	1,801.1	8,917.7



	Share capital RM Million	Reserves RM Million	Total attributable to shareholders of the Company RM Million	Perpetual Sukuk RM Million	Non- controlling interests RM Million	Total equity RM Million
<b>Group</b>						
At 1 January 2016	517.1	4,025.5	4,542.6	1,207.7	1,607.5	7,357.8
Profit for the year	–	369.0	369.0	73.7	146.4	589.1
Other comprehensive income for the year	–	2.0	2.0	–	5.1	7.1
Total comprehensive income for the year	–	371.0	371.0	73.7	151.5	596.2
<b>Transactions with owners</b>						
Share capital (Note 31)						
– Rights issue	206.8	846.7	1,053.5	–	–	1,053.5
– Bonus issue	289.6	(289.6)	–	–	–	–
Perpetual Sukuk (Note 33)						
– Distribution	–	–	–	(73.7)	–	(73.7)
Changes in ownership interest in Subsidiaries						
– Additional investment in a Subsidiary	–	(4.8)	(4.8)	–	(7.1)	(11.9)
– Issue of shares by a Subsidiary	–	(0.4)	(0.4)	–	3.1	2.7
– Share options granted by a Subsidiary	–	–	–	–	5.9	5.9
– Disposal of a Subsidiary	–	–	–	–	(5.4)	(5.4)
Dividends (Note 12 and Note 20)	–	(275.6)	(275.6)	–	(148.6)	(424.2)
At 31 December 2016	1,013.5	4,672.8	5,686.3	1,207.7	1,606.9	8,500.9

## STATEMENTS OF CHANGES IN EQUITY

### FOR THE YEAR ENDED 31 DECEMBER 2017

	Share Capital RM Million	Reserves RM Million	Total attributable to shareholders of the Company RM Million	Perpetual Sukuk RM Million	Total equity RM Million
<b>Company</b>					
1 January 2016	517.1	1,210.4	1,727.5	1,207.7	2,935.2
Profit for the year	–	287.0	287.0	73.7	360.7
Other comprehensive income – Fair value changes	–	0.2	0.2	–	0.2
Total comprehensive income for the year	–	287.2	287.2	73.7	360.9
<b>Transactions with owners</b>					
Share capital (Note 31)					
– Rights issue	206.8	846.7	1,053.5	–	1,053.5
– Bonus issue	289.6	(289.6)	–	–	–
Perpetual Sukuk (Note 33)					
– Distribution	–	–	–	(73.7)	(73.7)
Dividends (Note 12)	–	(275.6)	(275.6)	–	(275.6)
At 31 December 2016 and 1 January 2017	<b>1,013.5</b>	<b>1,779.1</b>	<b>2,792.6</b>	<b>1,207.7</b>	<b>4,000.3</b>
Effect of implementation of Companies Act 2016 (Note 31)	<b>1,722.2</b>	<b>(1,722.2)</b>	–	–	–
Profit for the year	–	235.7	235.7	73.7	309.4
Other comprehensive income – Fair value changes	–	0.7	0.7	–	0.7
Total comprehensive income for the year	–	236.4	236.4	73.7	310.1
<b>Transactions with owners</b>					
Perpetual Sukuk (Note 33)					
– Distribution	–	–	–	(73.7)	(73.7)
Dividends (Note 12)	–	(243.2)	(243.2)	–	(243.2)
At 31 December 2017	<b>2,735.7</b>	<b>50.1</b>	<b>2,785.8</b>	<b>1,207.7</b>	<b>3,993.5</b>

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

# STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Group		Company	
	2017 RM Million	2016 RM Million	2017 RM Million	2016 RM Million
<b>Operating activities</b>				
Cash receipts from customers	9,737.5	8,927.1	7.4	7.0
Cash paid to suppliers and employees	(8,689.1)	(7,721.2)	(24.4)	(34.1)
Cash generated from/(used in) operations	1,048.4	1,205.9	(17.0)	(27.1)
Tax paid	(161.8)	(93.7)	(6.0)	(6.5)
Net cash from/(used in) operating activities	886.6	1,112.2	(23.0)	(33.6)
<b>Investing activities</b>				
Acquisition of a Subsidiary (Note 45 (a))	—	(3.0)	—	—
Additional investment in Subsidiaries	(16.2)	(11.9)	—	(274.8)
Initial investment in a joint venture	(0.6)	—	—	—
Disposal of a Subsidiary (Note 45 (b))	—	59.9	—	—
Disposal of an associate	—	167.2	—	—
Disposal of quoted shares	0.3	—	—	—
Biological assets and property, plant and equipment				
– Purchases	(253.7)	(297.8)	(0.7)	(1.7)
– Disposals	621.5	297.1	0.1	—
Purchase and development of development properties	(122.9)	(150.7)	—	—
Subsequent expenditure on investment properties	(105.8)	(54.2)	(1.2)	(4.4)
Purchase of intangible assets	(27.4)	(57.5)	—	—
Advances to a joint venture for capital expenditure	(120.5)	(142.8)	—	—
Deposits paid on acquisition of plantation land	(75.0)	—	—	—
Dividends received	46.7	36.9	331.8	479.3
Interest received	41.8	43.8	94.0	85.0
Net cash (used in)/from investing activities	(11.8)	(113.0)	424.0	283.4

# STATEMENTS OF CASH FLOWS

## FOR THE YEAR ENDED 31 DECEMBER 2017

	Group		Company	
	2017 RM Million	2016 RM Million	2017 RM Million	2016 RM Million
<b>Financing activities</b>				
Dividends paid				
– By the Company	(243.2)	(337.6)	(243.2)	(337.6)
– By Subsidiaries	(180.7)	(148.6)	–	–
Perpetual Sukuk				
– Distribution	(73.7)	(73.7)	(73.7)	(73.7)
Issue of shares				
– By the Company	–	1,053.5	–	1,053.5
– By a Subsidiary	–	1.0	–	–
Proceeds from long term loans	1,032.1	187.2	992.1	80.3
Repayment of long term loans	(1,259.1)	(469.5)	(842.3)	(160.0)
Decrease of revolving credits and bankers' acceptances	(896.1)	(400.4)	(135.0)	(45.0)
Net payments from Group companies	–	–	(118.4)	(554.6)
Interest paid	(352.2)	(398.0)	(103.0)	(117.9)
Net cash used in financing activities	(1,972.9)	(586.1)	(523.5)	(155.0)
Net (decrease)/increase in cash and cash equivalents	(1,098.1)	413.1	(122.5)	94.8
Foreign currency translation difference	(2.8)	1.3	–	–
Cash and cash equivalents at beginning of year	1,692.9	1,278.5	132.8	38.0
Cash and cash equivalents at end of year	592.0	1,692.9	10.3	132.8
<b>Cash and cash equivalents at end of year</b>				
Deposits, cash and bank balances (Note 29)	631.1	1,717.6	32.5	141.4
Overdrafts (Note 34)	(39.1)	(24.7)	(22.2)	(8.6)
	592.0	1,692.9	10.3	132.8

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



# ACCOUNTING POLICIES

## (A) BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards and the requirements of Companies Acts 2016 in Malaysia.

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

## (B) BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its Subsidiaries as at and for the year ended 31 December of each year. Interests in associates and joint venture arrangements are equity accounted.

Subsidiaries are entities, including structured entities, controlled by the Company. In the Company's separate financial statements, investments in Subsidiaries are measured at cost less impairment losses, unless the investment is classified as held for sale or distribution. Dividends received from Subsidiaries are recorded as a component of revenue in the Company's separate statement of profit or loss.

The Group controls an entity when it is exposed, or has rights, to variable return 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 controls only when such rights are substantive. The Group also considers its 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 affect the investee's return.

Consolidation of a Subsidiary begins when the Group obtains control over the Subsidiary and ceases when the Group loses control of the Subsidiary. Assets, liabilities, income and expenses of a Subsidiary acquired or disposed off during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the Subsidiary.

The financial statements of the Subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non-controlling interests at the reporting period, being the portion of the net assets of the Subsidiaries attributable to equity interest that are not owned by the Group, whether directly or indirectly through Subsidiaries, are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

### (B) BASIS OF CONSOLIDATION (CONT'D.)

Acquisitions of Subsidiaries are accounted for using the acquisition method of accounting. The identifiable assets acquired and the liabilities assumed are measured at their fair values at the acquisition date. Acquisition costs incurred are expensed and included in administrative expenses. The difference between these fair values and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition. The accounting policy for goodwill is set out in Note E(a). Discount on acquisition which represents negative goodwill is recognised immediately as income in profit or loss.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

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

Changes in the Group's equity interest in a Subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their respective interests in the Subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in shareholders' equity.

Upon loss of control of a Subsidiary, the Group derecognises the assets (including goodwill) and liabilities of the former Subsidiary, any non-controlling interest and the other components of equity related to the former subsidiary from the consolidated statement of financial position. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained earnings. 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 and subsequently accounted for as an equity accounted investee or as an available for sale financial asset depending on the level of influence retained.

### (C) INVESTMENT IN ASSOCIATES AND JOINT VENTURES

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

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over Subsidiaries.

In the Company's separate financial statements, investment in associates and joint ventures is stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is charged or credited to profit or loss.

### (C) INVESTMENT IN ASSOCIATES AND JOINT VENTURES (CONT'D.)

Investments in associates and joint ventures are accounted for in the consolidated financial statements using the equity method. Under the equity method, the investment in an associate or joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associates or joint ventures is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated income statement reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of these investees is presented as part of the Group's OCI. In addition, where there has been a change recognised directly in the equity of an associate or a joint venture, the Group recognises its share of such change, when applicable, in the consolidated statement of changes in equity. Unrealised gains or losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the associates or joint ventures.

When the Group's share of losses exceeds its interest in an associate or joint venture, the Group does not recognise further losses except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

The most recent available financial statements of the associates and joint ventures are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Where necessary, adjustments are made to these financial statements to ensure consistency of the accounting policies used with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on its investment in associate or joint venture. The Group determines at each reporting date whether there is any objective evidence that the investment in associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value. Impairment loss is recognised in profit or loss.

Upon loss of significant influence or joint control over the associate or joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

### (D) FAIR VALUE MEASUREMENT

The Group measures financial instruments, such as derivatives, and non-financial assets such as investment properties, at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 40.

Fair value is 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 fair value measurement is based on the presumption 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 the asset or liability. The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset 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.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – unadjusted quoted market prices in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted market prices that are observable either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.



## (E) INTANGIBLE ASSETS

### (a) Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised, but instead, it is reviewed for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash generating unit is disposed off, the goodwill associated with the operation disposed off is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed off in this circumstance is measured based on the relative fair values of the operation disposed off and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note (F).

### (b) Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding development costs, are not capitalised and the expenditure is reflected in the profit or loss in the year when incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the estimated useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the profit or loss in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

### (E) INTANGIBLE ASSETS (CONT'D.)

#### (b) Other intangible assets (cont'd.)

Gain or loss arising from de-recognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss when the asset is derecognised.

##### (i) Concession right

A Subsidiary of the Group was granted the concession relating to the privatisation of the medical laboratory and stores of the Ministry of Health for the distribution of selected medical products to Government-owned hospitals for 11 years since 1998. The concession agreement was extended for a further ten years commencing 1 December 2009. The right attached to this concession which was acquired as part of a business combination is initially measured at its fair value at the acquisition date. The fair value of the concession right was computed by discounting the estimated future net cash flows to be generated from the acquisition date until the expiry of the current concession term which ends on 30 November 2019.

The fair value of the concession right is amortised on a straight line basis over the remaining tenure of the concession contract.

##### (ii) Research and development

Research costs are expensed as incurred. Development expenditure on an individual project is recognised as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

##### (iii) Rights to supply

Expenses incurred in providing and supplying to the Government of Malaysia certain hardware and software, being part and parcel of the ordinary contractual obligations under the concession agreement, are capitalised and carried at cost less accumulated amortisation and any accumulated impairment losses. The expenses are amortised over the concession period of 20 years. The title of these hardware and software vests with the Government of Malaysia.

Where an indication of impairment exists, the carrying amount of the rights to supply pharmaceutical products is assessed and written down immediately to its recoverable amount in accordance with accounting policy set out in Note (S).

# ACCOUNTING POLICIES

## (E) INTANGIBLE ASSETS (CONT'D.)

### (b) Other intangible assets (cont'd.)

#### (iv) Pharmacy manufacturing licence, trade name and intellectual property

Pharmacy manufacturing licence and trade name acquired in a business combination are recognised at fair value at the acquisition date.

The pharmacy manufacturing licence represents the rights to manufacture pharmaceutical products in Malaysia and Indonesia. The licence has a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of pharmacy manufacturing licence over a period of 6 to 9 years.

Trade name represents the in-house branded generic products and have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of trade name over a period of 15 years.

Intellectual property represents the patent rights for stevia formula and has a finite useful life and is carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of intellectual property over a period of 15 years.

## (F) CURRENCY CONVERSION

The Group's consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the functional currency of the Company. All transactions are recorded in Ringgit Malaysia. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

### (a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its Subsidiaries and recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period.

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

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

### (F) CURRENCY CONVERSION (CONT'D.)

#### (b) Consolidated financial statements

For consolidation purposes, the assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular operation is recognised in profit or loss.

### (G) PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment are initially recorded at cost. Certain land and buildings are subsequently shown at valuation less subsequent depreciation and impairment losses.

The Directors have not adopted a policy of regular valuation, and have applied the transitional provisions of IAS 16 (Revised) Property, Plant and Equipment which permits those assets to be stated at their prevailing valuations less accumulated depreciation. The valuations were determined by independent professional valuers on the open market basis, and no later valuations were recorded. All other property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment losses.

The revaluation surplus arising from previous revaluation is accumulated in equity under revaluation reserve. Any impairment loss is first offset against the revaluation surplus in respect of the same asset and the balance is thereafter recognised in profit or loss.

Freehold land is not amortised. Capital work in progress is also not amortised as the asset is not available for use. Leasehold land classified as finance lease is amortised in equal instalment over the period of the leases ranging from 60 to 999 years. Other assets are depreciated on a straight line basis to write off the cost or valuation of the assets to their residual values, over the term of their estimated useful lives as follows:

Buildings	5 – 80 years
Plant and machinery	3 – 30 years
Aircraft	6 – 15 years
Furniture and equipment	2 – 15 years
Motor vehicles	3 – 10 years

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss. Unutilised revaluation surplus on that item is taken directly to retained earnings.



## (H) BIOLOGICAL ASSETS

The expenditure on new planting and replanting of a different produce crop incurred up to the time of maturity is capitalised. Cost of development of the original produce crop is written off to profit or loss.

Depreciation charges and external borrowing costs related to the development of new plantations are included as part of the capitalisation of immature planting costs. Replanting expenditure incurred in respect of the same crop is charged to profit or loss in the year in which it is incurred. Biological assets is not amortised.

## (I) INVESTMENT PROPERTIES

Investment properties are properties that are held either to earn rental income or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties.

Investment properties are initially measured at cost, including transaction costs. Investment properties under construction (IPUC) are measured at fair value, or where fair value cannot be determined reliably, are measured at cost less impairment.

The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment properties are measured at fair value, which is determined by the Directors by reference to market evidence of transaction prices for similar properties, and valuation performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the year in which they arise.

An investment property is derecognised when either it has been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the investment property is derecognised.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value 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 (G) up to the date of change in use.

### (J) DEVELOPMENT PROPERTIES AND PROPERTY DEVELOPMENT IN PROGRESS

#### (a) Development properties

Development properties are classified within non-current assets and are stated at cost less accumulated impairment losses.

Development properties comprise land banks which are in the process of being prepared for development but have not been launched, or where development activities are not expected to be completed within the normal operating cycle.

Development properties are reclassified as property development in progress 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.

#### (b) Property development in progress

Property development in progress comprises cost of land currently being developed together with related development cost common to the whole project and direct building cost.

Property development revenue and expenses are recognised in profit or loss using the stage of completion method when the financial outcome of the development activity can be reliably estimated. The stage of completion is determined by the proportion that property development cost incurred for work performed to date bear to the estimated total property development cost.

Where the financial outcome cannot be reliably estimated, revenue is recognised to the extent that costs are recoverable and costs on properties sold are expensed in the period incurred.

Any expected loss on a development project, including costs to be incurred over the defect liability period, is recognised as an expense immediately.

The excess or shortfall of revenue recognised in profit or loss over billings to purchasers is classified as accrued billings within trade receivables or progress billings within trade payables respectively.

Property development costs not recognised as an expense are recognised as asset, which is measured at the lower of cost or net realisable value.

### (K) LONG TERM PREPAYMENTS

Long term prepayments comprise mainly prepaid rentals made to service station operators and land owners in respect of the Group's service station activities. These prepayments are amortised over the tenure of the agreements.

# ACCOUNTING POLICIES

## (L) CONSTRUCTION CONTRACTS

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract cost are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract cost incurred for work performed to date to the estimated total contract cost.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract cost incurred that is likely to be recoverable. Contract cost is recognised as expense in the period in which it is incurred.

When it is probable that total contract cost will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variation in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

When the total of cost incurred on construction contracts plus recognised profit (less recognised losses) exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed cost incurred plus recognised profit (less recognised losses), the balance is classified as amount due to customers on contracts.

## (M) REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Revenue from the sale of goods and services is recognised when the significant risks and rewards of ownership of the goods have been passed to the buyer, usually when the goods and services are delivered. Revenue from property development and construction contracts is recognised on the percentage of completion method. Rental income from the letting of properties is recognised on a straight line basis over the lease terms, while finance charges from hire purchase activities are recognised over the period of the hire purchase contracts using the effective interest method. Revenue from rental of hotel rooms, sale of food and beverage and other related income are recognised on an accrual basis. Revenue from air transportation and flight services comprise monthly standing charges and flying hour charges, and is recognised based on the contracted monthly charge and actual hours flown at contracted hourly rate respectively. Tuition fees are recognised over the period of instruction whereas non-refundable registration and enrolment fees are recognised when chargeable.

Dividends from Subsidiaries, associates, joint ventures and available for sale investments are recognised when the right to receive payment is established. Interest income is recognised on accrual basis using the effective interest method unless collection is doubtful.

## (N) TAXATION

Taxation recognised in profit or loss for the year comprises current and deferred tax.

Current tax is the expected amount of taxation payable in respect of the taxable profit (including withholding taxes which are payable by Subsidiaries and associates on distribution to the receiving entity and real property gains tax payable on disposals of property) for the year and is measured using the tax rates that have been enacted or substantively enacted by the reporting date.

Current tax relating to items recognised directly in equity is recognised in equity and not in the profit or loss.

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in Subsidiaries, associates and joint ventures, where the timing of reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with the investments in Subsidiaries, associates and joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes related to the same taxable entity and the same taxation authority.



# ACCOUNTING POLICIES

## (O) EMPLOYEE BENEFITS

Short term benefits such as wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

As required by law, the Group and the Company make contributions to the Employees Provident Fund in Malaysia. Some of the Group's foreign Subsidiaries make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the period in which the related service is performed. Termination benefits are paid in cases of termination of employment and are recognised as a liability and an expense when there is a detailed formal plan for the termination and is without realistic possibility of withdrawal.

## (P) INVENTORIES

Inventories are stated at the lower of cost or net realisable value, cost being determined on the weighted average basis. Cost includes all incidental costs incurred in bringing the inventories to their present location and condition; and in the case of produce stocks, includes harvesting, manufacturing and transport charges, where applicable. Inventories of completed properties comprise cost of land and the relevant development cost.

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

## (Q) FINANCIAL ASSETS

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

When the financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include loans and receivables, financial assets at fair value through profit or loss and available for sale financial assets. The Group and the Company do not have any held to maturity financial assets.

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

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term. Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment losses.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

### (Q) FINANCIAL ASSETS (CONT'D.)

#### (b) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. The Group's and the Company's loans and receivables comprise receivables (exclude prepayments and advances paid to suppliers), deposits and cash and bank balances.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment losses. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

#### (c) Available for sale (AFS) financial assets

AFS financial assets are financial assets that are designated as available for sale or are not classified in any other categories of financial assets. The Group's and the Company's available for sale financial assets comprise investments.

After initial recognition, AFS financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on available for sale equity instruments are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

Investment in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

AFS financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require the delivery of assets within the period generally established by regulation or convention in marketplace concerned.

## (R) IMPAIRMENT OF FINANCIAL ASSETS

All financial assets are assessed at each reporting date whether there is any objective evidence of impairment.

### (a) Financial assets carried at amortised cost

To determine whether there is objective evidence that impairment exists for financial assets carried at amortised cost, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has occurred, the amount of the loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

### (b) Available for sale financial assets

In the case of equity instruments classified as available for sale, significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that these financial assets are impaired.

If an available for sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss.

Impairment losses on available for sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income.

### (S) IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amounts of other assets are reviewed at the end of each reporting date to determine whether there is an indication of impairment. If such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGU).

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

An impairment loss is recognised if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

### (T) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

### (U) FINANCIAL LIABILITIES

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of financial liabilities at initial recognition.

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.



## (U) FINANCIAL LIABILITIES (CONT'D.)

### (b) Other financial liabilities

The Group's and the Company's other financial liabilities include loans and borrowings, trade payables and other payables.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

## (V) LEASES

### (a) Finance lease

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards of ownership. Finance leases are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

### (b) Operating lease

Leases of assets under which substantial risks and rewards incidental to ownership are retained by the lessor are classified as operating leases.

Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight line basis.

### (W) NON-CURRENT ASSETS HELD FOR SALE

Non-current assets or disposal groups are classified as being held for sale if their carrying amount is recovered principally through a sale transaction rather than through continuing use. These assets are measured at the lower of carrying amount and fair value less costs to sell when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition subject only to the terms that are usual and customary.

Non-current assets held for sale are not depreciated.

Assets and liabilities classified as held for sale are presented separately as current items in the statements of financial position.

### (X) SEGMENT REPORTING

For management purpose, the Group is organised into operating segments based on their activities, products and services which are independently managed by the Divisional Directors responsible for the performance of the respective segments under their charge. The Divisional Directors report directly to the Group's chief operating decision maker who regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance.

### (Y) EQUITY INSTRUMENTS AND RELATED EXPENSES

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares of the Company and the Junior Sukuk Musharakah (Perpetual Sukuk) are equity instruments.

Ordinary shares and the Perpetual Sukuk are classified as equity. Dividends on ordinary shares and distributions on the Perpetual Sukuk are recognised in equity in the period in which they are declared respectively. The attributable incremental transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax.

### (Z) BORROWING COSTS

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditure and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

### (AA) CONTINGENCIES

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and the Company.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and the Company.

## (AB) CURRENT VERSUS NON-CURRENT CLASSIFICATION

The Group and the Company present assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold and consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within 12 months after the reporting period or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

Boustead Holdings Berhad is an investment holding company. The Company's other principal activities include the provision of management services to Subsidiaries and property investment. The Company is a public limited liability company, incorporated in Malaysia in 1960, and listed on the Main Market of Bursa Malaysia Securities Berhad. The Company's registered office is located at 28th Floor, Menara Boustead, 69 Jalan Raja Chulan, 50200 Kuala Lumpur.

Information on the Group's investment in Subsidiaries, associates and joint ventures is set out on pages 235 to 241 of this annual report.

The Company is a subsidiary of Lembaga Tabung Angkatan Tentera, a local statutory body established under the Tabung Angkatan Tentera Act, 1973.

These financial statements are presented in Ringgit Malaysia and rounded to the nearest million, unless otherwise stated. These financial statements were approved and authorised for issue by the Directors on 5 March 2018.

## 2. CHANGES IN ACCOUNTING POLICIES

The Group and the Company applied for the first time the following new and amended standards which are effective for annual periods beginning on or after 1 January 2017.

Adoption of the new or amended standards did not have any effect on the financial performance or the position of the Group and of the Company except as disclosed below:

- Amendments to FRS 12 Disclosure of Interests in Other Entities (Annual Improvements 2014 – 2016 Cycle)
- Amendments to FRS 107 Statement of Cash Flows Disclosure Initiative
- Amendments to FRS 112 Income Taxes Recognition of Deferred Tax Assets for Unrealised Losses

### **Amendments to FRS 107: Statement of Cash Flows - Disclosure Initiative**

The amendments to FRS 107 Statement of Cash Flows require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Apart from the additional disclosures in Note 34 to the financial statements, the application of these amendments has had no impact on the Group and the Company.



## 3. MALAYSIAN FINANCIAL REPORTING STANDARDS

The Group and the Company will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2018. In presenting its first MFRS financial statements, the Group and the Company will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

The Group and the Company have established a project team to plan and manage the adoption of the MFRS Framework. This project consists of the following phases:

(a) Assessment and planning phase

This phase involves the following:

- (i) High level identification of the key differences between Financial Reporting Standards and accounting standards under the MFRS Framework and disclosures that are expected to arise from the adoption of MFRS Framework;
- (ii) Evaluation of any training requirements; and
- (iii) Preparation of a conversion plan.

The Group and the Company consider the assessment and planning phase to be complete as at the date of these financial statements.

(b) Implementation and review phase

This phase aims to:

- (i) develop training programs for the staff;
- (ii) formulate new and/or revised accounting policies and procedures for compliance with the MFRS Framework;
- (iii) identify potential financial effects as at the date of transition, arising from the adoption of the MFRS Framework; and
- (iv) develop disclosures required by the MFRS Framework.

The Group and the Company have not completed its assessment of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework. Accordingly, the consolidated financial performance and financial position as disclosed in these financial statements for the year ended 31 December 2017 could be different if prepared under the MFRS Framework.

The Group and the Company consider that it is achieving its scheduled milestones and expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2018.

## 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's and the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

### (a) Impairment of intangible assets

The Group assesses whether there are any indicators of impairment of intangible assets at each reporting date. Intangible assets (goodwill and intangible assets with indefinite useful lives) are tested for impairment annually and at any other time when such indicators exist. Intangible assets are tested for impairment when there are indicators that their carrying values may exceed the recoverable amounts. When value in use (VIU) calculations are undertaken, management estimates the expected future cash flows from the asset or cash generating unit (CGU) and chooses a suitable discount rate in order to calculate the present value of those cash flows. The preparation of the estimated future cash flows involves significant judgement and estimations. While the Group believes that the assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable amounts and may lead to future impairment losses. Further details of the key assumptions applied in the impairment assessment of intangible assets are given in Note 24.

### (b) Useful lives of property, plant and equipment

The Group and the Company estimate the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of property, plant and equipment are based on the internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets.

### (c) Impairment of property, plant and equipment, biological assets, prepaid land lease payments and investment in Subsidiaries

The Group and the Company review the carrying amounts of the above non-financial assets at each reporting date to determine whether there is any indication of impairment.

If any such indication exists, the Group and the Company shall estimate the recoverable amount of CGU or groups of CGU. The recoverable amount is measured at the higher of fair value less costs of disposal (FVLCD) or VIU.

Where assessment of the recoverable amount of CGU or groups of CGU is determined on the basis of FVLCD, the Group and the Company had amongst others, based the FVLCD on valuations by independent professional valuers which were derived from comparisons with recent transactions involving other similar assets and where applicable, the age, size and title tenure.

Determining the VIU of CGU or groups of CGU require the estimation of future cash flows expected to be derived from continuing use of the assets and from the ultimate disposal of such assets. In estimating the VIU, 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D.)

### (c) Impairment of property, plant and equipment, biological assets, prepaid land lease payments and investment in Subsidiaries (cont'd.)

The estimation of the recoverable amounts involves significant judgement and estimations. While the Group and the Company believe that the assumptions are appropriate and reasonable, changes in the assumptions may materially affect the assessment of recoverable amounts.

The accumulated impairment losses for property, plant and equipment, biological assets and investment in subsidiaries are disclosed in Notes 13, 14 and 20 respectively.

### (d) Impairment of loans and receivables

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtors and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts of the Group's and the Company's loans and receivables at the reporting date are disclosed in Note 39.

### (e) Property development

The Group recognises property development revenue and expenses in profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that property development cost incurred for work performed to date bear to the estimated total property development cost.

Significant judgement is required in determining the stage of completion, the extent of the property development cost incurred, the estimated total property development revenue and cost, as well as the recoverability of the property development cost. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

The carrying amounts of the Group's development properties and property development in progress are disclosed in Note 16 and Note 26 respectively.

### (f) Long term and construction contracts

When the outcome of a long term and construction contracts can be determined reliably, the Group recognises construction revenue and cost, including rendering of services, in the profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that contract cost incurred for work performed to date bear to the estimated total contract cost.

Significant judgement is required in determining the stage of completion, the extent of the contract cost incurred, the estimated total contract revenue and cost, as well as the recoverability of the contract cost.

In making the judgement, the Group evaluates based on past experience and by relying on the work of internal specialists. Information on the Group's construction contract balances, revenue and cost are disclosed in Note 27.

# NOTES TO THE FINANCIAL STATEMENTS

## 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D.)

### (g) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unused tax credits and unabsorbed capital allowances and agricultural allowances to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volume, operating cost, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation.

These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statement of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

The total carrying value of the Group's recognised tax losses, tax credits, capital allowances and agricultural allowances and the unrecognised tax losses, tax credits, capital allowances and agricultural allowances are disclosed in Note 19.

## 5. REVENUE

	Group		Company	
	2017 RM Million	2016 RM Million	2017 RM Million	2016 RM Million
Sale of produce	758.5	705.7	—	—
Sale of goods				
– Petroleum products	4,111.7	3,247.7	—	—
– Pharmaceutical products	2,324.0	2,189.0	—	—
– Building materials	357.7	349.9	—	—
– Others	2.5	7.4	—	—
Ship repair	434.6	330.0	—	—
Shipbuilding	1,112.6	481.8	—	—
Sale of development properties	319.2	389.3	—	—
Rental income	125.8	123.8	7.5	7.1
Hotel operations	162.6	168.5	—	—
Tuition fees	135.0	149.6	—	—
Air transportation and flight services	128.7	171.1	—	—
Chartering of vessels	—	6.0	—	—
Gross dividends from quoted shares in Malaysia				
– Subsidiaries	—	—	205.9	157.9
– Associates	—	—	36.2	32.1
– Others	—	—	0.2	0.1
Gross dividends from unquoted shares in Malaysia				
– Subsidiaries	—	—	99.6	234.3
– Associates	—	—	1.1	1.0
Others	47.2	51.5	8.4	7.9
	10,020.1	8,371.3	358.9	440.4



# NOTES TO THE FINANCIAL STATEMENTS

## 6. OPERATING COST

	Group		Company	
	2017 RM Million	2016 RM Million	2017 RM Million	2016 RM Million
Changes in inventories of finished goods and work in progress	(7.1)	25.8	–	–
Finished goods and work in progress purchases	5,858.2	4,892.5	–	–
Raw materials and consumables used	1,809.0	1,069.6	–	–
Staff costs	673.7	677.3	20.6	19.1
Defined contribution plans	86.5	88.5	3.1	2.9
Depreciation and amortisation				
– Property, plant and equipment (Note 13)	255.1	262.1	0.9	0.7
– Prepaid land lease payments (Note 17)	2.1	2.1	–	–
– Long term prepayments (Note 18)	11.4	9.8	–	–
– Intangible assets (Note 24)	26.3	23.2	–	–
Auditors' remuneration paid to Ernst & Young				
– Statutory audit	3.4	3.4	0.3	0.3
– Others	0.3	1.0	0.1	0.1
Auditors' remuneration paid to other firm				
– Statutory audit	1.0	0.8	–	–
Directors' fees – current year	1.5	1.3	0.5	0.5
Directors' remuneration				
– Emoluments	6.1	5.3	4.0	3.5
– Benefits	0.3	0.5	0.2	0.4
Property, plant and equipment				
– Gain on disposal	(0.9)	(42.5)	–	–
– Impairment losses (Note 13)	46.9	4.6	–	–
– Reversal of impairment losses (Note 13)	–	(0.3)	–	–
– Written off (Note 13)	2.3	2.6	–	0.1
Biological assets (Note 14)				
– Impairment losses	10.0	10.4	–	–
Trade receivables (Note 28)				
– Impairment losses	11.2	12.2	–	–
– Reversal of impairment losses	(10.3)	(5.9)	–	–
Other operating cost	508.9	865.1	(5.1)	3.6
	9,295.9	7,909.4	24.6	31.2

## NOTES TO THE FINANCIAL STATEMENTS

### 6. OPERATING COST (CONT'D.)

	Group		Company	
	2017 RM Million	2016 RM Million	2017 RM Million	2016 RM Million
Other operating cost includes:				
Rent paid	26.1	29.0	2.9	2.5
Investment properties				
– Direct operating expenses	42.2	44.3	3.4	3.4
Aircraft and flight operating expenses				
– Maintenance and upkeep	1.2	20.4	–	–
Hire of equipment	3.8	4.6	–	–
Research and development	17.3	16.6	–	–
Net fair value loss/(gain) on derivatives (Note 40)	22.5	(9.1)	–	–
Net foreign exchange (gain)/loss				
– Realised	(28.9)	11.2	–	–
– Unrealised	(2.2)	17.3	–	–
Inventories (Note 25)				
– Writedown	6.0	40.4	–	–
– Writeback	–	(1.6)	–	–
Other receivables (Note 28)				
– Impairment losses	12.7	14.3	–	3.4
Amounts due from Subsidiaries (Note 28)				
– Reversal of impairment losses	–	–	(17.2)	(9.4)

### 7. INTEREST INCOME

	Group		Company	
	2017 RM Million	2016 RM Million	2017 RM Million	2016 RM Million
Interest income				
– Subsidiaries	–	–	85.3	79.7
– Associates and joint ventures	14.0	5.5	3.6	1.5
– Others	27.8	38.3	4.7	4.3
	41.8	43.8	93.6	85.5

# NOTES TO THE FINANCIAL STATEMENTS

## 8. OTHER INVESTMENT RESULTS

	Group		Company	
	2017 RM Million	2016 RM Million	2017 RM Million	2016 RM Million
Gross dividends				
– Quoted shares in Malaysia	1.1	1.1	–	–
Profit on disposal of				
– Subsidiaries (Note 45(b))	–	33.4	–	–
– Associate	–	209.6	–	–
– Quoted shares	0.1	–	–	–
Net fair value gain on investment properties (Note 15)	43.9	40.3	3.4	1.8
Impairment losses				
– Quoted shares in Malaysia	(0.7)	(2.9)	–	–
– Goodwill (Note 24)	(38.0)	(4.5)	–	–
– Subsidiaries	–	–	–	(9.8)
	6.4	277.0	3.4	(8.0)

## 9. FINANCE COST

	Group		Company	
	2017 RM Million	2016 RM Million	2017 RM Million	2016 RM Million
Interest expense on				
– Asset-backed bonds	42.1	42.1	–	–
– Bank borrowings	259.8	310.4	64.4	67.8
– Islamic medium term notes	16.6	–	16.6	–
– Bank guaranteed medium term notes	33.0	50.0	33.0	50.0
– Loans from Subsidiaries	–	–	0.3	2.9
	351.5	402.5	114.3	120.7
Capitalised in qualifying assets				
– Property, plant and equipment (Note 13)	–	(1.9)	–	–
– Biological assets (Note 14)	–	(0.2)	–	–
– Investment properties (Note 15)	(4.5)	(2.8)	–	–
– Development properties (Note 16)	(16.0)	(6.1)	–	–
– Property development in progress (Note 26)	(5.6)	(6.1)	–	–
– Construction contracts (Note 27)	(71.0)	(91.8)	–	–
	(97.1)	(108.9)	–	–
	254.4	293.6	114.3	120.7

# NOTES TO THE FINANCIAL STATEMENTS

## 10. TAXATION

	Group		Company	
	2017 RM Million	2016 RM Million	2017 RM Million	2016 RM Million
Taxation on profit for the year				
– Malaysian	158.8	139.5	6.8	4.4
– Foreign	2.7	1.7	–	–
Deferred tax relating to origination and reversal of temporary differences (Note 19)	28.1	23.0	0.1	0.3
	189.6	164.2	6.9	4.7
Under/(over) provision in prior year				
– Current income tax	1.1	(11.5)	0.7	0.6
– Deferred tax (Note 19)	3.0	(1.4)	–	–
	193.7	151.3	7.6	5.3

A reconciliation of taxation applicable to profit before taxation at the statutory income tax rate of 24% to taxation at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2017 RM Million	2016 RM Million	2017 RM Million	2016 RM Million
Profit before taxation	1,117.0	740.4	317.0	366.0
Taxation at Malaysian statutory rate of 24%	268.1	177.7	76.1	87.8
Income not subject to tax	(13.2)	(13.5)	(86.5)	(102.2)
Income subject to different tax rates	(119.8)	(71.7)	(0.6)	–
Share of results in associates and joint ventures	(10.6)	(30.5)	–	–
Non-deductible expenses	89.2	71.9	17.9	19.1
Expenses subject to double deduction	(4.5)	(4.1)	–	–
Tax incentives	(3.3)	(4.5)	–	–
Deferred tax assets not recognised	44.4	61.5	–	–
Benefit from previously unrecognised tax losses and unabsorbed capital allowances and agricultural allowances	(60.7)	(22.6)	–	–
	189.6	164.2	6.9	4.7
Under/(over) provision in prior year	4.1	(12.9)	0.7	0.6
Taxation recognised in profit or loss	193.7	151.3	7.6	5.3



# NOTES TO THE FINANCIAL STATEMENTS

## 11. EARNINGS PER SHARE

Basic and diluted earnings per share of the Group is calculated by dividing the consolidated profit for the year attributable to shareholders of the Company of RM462.0 million (2016: RM369.0 million) by the weighted average number of ordinary shares in issue during the year of RM2,027.0 million (2016: 1,842.1 million).

## 12. DIVIDENDS

	Dividend amount		Dividend per share	
	2017 RM Million	2016 RM Million	2017 Sen	2016 Sen
Dividends on ordinary shares in respect of financial year ended 31 December				
– First interim	50.7	51.7	2.5	5.0
– Second interim	60.8	81.1	3.0	4.0
– Third interim	60.8	101.4	3.0	5.0
	172.3	234.2	8.5	14.0
Fourth interim dividend paid in respect of the previous financial year	70.9	41.4	3.5	4.0
	243.2	275.6	12.0	18.0

Subsequent to the end of the current financial year, the Directors declared a fourth interim dividend of 2.5 sen per share amounting to RM50.7 million in respect of the financial year ended 31 December 2017. The dividend which will be paid on 29 March 2018 will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2018.

# NOTES TO THE FINANCIAL STATEMENTS

## 13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RM Million	Aircraft RM Million	Plant and machinery RM Million	Others RM Million	Total RM Million
<b>Group – 2017</b>					
<b>Cost or valuation</b>					
At 1 January	3,610.8	999.4	914.0	1,042.0	6,566.2
Additions	63.8	–	42.0	147.9	253.7
Disposals	(16.2)	–	(19.9)	(11.1)	(47.2)
Written off (Note 6)	(0.4)	–	(0.8)	(17.7)	(18.9)
Transfer to assets held for sale (Note 30)	(10.4)	–	(0.1)	–	(10.5)
Reclassification	68.1	–	66.0	(134.1)	–
Exchange adjustment	(2.1)	–	(1.3)	(1.8)	(5.2)
At 31 December	3,713.6	999.4	999.9	1,025.2	6,738.1
<b>Accumulated depreciation and impairment losses</b>					
At 1 January	390.4	298.3	413.9	525.4	1,628.0
Depreciation charge for the year					
– Recognised in profit or loss (Note 6)	62.2	50.8	68.1	74.0	255.1
– Capitalised in contract cost (Note 27)	0.7	–	3.8	6.2	10.7
Transfer to assets held for sale (Note 30)	(0.1)	–	(0.1)	–	(0.2)
Impairment losses (Note 6)	4.0	42.9	–	–	46.9
Disposals	(3.6)	–	(15.8)	(9.8)	(29.2)
Written off (Note 6)	(0.4)	–	(0.7)	(15.5)	(16.6)
Exchange adjustment	(0.8)	–	(0.2)	(0.9)	(1.9)
At 31 December	452.4	392.0	469.0	579.4	1,892.8
<b>Net book value</b>					
At 31 December 2017	3,261.2	607.4	530.9	445.8	4,845.3
<b>Accumulated impairment losses</b>					
At 31 December 2017	4.0	42.9	–	32.6	79.5

# NOTES TO THE FINANCIAL STATEMENTS

## 13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Land and buildings RM Million	Aircraft RM Million	Plant and machinery RM Million	Others RM Million	Total RM Million
<b>Group – 2016</b>					
<b>Cost or valuation</b>					
At 1 January	3,641.1	1,020.3	845.6	927.0	6,434.0
Acquisition of a Subsidiary (Note 45(a))	–	–	–	0.6	0.6
Disposal of a Subsidiary (Note 45(b))	(3.4)	–	(1.1)	(0.9)	(5.4)
Additions	22.6	0.1	21.6	228.1	272.4
Disposals	(19.3)	(21.0)	(8.9)	(7.3)	(56.5)
Written off (Note 6)	(0.6)	–	(5.2)	(9.3)	(15.1)
Transfer to assets held for sale (Note 30)	(50.3)	–	–	–	(50.3)
Reclassification	34.6	–	62.0	(96.6)	–
Exchange adjustment	(13.9)	–	–	0.4	(13.5)
At 31 December	3,610.8	999.4	914.0	1,042.0	6,566.2
<b>Accumulated depreciation and impairment losses</b>					
At 1 January	334.7	251.1	359.8	453.4	1,399.0
Disposal of a Subsidiary (Note 45(b))	(1.0)	–	(0.7)	(0.8)	(2.5)
Depreciation charge for the year					
– Recognised in profit or loss (Note 6)	63.7	60.2	67.1	71.1	262.1
– Capitalised in contract cost (Note 27)	–	–	–	9.6	9.6
Transfer to assets held for sale (Note 30)	(0.3)	–	–	–	(0.3)
Impairment losses (Note 6)	–	–	–	4.6	4.6
Reversal of impairment losses (Note 6)	(0.3)	–	–	–	(0.3)
Disposals	(6.4)	(13.0)	(8.3)	(4.5)	(32.2)
Written off (Note 6)	(0.6)	–	(4.1)	(7.8)	(12.5)
Reclassification	0.5	–	0.1	(0.6)	–
Exchange adjustment	0.1	–	–	0.4	0.5
At 31 December	390.4	298.3	413.9	525.4	1,628.0
<b>Net book value</b>					
At 31 December 2016	3,220.4	701.1	500.1	516.6	4,938.2
<b>Accumulated impairment losses</b>					
At 31 December 2016	–	–	–	32.6	32.6

## 13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Others RM Million	Total RM Million
<b>Company – 2017</b>		
<b>Cost</b>		
At 1 January 2017	11.7	11.7
Additions	0.7	0.7
Disposal	(0.2)	(0.2)
At 31 December 2017	12.2	12.2
<b>Accumulated depreciation</b>		
At 1 January 2017	7.9	7.9
Charge for the year (Note 6)	0.9	0.9
Disposal	(0.1)	(0.1)
At 31 December 2017	8.7	8.7
<b>Net book value</b>		
At 31 December 2017	3.5	3.5
<b>Company – 2016</b>		
<b>Cost</b>		
At 1 January 2016	9.7	9.7
Additions	1.7	1.7
Written off (Note 6)	(0.1)	(0.1)
Transfer from Group companies	0.4	0.4
At 31 December 2016	11.7	11.7
<b>Accumulated depreciation</b>		
At 1 January 2016	7.2	7.2
Charge for the year (Note 6)	0.7	0.7
At 31 December 2016	7.9	7.9
<b>Net book value</b>		
At 31 December 2016	3.8	3.8



# NOTES TO THE FINANCIAL STATEMENTS

## 13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Group		Company	
	2017 RM Million	2016 RM Million	2017 RM Million	2016 RM Million
<b>Analysis of net book value of land and buildings:</b>				
Freehold property				
– Land	928.6	932.2	–	–
– Building	1,108.1	1,135.8	–	–
	2,036.7	2,068.0	–	–
Leasehold property				
Long leasehold				
– Land	638.1	642.3	–	–
– Building	413.1	334.9	–	–
Short leasehold				
– Land	5.5	7.6	–	–
– Building	167.8	167.6	–	–
	1,224.5	1,152.4	–	–
	3,261.2	3,220.4	–	–
<b>Analysis of cost or valuation:</b>				
Cost	6,602.9	6,431.0	12.2	11.7
Valuation	135.2	135.2	–	–
	6,738.1	6,566.2	12.2	11.7

Included in the Group's other property, plant and equipment is capital work in progress costing RM203.9 million (2016: RM259.8 million).

The other assets included under this category are motor vehicles and furniture and equipment.

Properties stated at valuation are based on independent professional valuation carried out on an open market basis. As allowed by the transitional provision of IAS 16 (Revised) Property, Plant and Equipment, these assets continued to be stated on the basis of their previous valuations. The net book value of these revalued freehold properties that would have been included in the Group's financial statements, had these assets been carried at cost less depreciation is RM52.8 million (2016: RM54.3 million).

Additions to the Group's property, plant and equipment during the previous financial year include the capitalisation of interest cost of RM1.9 million. There was no interest capitalised during the financial year (Note 9).

The net carrying amount of property, plant and equipment pledged as securities for borrowings as disclosed in Note 34 is RM149.3 million (2016: RM165.1 million).

Impairment losses of aircraft of RM42.9 million and buildings of RM4.0 million (Heavy Industries Division) for the year represent the write down of aircraft and buildings to their recoverable amount of RM290.5 million and RMNil respectively as these assets were not in use upon termination of contract by the counter parties, as disclosed in Note 44(e) to the financial statements.

The recoverable amount of the aircraft was determined based on fair value less cost of disposal which was derived from a valuation report provided by an independent professional valuer, estimated based on comparisons with recent transactions involving other similar assets (Level 3 of the fair value hierarchy).

The impairment losses for the previous financial year of RM4.6 million represent the write down of cranes and work in progress (Heavy Industries Division).

## 14. BIOLOGICAL ASSETS

	Group	
	2017 RM Million	2016 RM Million
<b>Cost</b>		
At 1 January	1,293.3	1,295.7
Transfer to assets held for sale (Note 30)	(3.7)	(10.1)
Disposal of a Subsidiary (Note 45(b))	–	(19.5)
Additions	–	27.5
Disposals	–	(0.3)
At 31 December	1,289.6	1,293.3
<b>Accumulated impairment losses</b>		
At 1 January	44.7	34.3
Impairment for the year (Note 6)	10.0	10.4
At 31 December	54.7	44.7
<b>Net book value</b>		
At 31 December	1,234.9	1,248.6
Interest cost capitalised during the year (Note 9)	–	0.2

Certain oil palm estates and mills of the Group with a net carrying amount of RM146.4 million (2016: RM193.2 million) were incurring losses or operating at near break even level or have significant decline in fresh fruit bunches yield. These were identified by management as indications of impairment.

Management had performed an impairment assessment and estimated the recoverable amount as the higher of fair value less costs of disposal or value in use. The impairment review gave rise to impairment losses of RM10.0 million (2016: RM10.4 million) in respect of biological assets with a net carrying amount of RM97.9 million (2016: RM77.7 million). The impairment losses were recognised on the basis of the estimated recoverable amount of RM87.9 million (2016: RM67.3 million) which was derived from value in use calculation and discounted using a pre-tax discount rate of 9.0% (2016: 9.5%).

# NOTES TO THE FINANCIAL STATEMENTS

## 15. INVESTMENT PROPERTIES

	Completed investment properties RM Million	Investment properties under construction at cost RM Million	Total RM Million
<b>Group</b>			
At 1 January 2016	1,460.6	83.2	1,543.8
Net fair value gain (Note 8)	40.3	–	40.3
Additions	–	44.3	44.3
Additions from subsequent expenditure	12.7	–	12.7
At 31 December 2016 and 1 January 2017	<b>1,513.6</b>	<b>127.5</b>	<b>1,641.1</b>
Net fair value gain (Note 8)	<b>43.9</b>	–	<b>43.9</b>
Additions	<b>9.5</b>	<b>104.1</b>	<b>113.6</b>
Additions from subsequent expenditure	<b>6.2</b>	–	<b>6.2</b>
At 31 December 2017	<b>1,573.2</b>	<b>231.6</b>	<b>1,804.8</b>
<b>Company</b>			
At 1 January 2016	100.8	–	100.8
Net fair value gain (Note 8)	1.8	–	1.8
Additions from subsequent expenditure	4.4	–	4.4
At 31 December 2016 and 1 January 2017	<b>107.0</b>	–	<b>107.0</b>
Net fair value gain (Note 8)	<b>3.4</b>	–	<b>3.4</b>
Additions	<b>9.5</b>	–	<b>9.5</b>
Additions from subsequent expenditure	<b>1.2</b>	–	<b>1.2</b>
At 31 December 2017	<b>121.1</b>	–	<b>121.1</b>

Investment properties were revalued by Directors based on independent professional valuations using open market value basis. Valuations are performed by accredited independent valuers with recent experience in the location and categories of properties being valued.

Additions to the Group's investment properties under construction during the year include the capitalisation of interest cost of RM4.5 million (2016: RM2.8 million) as disclosed in Note 9.

## 16. DEVELOPMENT PROPERTIES

	Group	
	2017 RM Million	2016 RM Million
At 1 January		
– Freehold land, at cost	294.7	294.9
– Long leasehold land, at cost	3.6	4.3
– Development costs	338.3	339.7
	636.6	638.9
Transfer to property development in progress (Note 26)		
– Freehold land	(0.4)	(0.2)
– Long leasehold land	(0.5)	(0.7)
– Development costs	(118.0)	(137.8)
	(118.9)	(138.7)
Cost incurred during the year		
– Development costs	126.5	144.6
– Exchange adjustment	(0.4)	(8.2)
	126.1	136.4
At 31 December	643.8	636.6
Interest cost capitalised during the year (Note 9)	16.0	6.1



# NOTES TO THE FINANCIAL STATEMENTS

## 17. PREPAID LAND LEASE PAYMENTS

	Group	
	2017 RM Million	2016 RM Million
<b>Cost</b>		
At 1 January	66.6	72.8
Disposal of a Subsidiary (Note 45(b))	–	(6.2)
Exchange adjustment	(0.2)	–
At 31 December	66.4	66.6
<b>Accumulated amortisation</b>		
At 1 January	12.6	11.2
Disposal of a Subsidiary (Note 45(b))	–	(0.7)
Charge for the year (Note 6)	2.1	2.1
At 31 December	14.7	12.6
<b>Net book value</b>		
At 31 December	51.7	54.0
Amount to be amortised		
– Within 1 year	2.1	2.1
– Later than 1 year but not later than 5 years	8.4	8.4
– Later than 5 years	41.2	43.5
	51.7	54.0

## 18. LONG TERM PREPAYMENTS

	Group	
	2017 RM Million	2016 RM Million
At 1 January	183.1	170.3
Additions	30.4	22.6
Charge for the year (Note 6)	(11.4)	(9.8)
Disposal	(0.3)	–
At 31 December	201.8	183.1

Long term prepayments comprise mainly prepaid rentals made to service station operators and land owners in respect of the Group's service station activities. These prepayments are amortised over the tenure of the agreements.

## 19. DEFERRED TAXATION

	Group		Company	
	2017 RM Million	2016 RM Million	2017 RM Million	2016 RM Million
At 1 January	(79.3)	(55.6)	(2.6)	(2.3)
Recognised in profit or loss (Note 10)	(31.1)	(21.6)	(0.1)	(0.3)
Acquisition of a Subsidiary (Note 45(a))	–	(0.1)	–	–
Disposal of a Subsidiary (Note 45(b))	–	(2.4)	–	–
Exchange adjustment	2.1	0.4	–	–
At 31 December	(108.3)	(79.3)	(2.7)	(2.6)
Presented after appropriate offsetting as follows:				
Deferred tax assets	52.5	46.3	–	–
Deferred tax liabilities	(160.8)	(125.6)	(2.7)	(2.6)
	(108.3)	(79.3)	(2.7)	(2.6)

Deferred tax liabilities of the Company comprise mainly the taxable temporary differences on the Company's investment property.

# NOTES TO THE FINANCIAL STATEMENTS

## 19. DEFERRED TAXATION (CONT'D.)

The components and movements of deferred tax assets and liabilities for the Group during the financial year prior to offsetting are as follows:

	Tax losses RM Million	Unabsorbed capital allowances RM Million	Others RM Million	Total RM Million
<b>Deferred tax assets – Group</b>				
At 1 January 2016	98.5	84.6	45.6	228.7
Disposal of a Subsidiary (Note 45(b))	(1.7)	(1.3)	–	(3.0)
Recognised in profit or loss	6.9	3.1	0.8	10.8
Exchange adjustment	–	0.4	–	0.4
At 31 December 2016 and 1 January 2017	<b>103.7</b>	<b>86.8</b>	<b>46.4</b>	<b>236.9</b>
Recognised in profit or loss	<b>13.6</b>	<b>(49.6)</b>	<b>(2.2)</b>	<b>(38.2)</b>
Exchange adjustment	–	–	<b>2.1</b>	<b>2.1</b>
At 31 December 2017	<b>117.3</b>	<b>37.2</b>	<b>46.3</b>	<b>200.8</b>

	Fair value gain on investment properties RM Million	Accelerated depreciation RM Million	Others RM Million	Total RM Million
<b>Deferred tax liabilities – Group</b>				
At 1 January 2016	(15.1)	(234.8)	(34.4)	(284.3)
Acquisition of a Subsidiary (Note 45(a))	–	–	(0.1)	(0.1)
Disposal of a Subsidiary (Note 45(b))	–	0.6	–	0.6
Recognised in profit or loss	(5.4)	(15.5)	(11.5)	(32.4)
At 31 December 2016 and 1 January 2017	<b>(20.5)</b>	<b>(249.7)</b>	<b>(46.0)</b>	<b>(316.2)</b>
Recognised in profit or loss	<b>(2.1)</b>	<b>11.9</b>	<b>(2.7)</b>	<b>7.1</b>
At 31 December 2017	<b>(22.6)</b>	<b>(237.8)</b>	<b>(48.7)</b>	<b>(309.1)</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 19. DEFERRED TAXATION (CONT'D.)

Deferred tax assets which have not been recognised are as follows:

	Group		Company	
	2017 RM Million	2016 RM Million	2017 RM Million	2016 RM Million
Unused tax losses	975.6	1,027.7	–	–
Unabsorbed capital allowances and agricultural allowances	363.3	364.3	–	–
Unabsorbed investment tax allowances	26.5	41.3	–	–
	<b>1,365.4</b>	<b>1,433.3</b>	<b>–</b>	<b>–</b>

The availability of the unused tax losses and unabsorbed capital allowances and agricultural allowances for offsetting against future taxable profits of the respective Subsidiaries are subject to no substantial changes in shareholding of these Subsidiaries under section 44(5A) and 44(5B) of the Income Tax Act, 1967. Deferred tax assets have not been recognised in respect of these items because there is uncertainty as to if and when the companies that have a recent history of losses will become profitable.

### 20. SUBSIDIARIES

	Company	
	2017 RM Million	2016 RM Million
At cost		
Shares quoted in Malaysia	1,117.4	1,117.4
Unquoted shares	2,126.5	2,127.5
	<b>3,243.9</b>	<b>3,244.9</b>
Accumulated impairment losses	(15.6)	(15.6)
	<b>3,228.3</b>	<b>3,229.3</b>
Market value of quoted shares	2,483.5	2,598.1



# NOTES TO THE FINANCIAL STATEMENTS

## 20. SUBSIDIARIES (CONT'D.)

### Non-controlling interests in Subsidiaries

The Group regards Boustead Plantations Berhad (BPlant Group), Boustead Petroleum Sdn Bhd (BPSB Group) and Pharmaniaga Berhad (Pharmaniaga Group) as Subsidiaries that have material non-controlling interests (NCI), details are as follows:

	BPSB Group RM Million	BPlant Group RM Million	Pharmaniaga Group RM Million	Other Subsidiaries with immaterial NCI RM Million	Total RM Million
<b>Group - 2017</b>					
NCI percentage of ownership interest and voting interest	40%	43%	44%		
Carrying amount of NCI	268.2	1,109.8	285.2	137.9	1,801.1
Profit allocated to NCI	45.0	280.0	21.0	41.6	387.6
Dividends paid to NCI	29.7	129.9	18.4	2.7	180.7

The summarised financial information before inter-company eliminations are as follows:

	BPSB Group RM Million	BPlant Group RM Million	Pharmaniaga Group RM Million
<b>As at 31 December 2017</b>			
Non-current assets	965.1	2,622.4	829.1
Current assets	428.0	227.8	778.6
Non-current liabilities	(29.5)	(32.5)	(67.7)
Current liabilities	(819.1)	(245.2)	(992.9)
Net assets	544.5	2,572.5	547.1
<b>Year ended 31 December 2017</b>			
Revenue	4,107.1	760.1	2,324.0
Profit for the year	50.7	662.0	55.1
Other comprehensive income/(loss)	—	0.2	(17.1)
Total comprehensive income	50.7	662.2	38.0
<b>Cash flows from/(used in)</b>			
Operating activities	136.9	156.5	239.4
Investing activities	(81.9)	525.9	(62.4)
Financing activities	(48.5)	(1,087.0)	(216.7)
Net increase/(decrease) in cash and cash equivalents	6.5	(404.6)	(39.7)

# NOTES TO THE FINANCIAL STATEMENTS

## 20. SUBSIDIARIES (CONT'D.)

	BPSB Group RM Million	BPlant Group RM Million	Pharmaniaga Group RM Million	Other Subsidiaries with immaterial NCI RM Million	Total RM Million
<b>Group - 2016</b>					
NCI percentage of ownership interest and voting interest	40%	43%	44%		
Carrying amount of NCI	252.9	959.7	295.3	99.0	1,606.9
Profit allocated to NCI	59.8	85.6	16.4	(15.4)	146.4
Dividends paid to NCI	29.7	96.0	22.9	–	148.6

The summarised financial information before inter-company eliminations are as follows:

	BPSB Group RM Million	BPlant Group RM Million	Pharmaniaga Group RM Million
<b>As at 31 December 2016</b>			
Non-current assets	900.1	2,657.9	806.4
Current assets	427.8	599.6	876.7
Non-current liabilities	(28.8)	(129.5)	(61.7)
Current liabilities	(787.2)	(913.3)	(1,062.0)
Net assets	511.9	2,214.7	559.4
<b>Year ended 31 December 2016</b>			
Revenue	3,248.1	707.9	2,189.0
Profit for the year	100.1	216.4	45.9
Other comprehensive income	–	0.3	9.0
Total comprehensive income	100.1	216.7	54.9
<b>Cash flows from/(used in)</b>			
Operating activities	91.5	139.4	35.4
Investing activities	(36.7)	140.2	(146.2)
Financing activities	(30.3)	(271.4)	157.4
Net increase in cash and cash equivalents	24.5	8.2	46.6

# NOTES TO THE FINANCIAL STATEMENTS

## 21. ASSOCIATES

	Group		Company	
	2017 RM Million	2016 RM Million	2017 RM Million	2016 RM Million
At cost				
Shares quoted in Malaysia	881.0	881.0	881.0	881.0
Unquoted shares	91.1	91.1	58.4	58.4
	972.1	972.1	939.4	939.4
Shares of post acquisition reserves	1,079.4	1,001.6	–	–
	2,051.5	1,973.7	939.4	939.4
Market value of quoted shares	928.7	960.8	928.7	960.8

### Material associate

The Group regards Affin Bank Berhad (Affin) as a material associate. The summarised information, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in associates are as follows:

	Affin RM Million
<b>Group - 2017</b>	
Percentage of ownership interest	20.7%
<b>As at 31 December 2017</b>	
Total assets	70,805.0
Total liabilities and non-controlling interest	(61,726.5)
Net assets	9,078.5
<b>Year ended 31 December 2017</b>	
Revenue	3,818.0
Profit for the year	514.7
Other comprehensive income	58.4
Total comprehensive income	573.1

## NOTES TO THE FINANCIAL STATEMENTS

### 21. ASSOCIATES (CONT'D.)

	Affin RM Million	Associates that are not individually material RM Million	Total RM Million
<b>Reconciliation of net assets to carrying amount as at 31 December 2017</b>			
Group's share of net assets	1,879.2	152.8	2,032.0
Goodwill	15.2	4.3	19.5
Carrying amount in the statement of financial position	1,894.4	157.1	2,051.5
<b>Group's share of results for the year ended 31 December 2017</b>			
Group's share of profit	106.5	5.5	112.0
Group's share of other comprehensive income/(loss)	12.1	(1.7)	10.4
Group's share of total comprehensive income	118.6	3.8	122.4
<b>Other information</b>			
Dividends received by the Group	36.2	7.9	44.1
			<b>Affin RM Million</b>
<b>Group - 2016</b>			
Percentage of ownership interest			20.7%
<b>As at 31 December 2016</b>			
Total assets			68,886.3
Total liabilities and non-controlling interest			(60,203.8)
Net assets			8,682.5
<b>Year ended 31 December 2016</b>			
Revenue			3,518.4
Profit for the year			564.0
Other comprehensive loss			(8.5)
Total comprehensive income			555.5



# NOTES TO THE FINANCIAL STATEMENTS

## 21. ASSOCIATES (CONT'D.)

	Affin RM Million	Associates that are not individually material RM Million	Total RM Million
<b>Reconciliation of net assets to carrying amount as at 31 December 2016</b>			
Group's share of net assets	1,797.3	156.9	1,954.2
Goodwill	15.2	4.3	19.5
Carrying amount in the statement of financial position	1,812.5	161.2	1,973.7
<b>Group's share of results for the year ended 31 December 2016</b>			
Group's share of profit	116.7	6.4	123.1
Group's share of other comprehensive (loss)/income	(1.8)	1.2	(0.6)
Group's share of total comprehensive income	114.9	7.6	122.5
<b>Other information</b>			
Dividends received by the Group	32.1	1.0	33.1

## 22. JOINT VENTURES

	Group		Company	
	2017 RM Million	2016 RM Million	2017 RM Million	2016 RM Million
At cost				
Unquoted shares	484.5	483.9	250.0	250.0
Share of post acquisition reserves	67.9	135.1	—	—
	552.4	619.0	250.0	250.0

## 22. JOINT VENTURES (CONT'D.)

### Material joint ventures

The Group regards Boustead Ikano Sdn Bhd (BISB) and Irat Properties Sdn Bhd (Irat) as material joint ventures. The summarised information, adjusted for any differences in accounting policies and reconciliation of the information to the carrying amount of the Group's interest in joint ventures (JV) are as follows:

	Irat RM Million	BISB RM Million
<b>Group - 2017</b>		
Percentage of ownership interest	50%	50%
<b>As at 31 December 2017</b>		
Non-current assets	1,333.3	1,858.9
Cash and cash equivalents	14.2	20.3
Other current assets	38.1	146.9
Total current assets	52.3	167.2
Total assets	1,385.6	2,026.1
Trade and other payables and provisions	33.9	–
Non-current financial liabilities	478.6	852.6
Total non-current liabilities	512.5	852.6
Trade and other payables and provisions	287.2	83.2
Current financial liabilities	178.3	525.3
Total current liabilities	465.5	608.5
Non-controlling interests	51.0	–
Total liabilities and non-controlling interests	1,029.0	1,461.1
Net assets	356.6	565.0

# NOTES TO THE FINANCIAL STATEMENTS

## 22. JOINT VENTURES (CONT'D.)

### Material joint ventures (cont'd.)

	Irat RM Million	BISB RM Million
<b>Group - 2017 (cont'd.)</b>		
<b>Year ended 31 December 2017</b>		
Revenue	54.4	56.7
Loss for the year	(63.3)	(45.6)
Other comprehensive income	–	4.4
Total comprehensive loss	(63.3)	(41.2)

The following expenses/(income) have been charged/(credited) in arriving at profit or loss for the year:

Depreciation	17.0	4.1
Interest income	(0.5)	(0.2)
Interest expense	45.7	44.4
Taxation	0.1	15.8

	Irat RM Million	BISB RM Million	JV that are not individually material RM Million	Total RM Million
<b>Reconciliation of net assets to carrying amount as at 31 December 2017</b>				
Group's share of net assets	178.3	282.5	87.6	548.4
Goodwill	0.2	–	3.8	4.0
Carrying amount in the statement of financial position	178.5	282.5	91.4	552.4
<b>Group's share of results for the year ended 31 December 2017</b>				
Group's share of loss	(31.6)	(22.8)	(13.5)	(67.9)
Group's share of other comprehensive income	–	2.2	–	2.2
Group's share of total comprehensive loss	(31.6)	(20.6)	(13.5)	(65.7)
<b>Other information</b>				
Dividends received by the Group	–	–	1.5	1.5

## 22. JOINT VENTURES (CONT'D.)

### Material joint ventures (cont'd.)

	Irat RM Million	BISB RM Million
<b>Group - 2016</b>		
Percentage of ownership interest	50%	50%
<b>As at 31 December 2016</b>		
Non-current assets	1,181.3	1,670.4
Cash and cash equivalents	58.0	32.5
Other current assets	7.9	182.4
Total current assets	65.9	214.9
Total assets	1,247.2	1,885.3
Trade and other payables and provisions	31.6	–
Non-current financial liabilities	498.2	868.6
Total non-current liabilities	529.8	868.6
Trade and other payables and provisions	56.6	76.8
Current financial liabilities	182.4	333.7
Total current liabilities	239.0	410.5
Non-controlling interests	58.5	–
Total liabilities and non-controlling interests	827.3	1,279.1
Net assets	419.9	606.2
<b>Year ended 31 December 2016</b>		
Revenue	43.2	2.5
(Loss)/profit for the year	(67.0)	32.7
Other comprehensive loss	–	(6.7)
Total comprehensive (loss)/income	(67.0)	26.0
The following expenses/(income) have been charged/(credited) in arriving at profit or loss for the year:		
Depreciation	32.9	0.1
Interest income	(1.8)	–
Interest expense	43.0	4.1
Taxation	0.5	2.5



# NOTES TO THE FINANCIAL STATEMENTS

## 22. JOINT VENTURES (CONT'D.)

### Material joint ventures (cont'd.)

	Irat RM Million	BISB RM Million	JV that are not individually material RM Million	Total RM Million
<b>Reconciliation of net assets to carrying amount as at 31 December 2016</b>				
Group's share of net assets	209.9	303.1	102.0	615.0
Goodwill	0.2	–	3.8	4.0
Carrying amount in the statement of financial position	210.1	303.1	105.8	619.0
<b>Group's share of results for the year ended 31 December 2016</b>				
Group's share of (loss)/profit	(33.6)	16.5	21.1	4.0
Group's share of other comprehensive loss	–	(3.4)	–	(3.4)
Group's share of total comprehensive (loss)/income	(33.6)	13.1	21.1	0.6
<b>Other information</b>				
Dividends received by the Group	–	–	2.7	2.7

## 23. INVESTMENTS

	Group		Company	
	2017 RM Million	2016 RM Million	2017 RM Million	2016 RM Million
Available for sale financial instruments				
– Shares quoted in Malaysia	35.7	32.1	6.1	5.4
– Unquoted shares	0.5	0.5	0.5	0.5
Accumulated impairment losses	36.2 (0.5)	32.6 (0.5)	6.6 (0.5)	5.9 (0.5)
	35.7	32.1	6.1	5.4

The investments in quoted shares are stated at market value. The unquoted shares are stated at cost less impairment losses.

## NOTES TO THE FINANCIAL STATEMENTS

### 24. INTANGIBLE ASSETS

	Goodwill RM Million	Concession right RM Million	Pharmacy manufacturing licence, trade name and intellectual properties RM Million	Rights to supply RM Million	Total RM Million
<b>Group</b>					
<b>Cost</b>					
At 1 January 2016	1,236.1	75.0	21.8	177.2	1,510.1
Additions	–	–	–	57.5	57.5
Acquisition of Subsidiary (Note 45 (a))	3.4	–	0.2	–	3.6
Derecognition of goodwill upon disposal of an associate	(9.7)	–	–	–	(9.7)
Exchange adjustment	4.1	–	1.9	–	6.0
At 31 December 2016 and 1 January 2017	<b>1,233.9</b>	<b>75.0</b>	<b>23.9</b>	<b>234.7</b>	<b>1,567.5</b>
Additions	–	–	<b>3.1</b>	<b>24.3</b>	<b>27.4</b>
Adjustments on finalisation of purchase price allocation (Note 45 (a))	<b>(0.7)</b>	–	<b>0.6</b>	–	<b>(0.1)</b>
Exchange adjustment	<b>(6.5)</b>	–	<b>(3.2)</b>	–	<b>(9.7)</b>
At 31 December 2017	<b>1,226.7</b>	<b>75.0</b>	<b>24.4</b>	<b>259.0</b>	<b>1,585.1</b>
<b>Accumulated amortisation and impairment losses</b>					
At 1 January 2016	7.4	41.3	4.8	50.3	103.8
Amortisation for the year (Note 6)	–	8.7	2.7	11.8	23.2
Impairment losses (Note 8)	4.5	–	–	–	4.5
Exchange adjustment	–	–	0.8	–	0.8
At 31 December 2016 and 1 January 2017	<b>11.9</b>	<b>50.0</b>	<b>8.3</b>	<b>62.1</b>	<b>132.3</b>
Amortisation for the year (Note 6)	–	<b>8.7</b>	<b>2.7</b>	<b>14.9</b>	<b>26.3</b>
Impairment losses (Note 8)	<b>38.0</b>	–	–	–	<b>38.0</b>
Exchange adjustment	–	–	<b>(2.5)</b>	–	<b>(2.5)</b>
At 31 December 2017	<b>49.9</b>	<b>58.7</b>	<b>8.5</b>	<b>77.0</b>	<b>194.1</b>
<b>Net carrying amount</b>					
At 31 December 2017	<b>1,176.8</b>	<b>16.3</b>	<b>15.9</b>	<b>182.0</b>	<b>1,391.0</b>
At 31 December 2016	1,222.0	25.0	15.6	172.6	1,435.2

# NOTES TO THE FINANCIAL STATEMENTS

## 24. INTANGIBLE ASSETS (CONT'D.)

### Goodwill

The carrying amount of goodwill allocated to the Heavy Industries Division is RM935.3 million (2016: RM969.9 million) of which RM47.3 million (2016: RM81.9 million) is allocated to MHS Aviation Sdn Bhd (MHS), a partially owned subsidiary of the Group. The remaining goodwill of RM241.5 million (2016: RM252.1 million) are allocated to other Divisions. Goodwill is allocated for impairment testing purposes to the individual entity which is also the CGU.

Total impairment losses recognised in profit or loss for the year was RM38.0 million (2016: RM4.5 million) as disclosed in Note 8. Of the impairment losses recognised during the financial year, RM34.6 million relates to impairment loss of goodwill allocated to MHS (Heavy Industries Division) due to the termination of contract by the counter parties as disclosed in Note 44(e). The recoverable amount estimated by management is RM193.1 million. This was based on fair value less costs of disposal (FVLCD) which was derived from a valuation report provided by an independent professional valuer, estimated based on comparisons with recent transactions involving other similar assets (Level 3 of the fair value hierarchy).

For the goodwill allocated to the Heavy Industries Division (other than MHS), the recoverable amounts are determined using VIU based on cash flow projections approved by the entity's board of Directors covering three to five years unless a longer period can be justified, for example, based on the order book or a future contract that is probable to be secured. The pre-tax discount rates ranging from 13.2% to 15.1% (2016: 12.5% to 15.1%) and terminal growth rates ranging from 0% to 1% (2016: 1%) have been applied in the VIU calculations.

For the remaining goodwill, the recoverable amounts were determined based on fair value less costs of disposal (quoted price) or the value in use calculations using cash flow budgets approved by each entity's board of Directors covering a three-year period. The cash flow projections reflect management expectation of revenue growth, operating cost, margins, future contracts based on their recent experience and order book. Discount rates applied to the cash flow projections are derived from the CGU's pre-tax weighted average cost of capital plus a reasonable risk premium at the date of assessment of the CGU.

Based on the sensitivity analysis performed, management believes that no reasonably possible change in base case key assumptions would cause the carrying value of the CGU to exceed its recoverable amount.

## 25. INVENTORIES

	Group	
	2017 RM Million	2016 RM Million
Raw materials and work in progress	123.4	176.8
Goods for resale	538.0	585.2
Estate produce	13.8	11.2
Completed properties	32.0	53.1
Consumable stores	36.6	37.6
	<b>743.8</b>	<b>863.9</b>

During the financial year, there was a write down of inventories of RM6.0 million (2016: net write down of inventories of RM38.8 million) as disclosed in Note 6. The amount of inventories recognised as an expense of the Group amounted to RM6,114.0 million (2016: RM5,063.0 million).

## 26. PROPERTY DEVELOPMENT IN PROGRESS

	Group	
	2017 RM Million	2016 RM Million
At 1 January		
– Long leasehold land, at cost	7.3	9.9
– Development cost	193.8	340.7
	201.1	350.6
Cost recognised in profit or loss		
– At 1 January	(168.5)	(251.5)
– Recognised during the year	(228.6)	(277.7)
– Reversal of completed projects	216.8	360.7
	(180.3)	(168.5)
Transfer from/(to)		
– Development properties (Note 16)	118.9	138.7
– Inventories	(14.0)	(33.6)
– Reversal of completed projects	(216.8)	(360.7)
	(111.9)	(255.6)
Development cost incurred during the year	129.9	106.1
At 31 December	38.8	32.6
Interest cost capitalised during the year (Note 9)	5.6	6.1



# NOTES TO THE FINANCIAL STATEMENTS

## 27. DUE FROM/(TO) CUSTOMERS ON CONTRACTS

	Group	
	2017 RM Million	2016 RM Million
Ship repair and shipbuilding		
Aggregate cost incurred and recognised profit less recognised losses to date	7,469.0	7,117.1
Progress billings	(6,384.5)	(6,412.4)
	1,084.5	704.7
Presented as follows:		
Due from customers on contracts	1,166.6	831.8
Due to customers on contracts	(82.1)	(127.1)
	1,084.5	704.7

The cost incurred to date on construction contracts included the following charges made during the financial year:

	Group	
	2017 RM Million	2016 RM Million
Depreciation of property, plant and equipment (Note 13)	10.7	9.6
Interest expense (Note 9)	71.0	91.8
Operating leases:		
– Minimum lease payments for plant and equipment	1.7	1.2
– Minimum lease payments for land and buildings	1.1	4.1
Staff cost	17.3	13.7
Amount of contract revenue and contract cost recognised in profit or loss are as follows:		
Contract revenue	1,547.2	811.8
Contract cost	1,329.6	604.2

# NOTES TO THE FINANCIAL STATEMENTS

## 28. RECEIVABLES

	Group		Company	
	2017 RM Million	2016 RM Million	2017 RM Million	2016 RM Million
<b>Non-current</b>				
Amounts due from Subsidiaries	–	–	<b>1,178.6</b>	738.9
<b>Current</b>				
Trade receivables	<b>1,148.3</b>	1,022.6	–	–
Allowance for impairment	<b>(57.9)</b>	(63.3)	–	–
	<b>1,090.4</b>	959.3	–	–
Dividends receivable	–	–	<b>11.2</b>	–
Deposits	<b>125.5</b>	71.4	–	–
Prepayments	<b>33.2</b>	55.4	<b>0.2</b>	0.2
Income tax receivable	<b>40.3</b>	36.8	<b>9.6</b>	11.1
Advances paid to suppliers	<b>6.7</b>	20.9	–	–
Other receivables	<b>530.6</b>	228.7	<b>6.9</b>	16.8
Derivative assets (Note 40)	–	1.4	–	–
Amount due from holding corporation	<b>0.4</b>	0.8	–	–
Amounts due from Subsidiaries	–	–	<b>401.1</b>	773.2
Amounts due from associates	<b>5.0</b>	8.6	<b>1.5</b>	1.6
Amounts due from joint ventures	<b>379.7</b>	240.3	<b>88.4</b>	45.1
Amounts due from other related companies	<b>63.1</b>	8.3	–	–
	<b>2,274.9</b>	1,631.9	<b>518.9</b>	848.0
Allowances for impairment:				
- Other receivables	<b>(27.0)</b>	(14.3)	<b>(3.4)</b>	(3.4)
- Amounts due from Subsidiaries	–	–	<b>(4.9)</b>	(22.1)
	<b>(27.0)</b>	(14.3)	<b>(8.3)</b>	(25.5)
	<b>2,247.9</b>	1,617.6	<b>510.6</b>	822.5

The Group's normal trade credit terms range from payments in advance to 90 days (2016: 90 days). Other credit terms are assessed and approved on a case by case basis.

Amounts due from Subsidiaries are unsecured, bear interest at a weighted average rate of 6.0% (2016: 6.0%) per annum and are repayable on demand. Amounts due from Subsidiaries that are not expected to be realised within twelve months after the reporting period are classified as non-current.

Amounts due from joint ventures of RM295.1 million (2016: RM187.9 million) and RM88.4 million (2016: RM45.1 million) for the Group and the Company respectively are unsecured, bear interest at a weighted average rate of 6.0% (2016: 6.0%) per annum and are repayable on demand.

The other amounts due from holding corporation, associates, joint ventures and other related companies are balances which are unsecured and interest free, with repayment in accordance with normal trading terms.

# NOTES TO THE FINANCIAL STATEMENTS

## 28. RECEIVABLES (CONT'D.)

### Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group	
	2017 RM Million	2016 RM Million
Neither past due nor impaired	710.2	555.3
Past due but not impaired		
– Less than 30 days	185.1	204.5
– 31 to 60 days	51.7	47.6
– 61 to 90 days	22.4	29.4
– 91 to 120 days	21.4	18.3
– More than 120 days	85.5	86.4
	366.1	386.2
Impaired	72.0	81.1
	1,148.3	1,022.6

### Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. More than 85% (2016: 83%) of the Group's trade receivables arise from customers with more than 3 years of experience with the Group and insignificant losses noted.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

### Receivables that are past due but not impaired

The Group has trade receivables amounting to RM380.7 million (2016: RM386.2 million) that are past due at the reporting date but not impaired. These relate to a number of external parties where there is no expectation of default based on historical dealings.

In addition, trade receivables due from Government of Malaysia and related agencies amounted to RM79.0 million (2016: RM92.0 million) at the reporting date.

# NOTES TO THE FINANCIAL STATEMENTS

## 28. RECEIVABLES (CONT'D.)

### Receivables that are impaired - Trade receivables

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Collectively impaired RM Million	Individually impaired RM Million	Total RM Million
<b>Group – 2017</b>			
Trade receivables – nominal	0.5	71.5	72.0
Allowance for impairment	(0.5)	(57.4)	(57.9)
	–	14.1	14.1
<b>Group – 2016</b>			
Trade receivables – nominal	0.7	80.4	81.1
Allowance for impairment	(0.7)	(62.6)	(63.3)
	–	17.8	17.8

Movement in allowance accounts:

	Group	
	2017 RM Million	2016 RM Million
At 1 January	63.3	60.8
Impairment losses (Note 6)	11.2	12.2
Reversal of impairment losses (Note 6)	(10.3)	(5.9)
Written off	(5.8)	(4.0)
Exchange adjustment	(0.5)	0.2
At 31 December	57.9	63.3

Trade receivables that are individually impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments.

### Receivables that are impaired - Other receivables and amounts due from Subsidiaries

The Group's other receivables and amounts due from Subsidiaries that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group		Company	
	2017 RM Million	2016 RM Million	2017 RM Million	2016 RM Million
Other receivables – nominal	27.0	14.3	3.4	3.4
Amounts due from Subsidiaries – nominal	–	–	4.9	22.1
Allowance for impairment	(27.0)	(14.3)	(8.3)	(25.5)
	–	–	–	–

# NOTES TO THE FINANCIAL STATEMENTS

## 28. RECEIVABLES (CONT'D.)

### Receivables that are impaired - Other receivables and amounts due from Subsidiaries (cont'd.)

The Group's other receivables and amounts due from Subsidiaries that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows: (cont'd.)

Movement in allowance accounts:

	Group		Company	
	2017 RM Million	2016 RM Million	2017 RM Million	2016 RM Million
<b>Other receivables</b>				
At 1 January	14.3	–	3.4	–
Impairment loss (Note 6)	12.7	14.3	–	3.4
At 31 December	27.0	14.3	3.4	3.4
			Company	
			2017 RM Million	2016 RM Million
<b>Amounts due from Subsidiaries</b>				
At 1 January			22.1	31.5
Reversal of impairment losses (Note 6)			(17.2)	(9.4)
At 31 December			4.9	22.1

## 29. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2017 RM Million	2016 RM Million	2017 RM Million	2016 RM Million
Deposits with financial institutions	167.0	834.7	31.4	138.9
Cash held under Housing Development Accounts	71.7	119.8	–	–
Cash and bank balances	392.4	763.1	1.1	2.5
	631.1	1,717.6	32.5	141.4

The average maturity periods of the Group's and the Company's fixed deposits with financial institutions are 38 days (2016: 24 days) and 76 days (2016: 26 days) respectively. Bank balances are monies placed in current accounts with licensed banks which do not earn any interest.

The amount of deposits placed by the Group and the Company with the financial institutions which are Government-related entities amounted to RM505.7 million (2016: RM371.9 million) and RM17.2 million (2016: RM141.1 million) respectively.



## NOTES TO THE FINANCIAL STATEMENTS

### 29. DEPOSITS, CASH AND BANK BALANCES (CONT'D.)

Housing Development Accounts held pursuant to Section 7A of the Housing Development (Control and Licensing) Act 1966 and therefore, restricted from use in other operations.

Included in deposits with financial institutions of the Group and the Company are RM100.4 million (2016: RM201.5 million) and RM29.8 million (2016: RM137.5 million) respectively, of which are restricted for use and are maintained as part of the requirements of the terms of the Islamic medium term notes, bank guaranteed medium term notes, asset-backed bonds and other term loans.

### 30. ASSETS CLASSIFIED AS HELD FOR SALE

- (a) On 24 January 2018, CIMB Islamic Trustee Berhad (CITB), acting as trustee for Boustead Plantations Berhad, a subsidiary of the Group, entered into separate sale and purchase agreements with Sunrich Conquest Sdn Bhd and Titanium Greenview Sdn Bhd for the sale of freehold land measuring 82.84 hectares and 56.05 hectares respectively in the district of Seberang Perai Utara, Pulau Pinang as disclosed in Note 44(a).
- (b) During the previous financial year, CITB, acting as trustee for Boustead Plantations Berhad, entered into a sale and purchase agreement with Setia Recreation Sdn Bhd for the sale of 677.78 hectares of freehold land in the district of Seberang Perai Utara, Pulau Pinang.

The assets to be disposed pursuant to the above sale and purchase agreements are as follows:

	Group	
	2017 RM Million	2016 RM Million
Property, plant and equipment (Note 13)	10.3	50.0
Biological assets (Note 14)	3.7	10.1
	14.0	60.1

### 31. SHARE CAPITAL

	2017		2016	
	Million	RM Million	Million	RM Million
<b>Ordinary shares</b>				
At 1 January	2,027.0	1,013.5	1,034.2	517.1
Effect of implementation of Companies Act 2016	—	1,722.2	—	—
Rights issue during the year	—	—	413.7	206.8
Bonus issue during the year	—	—	579.1	289.6
At 31 December	2,027.0	2,735.7	2,027.0	1,013.5

The Companies Act 2016 (the Act), which came into effect on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amount standing to the credit of the share premium account of RM1,722.2 million has become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM1,722.2 million for purposes as set out in Section 618(3) of the Act. There is no impact on the number of ordinary shares in issue or the relative entitlement of any shareholders as a result of this transition.

# NOTES TO THE FINANCIAL STATEMENTS

## 32. RESERVES

	Non-distributable					
	Share premium RM Million	Revaluation and fair value reserves RM Million	Statutory and regulatory reserves RM Million	Other reserves RM Million	Retained earnings RM Million	Total RM Million
<b>Group</b>						
At 1 January 2017	1,722.2	54.3	425.8	439.5	2,031.0	4,672.8
Effect of implementation of Companies Act 2016 (Note 31)	(1,722.2)	–	–	–	–	(1,722.2)
Currency translation difference in respect of foreign operations	–	–	–	(6.9)	–	(6.9)
Net gain on available for sale investments	–	–	–	–	–	–
– Fair value changes	–	4.4	–	–	–	4.4
– Transfer to profit or loss upon disposal	–	0.1	–	–	–	0.1
Share of OCI investments accounted for using equity method	–	12.1	–	0.5	–	12.6
Total other comprehensive income/(loss) for the year	–	16.6	–	(6.4)	–	10.2
Profit for the year	–	–	–	–	462.0	462.0
Total comprehensive income for the year	–	16.6	–	(6.4)	462.0	472.2
<b>Transactions with owners</b>						
Share of effect on changes in group's structure of an associate on dilution of its subsidiary	–	–	–	–	(0.5)	(0.5)
Changes in ownership interest in Subsidiaries						
– Additional investment in a Subsidiary	–	–	–	–	(5.4)	(5.4)
– Issue of shares by a Subsidiary	–	–	–	–	(0.5)	(0.5)
Transfer during the year						
– Statutory reserve of an Associate	–	–	(373.8)	–	373.8	–
– Regulatory reserve of an Associate	–	–	104.6	–	(104.6)	–
Dividends (Note 12)	–	–	–	–	(243.2)	(243.2)
At 31 December 2017	–	70.9	156.6	433.1	2,512.6	3,173.2

## NOTES TO THE FINANCIAL STATEMENTS

### 32. RESERVES (CONT'D.)

	Non-distributable					
	Share premium RM Million	Revaluation and fair value reserves RM Million	Statutory and regulatory reserves RM Million	Other reserves RM Million	Retained earnings RM Million	Total RM Million
<b>Group</b>						
At 1 January 2016	1,165.1	54.2	387.3	437.6	1,981.3	4,025.5
Currency translation difference in respect of foreign operations	–	–	–	4.2	–	4.2
Net (loss)/gain on available for sale investments	–	–	–	–	–	–
– Fair value changes	–	(1.0)	–	–	–	(1.0)
– Transfer to profit or loss upon disposal	–	2.9	–	–	–	2.9
Share of other comprehensive income of investments accounted for using equity method	–	(1.8)	–	(2.3)	–	(4.1)
Total other comprehensive income for the year	–	0.1	–	1.9	–	2.0
Profit for the year	–	–	–	–	369.0	369.0
Total comprehensive income for the year	–	0.1	–	1.9	369.0	371.0
<b>Transactions with owners</b>						
Share capital						
– Rights issue	846.7	–	–	–	–	846.7
– Bonus issue	(289.6)	–	–	–	–	(289.6)
Changes in ownership interest in Subsidiaries						
– Additional investment in a Subsidiary	–	–	–	–	(4.8)	(4.8)
– Issue of shares by a Subsidiary	–	–	–	–	(0.4)	(0.4)
Transfer during the year						
– Statutory reserve of an Associate	–	–	37.3	–	(37.3)	–
– Regulatory reserve of an Associate	–	–	1.2	–	(1.2)	–
Dividends (Note 12)	–	–	–	–	(275.6)	(275.6)
At 31 December 2016	1,722.2	54.3	425.8	439.5	2,031.0	4,672.8

# NOTES TO THE FINANCIAL STATEMENTS

## 32. RESERVES (CONT'D.)

	← Non-Distributable →			
	Share premium RM Million	Fair value Reserve RM Million	Retained earning RM Million	Total RM Million
<b>Company</b>				
At 1 January 2016	1,165.1	1.3	44.0	1,210.4
Profit for the year	–	–	287.0	287.0
Other comprehensive income				
– Fair value changes	–	0.2	–	0.2
Total comprehensive income for the year	–	0.2	287.0	287.2
<b>Transactions with owners</b>				
Share capital (Note 31)				
– Rights issue	846.7	–	–	846.7
– Bonus issue	(289.6)	–	–	(289.6)
Dividends (Note 12)	–	–	(275.6)	(275.6)
At 31 December 2016 and 1 January 2017	<b>1,722.2</b>	<b>1.5</b>	<b>55.4</b>	<b>1,779.1</b>
Effect of implementation of Companies Act 2016 (Note 31)	<b>(1,722.2)</b>	–	–	<b>(1,722.2)</b>
Profit for the year	–	–	<b>235.7</b>	<b>235.7</b>
Other comprehensive income				
– Fair value changes	–	<b>0.7</b>	–	<b>0.7</b>
Total comprehensive income for the year	–	<b>0.7</b>	<b>235.7</b>	<b>236.4</b>
<b>Transactions with owners</b>				
Dividends (Note 12)	–	–	<b>(243.2)</b>	<b>(243.2)</b>
At 31 December 2017	–	<b>2.2</b>	<b>47.9</b>	<b>50.1</b>

## 32. RESERVES (CONT'D.)

### Non-distributable reserves

The breakdown of the revaluation and fair value reserves is as follows:

	Group	
	2017 RM Million	2016 RM Million
Revaluation reserve	41.6	41.6
Fair value reserve	29.3	12.7
	70.9	54.3

Pursuant to Section 618 of the Companies Act 2016, the amount standing to the credit of the Company's share premium account became part of the Company's share capital as disclosed in Note 31.

The revaluation reserve represents increases in the fair value of freehold land and buildings, net of tax, and decreases to the extent that such decreases relate to an increase on the same asset previously recognised in other comprehensive income.

Fair value reserve represents the cumulative fair value changes, net of tax, of available for sale financial assets until they are disposed of or impaired.

The statutory and regulatory reserves were maintained by an associate in compliance with the provision of the Financial Services Act, 2013. With effect from 3 May 2017, the requirement to maintain a statutory reserve has been removed pursuant to Revised Policy Documents on Capital Funds and Capital Funds for Islamic Banks issued by Bank Negara Malaysia. Consequently, the entire balance of statutory reserve was transferred to retained earnings.

The other non-distributable reserves comprise mainly the Group's share of Subsidiaries' share capital arising from the issue of new shares to non-controlling interests.



# NOTES TO THE FINANCIAL STATEMENTS

## 33. PERPETUAL SUKUK

The Perpetual Sukuk was issued pursuant to the Junior Islamic Medium Term Note Programme of up to RM1.2 billion in nominal value which was approved by the Securities Commission Malaysia on 15 November 2013. The Perpetual Sukuk is accounted as equity as there is no contractual obligation to redeem the instrument.

At year end, total Perpetual Sukuk in issue stood at RM1,200.0 million (2016: RM1,200.0 million).

The salient features of the Perpetual Sukuk are as follows:

- (a) The Perpetual Sukuk is issued under the Islamic principle of Musharakah, while the principle of Commodity Musawamah will be employed to effect the deferral of the periodic distributions, if any.
- (b) Being perpetual in tenure, the Company has a call option to redeem the Perpetual Sukuk at the end of 5th year and on each periodic distribution date thereafter.
- (c) The Company also has the option to redeem the Perpetual Sukuk under the following circumstances:
  - (i) Accounting event – change in accounting standards resulting Perpetual Sukuk no longer being recognised as an equity instrument;
  - (ii) Change in control – change in the shareholding of the Company which resulted in LTAT, its major shareholder, to hold less than the agreed percentage of interest in the Company;
  - (iii) Leverage event – the finance to equity ratio of the Company has exceeded the agreed amount;
  - (iv) Privatisation event – the shares of the Company are no longer listed on Bursa Malaysia Securities Berhad; and
  - (v) Tax event – if the Company is and will become obliged to pay additional amount due to changes in tax laws or regulations.
- (d) The periodic distribution rate of the Perpetual Sukuk for the first five years since issuance ranges from 6.1% to 6.25% per annum and is payable six months from the issue date of the relevant tranche and every six months thereafter.
- (e) If the Company does not exercise its option to redeem at the end of 5th year, the periodic distribution rate shall increase by 1.5% per annum for the 6th year. For the 7th year onwards, the periodic distribution rate will be further increased by 1% per annum for every year thereafter, subject to the maximum of 15% per annum.
- (f) The Company can elect to defer the periodic distribution indefinitely provided that the Company have not within the last six months declared or paid any dividend or payment or other distributions in respect of or repurchase or redeem its ordinary shares, or any other securities of the Company ranking junior to the Perpetual Sukuk. The deferred periodic distribution, if any, will be cumulative but will not earn additional profits (i.e there will be no compounding of the periodic distribution being deferred).
- (g) In the event the periodic distribution is deferred, no dividend or payment or other distributions shall be made in respect of or repurchase or redeem in respect of its ordinary shares, or any other securities of the Company ranking junior to the Perpetual Sukuk until the Company has paid any periodic distribution or deferred periodic /additional distribution in full.
- (h) Payment obligations on the Perpetual Sukuk will, at all times, rank senior to other equity instruments for time being outstanding or obligations of the Company that are subordinated to the Junior Sukuk, but junior to the claims of present and future creditors of the Company (other than obligations ranking pari passu with the Perpetual Sukuk).
- (i) The Perpetual Sukuk is unsecured and not rated.

# NOTES TO THE FINANCIAL STATEMENTS

## 34. BORROWINGS

	Group		Company	
	2017 RM Million	2016 RM Million	2017 RM Million	2016 RM Million
<b>Non-current</b>				
Term loans				
– Denominated in Indonesian Rupiah	102.7	116.6	–	–
– Denominated in Great Britain Pound	66.0	68.7	–	–
– Denominated in US Dollar	–	137.3	–	80.3
– Denominated in Malaysian Ringgit	519.2	845.9	–	–
	687.9	1,168.5	–	80.3
Islamic medium term notes	992.5	–	992.5	–
Bank guaranteed medium term notes	–	763.7	–	763.7
Asset-backed bonds	758.9	758.2	–	–
	2,439.3	2,690.4	992.5	844.0
Repayable in 1 year	(982.8)	(1,249.8)	–	(844.0)
	1,456.5	1,440.6	992.5	–
<b>Current</b>				
Overdrafts	39.1	24.7	22.2	8.6
Bankers' acceptances				
– Denominated in Indonesian Rupiah	15.0	11.1	–	–
– Denominated in Malaysian Ringgit	317.0	363.5	–	–
Revolving credits				
– Denominated in Malaysian Ringgit	3,373.5	4,227.0	1,225.0	1,360.0
Short term loans	982.8	1,249.8	–	844.0
	4,727.4	5,876.1	1,247.2	2,212.6
<b>Total borrowings</b>	<b>6,183.9</b>	<b>7,316.7</b>	<b>2,239.7</b>	<b>2,212.6</b>

The Islamic medium term notes (IMTN), which were issued during the financial year, comprise 2 tranches of RM500 million Sukuk Murabahah with maturity of 7 years from the date of issue and carry profit rates of 5.9% per annum. The IMTN have been accounted for in the statement of financial position of the Group and of the Company as follows:

	Group/Company	
	2017 RM Million	2016 RM Million
Nominal value	1,000	–
Unamortised transaction cost	(7.5)	–
Carrying amount	992.5	–

# NOTES TO THE FINANCIAL STATEMENTS

## 34. BORROWINGS (CONT'D.)

The bank guaranteed medium term notes (MTN) comprise five series with maturity dates ranging between 1 to 2 years from the date of issue. The MTN which are repayable on maturity, have a long term rating of AAA(bg) and bear interest at the weighted average effective interest rate of 5.9% (2016: 5.9%) per annum. The MTN which have been fully repaid during the year were accounted for in the statements of financial position of the Group and of the Company as follows:

	Group/Company	
	2017 RM Million	2016 RM Million
Nominal value	–	762.0
Accrued interest and unamortised transaction cost	–	1.7
Carrying amount	–	763.7

The asset-backed bonds (Bonds) comprise 3 classes (2016: 3 classes) of senior bonds which are rated AAA and 3 classes of guaranteed bonds which are rated AAA(fg) and AA2(bg). The maturity dates of the Bonds range from 6 years to 7 years (2016: 6 years to 7 years) with the effective interest rate of 5.5% (2016: 5.5%) per annum. The senior bonds are secured by a debenture over the assets of the Subsidiary, a special purpose vehicle created for the Bonds issuance.

The Bonds have been accounted for in the statement of financial position of the Group as follows:

	Group	
	2017 RM Million	2016 RM Million
Nominal value	760.0	760.0
Accrued interest and unamortised transaction cost	(1.1)	(1.8)
Carrying amount	758.9	758.2

A Subsidiary has a term loan of RM234.3 million (2016: RM391.9 million) which is repayable within 4 years commencing from 27 April 2017. This Subsidiary also has revolving credits of RM1,029.3 million (2016: RM1,289.5 million) which are secured by way of an assignment on contract proceeds.

A Subsidiary has a term loan of RM114.0 million (2016: RM142.5 million) which is repayable over 20 half yearly instalments. The term loan is secured by five aircraft of the Subsidiary with a net carrying amount of RM5.9 million (2016: RM20.7 million), proceeds account and the said Subsidiary's present and future rights, title, benefit and interest in and under the lease agreement of those aircraft.

## NOTES TO THE FINANCIAL STATEMENTS

### 34. BORROWINGS (CONT'D.)

A Subsidiary has a term loan denominated in Great Britain Pound equivalent to RM66.0 million (2016: RM68.7 million) which is secured against a property owned by the Subsidiary with a net carrying amount of RM143.4 million (2016: RM144.4 million).

All the other borrowings are unsecured. Other information on financial risks of the borrowings are disclosed in Note 39.

The amount of borrowings obtained from the financial institutions which are Government-related entities amounted to RM4,632.0 million (2016: RM5,171.1 million).

#### Change in liabilities arising from financing activities

	At 1 January 2017 RM Million	Net addition/ (repayment) RM Million	Others RM Million	At 31 December 2017 RM Million
<b>Group</b>				
Overdrafts	24.7	14.4	—	39.1
Revolving credit	4,227.0	(853.5)	—	3,373.5
Bankers' acceptances	374.6	(42.6)	—	332.0
Asset-backed bond	758.2	—	0.7	758.9
Bank guaranteed medium term notes	763.7	(762.0)	(1.7)	—
Islamic medium term notes	—	1,000.0	(7.5)	992.5
Other term loans	1,168.5	(465.0)	(15.6)	687.9
	<b>7,316.7</b>	<b>(1,108.7)</b>	<b>(24.1)</b>	<b>6,183.9</b>
<b>Company</b>				
Overdrafts	8.6	13.6	—	22.2
Revolving credit	1,360.0	(135.0)	—	1,225.0
Bank guaranteed medium term notes	763.7	(762.0)	(1.7)	—
Islamic medium term notes	—	1,000.0	(7.5)	992.5
Other term loans	80.3	(80.3)	—	—
	<b>2,212.6</b>	<b>36.3</b>	<b>(9.2)</b>	<b>2,239.7</b>

Others comprise of unamortised transaction cost, exchange adjustment and accrued interest.

# NOTES TO THE FINANCIAL STATEMENTS

## 35. PAYABLES

	Group		Company	
	2017 RM Million	2016 RM Million	2017 RM Million	2016 RM Million
<b>Non-current</b>				
Deposits from tenants	35.7	34.8	–	–
<b>Current</b>				
Trade payables	1,547.0	1,208.0	–	–
Accrued interest	44.6	36.8	18.6	5.6
Accrued expenses	227.2	202.4	–	–
Deposits received	85.4	82.8	1.9	1.7
Retention sum	2.4	6.1	–	–
Other payables	204.7	219.6	8.4	9.7
Derivative liabilities (Note 40)	1.5	–	–	–
Amount due to holding corporation	1.4	0.1	–	–
Amounts due to Subsidiaries	–	–	5.3	5.2
Amounts due to associates	8.0	3.9	–	–
Amounts due to joint ventures	174.0	38.1	–	–
Amounts due to other related companies	0.2	1.9	–	–
	<b>2,296.4</b>	<b>1,799.7</b>	<b>34.2</b>	<b>22.2</b>

### Trade payables

These amounts are non-interest bearing, with normal credit terms ranging from 30 to 90 days (2016: 30 to 90 days).

### Amounts due to Subsidiaries

These amounts are unsecured, bear interest at a weighted average rate of 3.3% (2016: 3.3%) per annum and are repayable on demand.

### Amounts due to holding corporation, associates, joint ventures and other related companies

These are balances which are unsecured and interest free with repayment in accordance with normal terms.



## 36. OPERATING LEASE OBLIGATION

### Group as a lessee

A Subsidiary has several non-cancellable operating lease agreements for the use of land and buildings. These leases have an average life of between 3 to 30 years with renewal option included in the contracts. In the financial year ended 31 December 1996, the Government of Malaysia and the Subsidiary finalised the lease agreement relating to the corporatisation of the Royal Malaysian Navy Dockyard, whereby the Subsidiary is granted a lease of 30 years from 1 September 1991 at a yearly rent of RM1 for the first five years, subject to revision thereafter.

The Group also has entered into other non-cancellable operating lease agreements for the use of land and buildings and equipment. These leases have an average lease period of between 1 to 5 years with renewal options included in the contracts.

The non-cancellable operating lease commitments arising from the above are as follows:

	Group	
	2017 RM Million	2016 RM Million
Within 1 year	13.8	9.7
Later than 1 year but not later than 5 years	12.9	10.5
Later than 5 years	9.2	9.2
	35.9	29.4

### Group as a lessor

The Group entered into commercial property leases on its investment properties. These non-cancellable leases have remaining lease terms of between one and three years. All leases include a clause to enable upward revision of the rental charge upon renewal of the leases based on prevailing market conditions. Future minimum rentals receivable under non-cancellable operating leases at the reporting date are as follows:

	Group		Company	
	2017 RM Million	2016 RM Million	2017 RM Million	2016 RM Million
Within 1 year	84.7	69.0	6.8	5.0
Later than 1 year but not later than 5 years	46.3	49.8	7.7	3.6
	131.0	118.8	14.5	8.6

# NOTES TO THE FINANCIAL STATEMENTS

## 37. SEGMENTAL INFORMATION

For management purposes, the Group's business is organised based on the activities, products and services under the following six Divisions:

**(a) Plantation Division**

The Division is primarily involved in the planting of oil palm and processing of crude palm oil. In addition, the Division through its associate, is also involved in the research in oil palm tissue culture and genetics.

**(b) Heavy Industries Division**

The Division has its main thrust in the marine sector, both commercial and naval vessels. This Division's operations include shipbuilding, fabrication of offshore structures as well as the restoration and maintenance of vessels and defence related products. The Division is also involved in air transportation and flight services.

**(c) Property Division**

The Division is in the business of property development, constructing and leasing out of commercial and retail properties as well as the owning and operating of hotels. These two segments are managed and reported internally as one segment, as they are regarded by management to exhibit similar economic characteristics.

**(d) Finance & Investment Division**

The Division comprises the investing activity of the Group, in particular the Group's involvement in the commercial, Islamic and investment banking, stock broking as well as the life and general insurance business through an associate.

**(e) Pharmaceutical Division**

The Division is in the business of manufacturing, trading and marketing of pharmaceutical products, research and development of pharmaceutical products and the supply of medical and hospital equipment.

**(f) Trading & Industrial Division**

The Division is engaged in the owning and operating of the BHPetrol brand of retail petrol station network and the manufacture and trading of building materials.

Transfer pricing between operating segments are on arm's length basis. Inter-segment revenue which represents rental charge of office premises and trading of the Group's manufactured goods are eliminated on consolidation. The Group practises central fund management where surplus funds within the Group are lent, and the interest charges arising from such arrangements are eliminated in full.

The Group's revenue from one major customer arising from activities of Heavy Industries and Pharmaceutical Divisions is disclosed in Note 43 (a) and 43 (b).

The Group operates predominantly in Malaysia, hence no segmental information based on geographical segment is presented.

# NOTES TO THE FINANCIAL STATEMENTS

## 37. SEGMENTAL INFORMATION (CONT'D.)

	Plantation RM Million	Heavy Industries RM Million	Property RM Million	Finance & Investment RM Million	Pharma- ceutical RM Million	Trading & Industrial RM Million	Elimination RM Million	Total RM Million
<b>2017</b>								
<b>Revenue</b>								
Group total sales	760.1	1,682.0	618.1	181.3	2,324.0	4,476.9	(22.3)	10,020.1
Inter-segment sales	–	–	(22.3)	–	–	–	22.3	–
External sales	760.1	1,682.0	595.8	181.3	2,324.0	4,476.9	–	10,020.1
<b>Results</b>								
Segment result								
– External	189.5	207.2	103.3	(7.0)	92.3	138.9	–	724.2
Gain on disposal of plantation land	554.9	–	–	–	–	–	–	554.9
Interest income	11.6	5.0	15.6	93.7	0.7	0.8	(85.6)	41.8
Other investment results	–	(34.7)	29.8	3.6	–	7.7	–	6.4
Finance cost	(27.9)	(90.8)	(67.8)	(97.6)	(38.9)	(17.0)	85.6	(254.4)
Share of results of associates	4.6	–	(4.0)	109.6	–	1.8	–	112.0
Share of results of joint ventures	–	(13.5)	(22.8)	(31.6)	–	–	–	(67.9)
Profit before taxation	732.7	73.2	54.1	70.7	54.1	132.2	–	1,117.0
Taxation								(193.7)
Profit for the year								923.3
<b>Other information</b>								
Depreciation and amortisation	(44.0)	(83.6)	(23.1)	(21.9)	(55.0)	(67.3)	–	(294.9)
(Loss)/gain on disposal of – Other assets	–	(0.2)	–	–	–	1.1	–	0.9
Other non-cash (expenses)/income	(9.9)	(95.7)	28.7	3.2	(6.6)	(12.8)	–	(93.1)

# NOTES TO THE FINANCIAL STATEMENTS

## 37. SEGMENTAL INFORMATION (CONT'D.)

	Plantation RM Million	Heavy Industries RM Million	Property RM Million	Finance & Investment RM Million	Pharma- ceutical RM Million	Trading & Industrial RM Million	Elimination RM Million	Total RM Million
<b>2016</b>								
<b>Revenue</b>								
Group total sales	707.9	994.0	685.9	196.2	2,189.0	3,614.0	(15.7)	8,371.3
Inter-segment sales	–	–	(15.7)	–	–	–	15.7	–
External sales	707.9	994.0	670.2	196.2	2,189.0	3,614.0	–	8,371.3
<b>Results</b>								
Segment result								
– External	143.5	(57.4)	127.0	(7.6)	96.0	160.4	–	461.9
Gain on disposal of plantation land	124.2	–	–	–	–	–	–	124.2
Interest income	14.2	6.1	15.3	87.0	1.1	2.3	(82.2)	43.8
Other investment results	32.9	–	239.4	2.0	–	2.7	–	277.0
Finance cost	(42.1)	(89.9)	(74.6)	(104.8)	(45.2)	(19.2)	82.2	(293.6)
Share of results of associates	3.4	–	–	118.5	–	1.2	–	123.1
Share of results of joint ventures	–	21.2	16.4	(33.6)	–	–	–	4.0
Profit/(loss) before taxation	276.1	(120.0)	323.5	61.5	51.9	147.4	–	740.4
Taxation								(151.3)
Profit for the year								589.1
<b>Other information</b>								
Depreciation and amortisation	(43.2)	(92.2)	(23.1)	(21.7)	(54.6)	(62.4)	–	(297.2)
Gain/(loss) on disposal of								
– Subsidiary	33.4	–	–	–	–	–	–	33.4
– Associate	–	–	209.6	–	–	–	–	209.6
– Other assets	(0.1)	(3.3)	10.5	–	–	35.4	–	42.5
Other non-cash (expenses)/income	(13.5)	(49.0)	15.5	(5.2)	(7.7)	10.7	–	(49.2)

### 38. CONTINGENT LIABILITIES

- (a) On 4 September 2012, the Group's Subsidiary Boustead Naval Shipyard Sdn Bhd (BN Shipyard) was served with a Writ of Summons by Ingat Kawan (M) Sdn Bhd (Plaintiff). The Plaintiff was claiming against BN Shipyard for unspecified general damages, special damages of RM50 million, interest at 10% per annum on the said amount of RM50 million calculated from 7 September 2011 until full settlement, interest at 8% per annum on the said amount of RM50 million calculated from the date of filing the Writ of Summons until full settlement, costs and other reliefs that the Court deems fit, arising from an alleged breach of contract by BN Shipyard. On 11 September 2012, BN Shipyard filed its defence and counterclaims and sought to add 5 parties as co-defendants in the said counterclaims. On 30 November 2012, the Court dismissed the Plaintiff's objections to BN Shipyard's addition of the 5 co-defendants.

On 14 March 2013, the High Court allowed with cost BN Shipyard's application to strike out the Plaintiff's claims. Thus, on 1 April 2013, BN Shipyard withdrew its counterclaims against the Plaintiff, but with liberty to file afresh. On 22 March 2013, the Plaintiff filed a Notice of Appeal to the Court of Appeal. On 11 November 2013, the Court of Appeal allowed the Plaintiff's appeal and ordered the case to be tried at the High Court. On 10 December 2013, BN Shipyard filed a Notice of Motion for the leave to appeal to the Federal Court. This leave to appeal was granted by the Federal Court to BN Shipyard on 13 July 2016. The Federal Court also allowed six leave questions and ordered that cost be in the cause.

During the hearing of appeal at the Federal Court on 22 August 2017, the judges unanimously set aside the decision of the Court of Appeal and High Court and ordered the matter to be tried at the Ipoh High Court. The Federal Court also ordered cost to be in cause and deposit to be refunded.

During the case management on 16 November 2017, High Court had directed the Plaintiff to file the application to examine the evidence of the case on or before 24 November 2017.

During the Hearing on 26 January 2018, the Court directed the parties to file additional Affidavits and the Hearing of the Plaintiff's application will be continued on 28 March 2018. Case Management of the main suit has also been fixed to 28 March 2018.

The Group, upon consultation with the solicitors, is of the view that the Group has a good defence to the claim by the Plaintiff.

- (b) On 10 July 2017, Boustead DCNS Naval Corporation Sdn Bhd (BDNC), a joint venture of the Group received a letter from the Ministry of Defence Malaysia (MINDEF) claiming for Liquidated Damages (LD) amounting to RM53.2 million and EUR19.3 million for the In-Service Support for the Royal Malaysian Navy SCORPENE Submarines contract.

BDNC has made adequate provisions for the LD claim to the extent that it is deemed to be sufficient in the financial statements as at 31 December 2017 and no further losses is expected to be incurred. The provisions were made taking into consideration of appropriate justifications and supporting documentations which were submitted to MINDEF for their consideration and approval.



# NOTES TO THE FINANCIAL STATEMENTS

## 38. CONTINGENT LIABILITIES (CONT'D.)

(c) The amount of bank guarantees issued by the Group to third parties are as follows:

	Group		Company	
	2017 RM Million	2016 RM Million	2017 RM Million	2016 RM Million
Performance bonds in respect of contracts awarded to Subsidiaries				
– Government of Malaysia	645.9	671.9	5.0	5.0
– Other third parties	71.4	80.8	–	–
	717.3	752.7	5.0	5.0

## 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include interest rate, liquidity, credit, foreign exchange and market price risks. The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders while minimising the potential adverse effects on the performance of the Group.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Chief Executive Officer and Chief Financial Officer of the respective operating units. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use to hedge transaction exposure where appropriate and cost efficient. The Group and the Company do not apply hedge accounting.

### Interest rate risk

The Group finances its operations through operating cash flows and borrowings which are principally denominated in Ringgit Malaysia. The Group's policy is to derive the desired interest rate profile through a mix of fixed and floating rate banking facilities.

# NOTES TO THE FINANCIAL STATEMENTS

## 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

### Interest rate risk (cont'd.)

The following tables set out the carrying amounts, the weighted average effective interest rate (WAEIR) as at the reporting date and the remaining maturities of the Group's and the Company's financial instruments that are exposed to interest rate risk:

	Note	WAEIR %	1 year or less RM Million	1 to 2 years RM Million	2 to 5 years RM Million	More than 5 years RM Million	Total RM Million
<b>Group</b>							
<b>At 31 December 2017</b>							
<b>Fixed rate</b>							
<b>Financial assets:</b>							
Deposits	29	3.2	167.0	–	–	–	167.0
<b>Financial liabilities:</b>							
Islamic medium term notes	34	5.9	–	–	–	(992.5)	(992.5)
Asset-backed bonds	34	5.5	(550.0)	(208.9)	–	–	(758.9)
<b>Floating rate</b>							
<b>Financial assets:</b>							
Amounts due from joint ventures	28	6.0	295.1	–	–	–	295.1
<b>Financial liabilities:</b>							
Terms loans	34	5.6	(432.8)	(69.4)	(184.4)	(1.3)	(687.9)
Overdrafts	34	7.4	(39.1)	–	–	–	(39.1)
Revolving credits	34	4.9	(3,373.5)	–	–	–	(3,373.5)
Bankers' acceptances	34	4.2	(332.0)	–	–	–	(332.0)
<b>At 31 December 2016</b>							
<b>Fixed rate</b>							
<b>Financial assets:</b>							
Deposits	29	3.2	834.7	–	–	–	834.7
<b>Financial liabilities:</b>							
Term loans	34	6.1	(184.4)	(66.5)	–	–	(250.9)
Bank guaranteed medium term notes	34	5.9	(763.7)	–	–	–	(763.7)
Asset-backed bonds	34	5.5	–	(550.0)	(208.2)	–	(758.2)
<b>Floating rate</b>							
<b>Financial assets:</b>							
Amounts due from joint ventures	28	6.0	187.9	–	–	–	187.9
<b>Financial liabilities:</b>							
Terms loans	34	5.3	(301.7)	(248.0)	(347.3)	(20.6)	(917.6)
Overdrafts	34	6.6	(24.7)	–	–	–	(24.7)
Revolving credits	34	4.8	(4,227.0)	–	–	–	(4,227.0)
Bankers' acceptances	34	4.2	(374.6)	–	–	–	(374.6)

# NOTES TO THE FINANCIAL STATEMENTS

## 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

### Interest rate risk (cont'd.)

	Note	WAEIR %	1 year or less RM Million	More than 1 year RM Million	Total RM Million
<b>Company</b>					
<b>At 31 December 2017</b>					
<b>Fixed rate</b>					
<b>Financial assets:</b>					
Deposits	29	3.6	31.4	–	31.4
<b>Financial liabilities:</b>					
Islamic medium term notes	34	5.9	–	(992.5)	(992.5)
<b>Floating rate</b>					
<b>Financial assets:</b>					
Amounts due from Subsidiaries	28	6.0	396.2	1,178.6	1,574.8
Amounts due from joint ventures	28	6.0	88.4	–	88.4
<b>Financial liabilities:</b>					
Overdrafts	34	7.9	(22.2)	–	(22.2)
Revolving credits	34	4.6	(1,225.0)	–	(1,225.0)
Amounts due to Subsidiaries	35	3.3	(5.3)	–	(5.3)
<b>At 31 December 2016</b>					
<b>Fixed rate</b>					
<b>Financial assets:</b>					
Deposits	29	3.0	138.9	–	138.9
<b>Financial liabilities:</b>					
Term loans	34	5.0	(80.3)	–	(80.3)
Bank guaranteed medium term notes	34	5.9	(763.7)	–	(763.7)
<b>Floating rate</b>					
<b>Financial assets:</b>					
Amounts due from Subsidiaries	28	6.0	751.1	738.9	1,490.0
Amounts due from joint ventures	28	6.0	45.1	–	45.1
<b>Financial liabilities:</b>					
Overdrafts	34	7.8	(8.6)	–	(8.6)
Revolving credits	34	4.6	(1,360.0)	–	(1,360.0)
Amounts due to Subsidiaries	35	3.3	(5.2)	–	(5.2)

## 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Interest on borrowings that are subject to floating rates are contractually repriced within a year. Interest on financial instruments at fixed rates are fixed until the maturity of the instruments.

At the reporting date, if interest rates had been 50 basis points lower/higher, with all other variables held constant, the Group's and the Company's profit net of tax would have been RM16.8 million and RM4.7 million higher/lower respectively, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings and higher/lower interest income from floating rate fixed deposits. The assumed movement in basis points for interest rate sensitivity analysis is based on a prudent estimate of the current market environment.

### Liquidity risk

The Group practises prudent liquidity risk management by maintaining availability of funding through adequate amount of committed credit facilities.

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	Note	On demand or within 1 year RM Million	1 to 5 years RM Million	More than 5 years RM Million	Total RM Million
<b>Group</b>					
<b>2017</b>					
Borrowings	34	4,965.5	486.2	1,052.5	6,504.2
Trade and other payables	35	2,294.9	35.7	–	2,330.6
Derivatives liabilities	35	1.5	–	–	1.5
Total undiscounted financial liabilities		7,261.9	521.9	1,052.5	8,836.3
<b>2016</b>					
Borrowings	34	6,171.3	1,494.8	21.7	7,687.8
Trade and other payables	35	1,799.7	34.8	–	1,834.5
Total undiscounted financial liabilities		7,971.0	1,529.6	21.7	9,522.3

# NOTES TO THE FINANCIAL STATEMENTS

## 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

### Liquidity risk (cont'd.)

	Note	On demand or within 1 year RM Million	More than 1 year RM Million	Total RM Million
<b>Company</b>				
<b>2017</b>				
Borrowings	34	1,305.3	1,051.1	2,356.4
Trade and other payables	35	34.2	–	34.2
Total undiscounted financial liabilities		1,339.5	1,051.1	2,390.6
<b>2016</b>				
Borrowings	34	2,324.5	–	2,324.5
Trade and other payables	35	22.2	–	22.2
Total undiscounted financial liabilities		2,346.7	–	2,346.7

### Credit risk

The Group seeks to invest cash assets safely and profitably. The Group also seeks to control credit risk by setting counterparty limits, obtaining bank guarantees where appropriate; and ensuring that sale of products and services are made to customers with an appropriate credit history, and monitoring customers' financial standing through periodic credit reviews and credit checks at point of sales. The Group considers the risk of material loss in the event of non-performance by a financial counterparty to be unlikely.

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position, including derivatives with positive fair values.

As at 31 December 2017, the Group has a significant concentration of credit risk in the form of outstanding balance due from the Government of Malaysia, representing approximately 21.7% (2016: 27.5%) of the Group's total net trade receivables.

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 28. Deposits with banks and other financial institutions, investment securities and derivatives that are neither past due nor impaired are entered into or placed with reputable financial institutions or companies with high credit ratings and no history of default.

Information regarding financial assets that neither past due nor impaired is disclosed in Note 28.

### Foreign currency risk

The Group is exposed to foreign currency risk as a result of its normal operating activities, both external and intra-Group where the currency denomination differs from the local currency, Ringgit Malaysia. The Group's policy is to minimise the exposure of overseas operating Subsidiaries/activities to transaction risks by matching local currency income against local currency cost. The currency giving rise to this risk is primarily US Dollar, Euro and Great Britain Pound. Foreign exchange exposures are kept to an acceptable level.



## 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

### Foreign currency risk (cont'd.)

The net unhedged financial assets and liabilities of the Group that are not denominated in their functional currency are as follows:

	Deposits, cash and bank balances RM Million	Receivables RM Million	Payables RM Million	Borrowings RM Million	Total RM Million
<b>Group</b>					
<b>At 31 December 2017</b>					
US Dollar	0.8	14.6	(26.5)	–	(11.1)
Euro	68.3	7.9	(219.8)	–	(143.6)
Great Britain Pound	7.9	96.0	(80.4)	(66.0)	(42.5)
Others	0.3	2.9	(32.9)	–	(29.7)
	<b>77.3</b>	<b>121.4</b>	<b>(359.6)</b>	<b>(66.0)</b>	<b>(226.9)</b>
<b>At 31 December 2016</b>					
US Dollar	0.8	8.3	(13.0)	(57.0)	(60.9)
Euro	7.1	–	(108.4)	–	(101.3)
Great Britain Pound	5.4	89.5	(76.2)	(68.7)	(50.0)
Others	0.2	0.9	(0.3)	(0.1)	0.7
	<b>13.5</b>	<b>98.7</b>	<b>(197.9)</b>	<b>(125.8)</b>	<b>(211.5)</b>

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in US Dollar, Euro and Great Britain Pound against the functional currency of the Group with all other variables held constant.

	<b>Group</b>	
	<b>2017 RM Million</b>	<b>2016 RM Million</b>
(Decrease)/increase of Group's profit, net of tax		
US Dollar/RM		
– Strengthened by 10%	(0.8)	(4.6)
– Weakened by 10%	0.8	4.6
Euro/RM		
– Strengthened by 5%	(5.5)	(3.8)
– Weakened by 5%	5.5	3.8
Great Britain Pound/RM		
– Strengthened by 5%	(1.6)	(1.9)
– Weakened by 5%	1.6	1.9

# NOTES TO THE FINANCIAL STATEMENTS

## 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

### Market price risk

The Group is exposed to equity price risk arising from its investment in quoted available-for-sale equity instruments. All of the Group's quoted equity instruments are listed on Bursa Malaysia Securities Berhad. These instruments are classified as financial assets. At the reporting date, if the FTSE Bursa Malaysia KLCI had been 5% higher/lower, with all other variables held constant, the impact to the Group's other reserve in equity would be insignificant.

### Financial instruments by category

	Group		Company	
	2017 RM Million	2016 RM Million	2017 RM Million	2016 RM Million
<b>Financial assets - loans and receivables</b>				
Receivables	2,167.7	1,503.1	1,679.4	1,550.2
Deposit, cash and bank balances	631.1	1,717.6	32.5	141.4
<b>Financial liabilities - liabilities at amortised cost</b>				
Payables	2,330.6	1,834.5	34.2	22.2
Borrowings	6,183.9	7,316.7	2,239.7	2,212.6

## 40. FAIR VALUE MEASUREMENTS

### Determination of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables (current)	28
Amount due from holding corporation	28
Amounts due from Subsidiaries	28
Amounts due from associates	28
Amounts due from joint ventures	28
Amounts due from other related companies	28
Borrowings (current)	34
Trade and other payables (current)	35
Other payables (non-current)	35
Amount due to holding corporation	35
Amounts due to Subsidiaries	35
Amounts due to associates	35
Amounts due to joint ventures	35
Amounts due to other related companies	35

The carrying amounts of these financial assets and liabilities are reasonable approximations of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The carrying amount of the current portion of borrowings is a reasonable approximation of fair values due to the insignificant impact of discounting.

The fair values of current loans and borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending or borrowing arrangements at the reporting date.

The fair values of amounts due from/to Subsidiaries, amounts due from/to associates and joint ventures and fixed rate bank borrowings are estimated by discounting the expected future cash flows at market incremental lending rate for similar types of lending or borrowing arrangements at the reporting date.

The fair value of quoted equity instruments is determined directly by reference to their published market closing price at the reporting date.

Forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing models, using present value calculations. The models incorporate various inputs including foreign exchange spot and forward rates.

Unquoted investments in Subsidiaries, associates and joint ventures are not carried at fair value due to the lack of quoted market price and the impracticality to estimate the fair value without incurring excessive cost.

Investment properties are measured at fair value using valuation reports prepared by independent professional valuers on an open market approach. The assumptions used in arriving at the investment properties' values take into consideration the property type, size, location, tenure, title restrictions and other relevant characteristics. If the fair value of the investment properties increases or decreases by 5% and other key assumptions remain constant, the value of investment properties for the Group and the Company will vary by RM2.2 million (2016: RM2.0 million) and RM0.2 million (2016: RM0.1 million) respectively.

# NOTES TO THE FINANCIAL STATEMENTS

## 40. FAIR VALUE MEASUREMENTS (CONT'D.)

### Fair value hierarchy

Presented below is the Group's and the Company's classified assets and liabilities carried at fair value analysed by fair value measurement hierarchy:

	Level 1 RM Million	Level 2 RM Million	Level 3 RM Million	Total RM Million
<b>Group</b>				
<b>2017</b>				
<b>Assets</b>				
Investments	35.7	–	–	35.7
Investment properties	–	–	1,573.2	1,573.2
<b>Liabilities</b>				
Forward currency contracts	–	(1.5)	–	(1.5)
	35.7	(1.5)	1,573.2	1,607.4
<b>2016</b>				
<b>Assets</b>				
Investments	32.1	–	–	32.1
Investment properties	–	–	1,513.6	1,513.6
Forward currency contracts	–	1.4	–	1.4
	32.1	1.4	1,513.6	1,547.1
<b>Company</b>				
<b>2017</b>				
<b>Assets</b>				
Investments	6.1	–	–	6.1
Investment properties	–	–	121.1	121.1
	6.1	–	121.1	127.2
<b>2016</b>				
<b>Assets</b>				
Investments	5.4	–	–	5.4
Investment properties	–	–	107.0	107.0
	5.4	–	107.0	112.4

The Group and the Company do not have any financial liabilities measured at Level 3 hierarchy.

## 40. FAIR VALUE MEASUREMENTS (CONT'D.)

### Derivatives

	2017		2016	
	Contract/ notional amount RM Million	Fair value of derivatives RM Million	Contract/ notional amount RM Million	Fair value of derivatives RM Million
<b>Group</b>				
<b>Current</b>				
<b>Derivative assets (Note 28)</b>				
Forward currency contracts	–	–	264.0	1.4
<b>Derivative liabilities (Note 35)</b>				
Forward currency contracts	193.5	1.5	–	–

The Group uses forward currency contracts to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for period consistent with currency transaction exposure and fair value changes exposure. The Group does not apply hedge accounting.

Forward currency contracts are used to hedge the Group's purchases denominated in US Dollar for which firm commitments existed at the reporting date.

As disclosed in Note 6 to the financial statements, the Group recognised a loss of RM22.5 million (2016: gain of RM9.1 million) arising from the fair value changes in derivatives. The fair value changes are attributable to changes in foreign exchange spot, foreign exchange forward rates and interest rate. The methods and assumptions applied in determining the fair values of derivatives are disclosed above.



# NOTES TO THE FINANCIAL STATEMENTS

## 40. FAIR VALUE MEASUREMENTS (CONT'D.)

### Borrowings

	2017		2016	
	Carrying amount RM Million	Fair value of borrowings RM Million	Carrying amount RM Million	Fair value of borrowings RM Million
<b>Group</b>				
<b>Non-current borrowings (Note 34)</b>				
Term loans	255.1	255.1	682.4	682.4
Islamic medium term notes	992.5	998.7	–	–
Asset-backed bonds	208.9	206.1	758.2	755.3
	<b>1,456.5</b>	<b>1,459.9</b>	1,440.6	1,437.7
<b>Company</b>				
<b>Non-current borrowings (Note 34)</b>				
Islamic medium term notes	992.5	998.7	–	–

## 41. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 31 December 2016.

The Group monitors capital using a gearing ratio, which is derived by dividing the amount of borrowings (Note 34) over total equity. At the reporting date, the Group's gearing ratio calculated by dividing the amount of borrowings (Note 34) over total equity comprising shareholders' equity, perpetual sukuk and non-controlling interests is 0.69 times (2016: 0.86 times). The Group's policy is to keep gearing within manageable levels.

With respect to banking facilities that the Group has with certain financial institutions, the Group is committed to ensure that the maximum gearing ratio limit of 1.5 times is complied with at all times.

## 42. COMMITMENTS

	Group		Company	
	2017 RM Million	2016 RM Million	2017 RM Million	2016 RM Million
<b>Authorised and contracted</b>				
Capital expenditure	180.6	297.5	–	1.8
Acquisition of plantation land	675.0	–	–	–
Share of joint venture's capital commitment in relation to investment properties	36.2	66.9	–	–
	891.8	364.4	–	1.8
<b>Authorised but not contracted</b>				
Capital expenditure	400.9	304.2	3.3	2.3
Share of joint venture's capital commitment in relation to capital expenditure	20.3	20.3	–	–
	421.2	324.5	3.3	2.3

## 43. SIGNIFICANT RELATED PARTY DISCLOSURES

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence.

Related parties may be individuals or other entities. Related parties of the Group include:

- direct and indirect Subsidiaries;
- holding corporation, Lembaga Tabung Angkatan Tentera (LTAT) and its subsidiaries, direct and indirect associates;
- direct and indirect associates and joint ventures;
- key management personnel which comprises persons (including the Directors of the Company) having authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly; and
- firms in which Directors have a substantial interest, namely MAA Arkitek and Azzat & Izzat, being firms in which the Company's Directors Dato' Sri Ghazali Mohd Ali and Datuk Azzat Kamaludin respectively have a substantial interest.

# NOTES TO THE FINANCIAL STATEMENTS

## 43. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)

Significant related party transactions other than those disclosed elsewhere in the financial statements are as follows:

	Group		Company	
	2017 RM Million	2016 RM Million	2017 RM Million	2016 RM Million
<b>Subsidiaries</b>				
Rental income	–	–	0.1	0.1
Management fees	–	–	8.4	7.9
<b>Associates and joint ventures</b>				
Agricultural research and advisory services paid	14.7	13.8	–	–
Insurance premium paid	17.9	17.5	–	–
Rental income on office premises	23.1	22.6	–	–
Sales of goods	7.0	1.4	–	–
Purchase of services	0.2	0.6	–	–
Professional fees paid	9.4	1.4	5.2	0.9
Insurance commission received	3.8	3.9	–	–
Rendering of services	142.6	106.6	–	–
Provision of project management services	0.5	0.5	–	–
Rental expense				
– Hotel	12.3	12.2	–	–
– Office premises	0.8	0.8	–	–
<b>Holding corporation</b>				
Provision of project management services	0.7	1.1	–	–
<b>Subsidiaries of holding corporation</b>				
Sales of goods	54.6	45.7	–	–
Provision of construction works	87.5	35.1	–	–
Provision of project management services	–	0.5	–	–
<b>Firms in which Directors have a substantial interest</b>				
Legal and professional fees paid	5.1	8.4	–	–
<b>Government-related financial institutions</b>				
Interest income	11.9	16.2	4.6	3.3
Finance cost	219.3	252.4	82.1	76.4
<b>Government-related entity</b>				
Air transportation and flight services	50.0	60.4	–	–

The Directors are of the opinion that the above transactions are in the normal course of business and at terms mutually agreed between parties.

## 43. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)

The remuneration of key management personnel during the financial year is as follows:

	Group		Company	
	2017 RM Million	2016 RM Million	2017 RM Million	2016 RM Million
<b>Directors</b>				
Fees	1.5	1.3	0.5	0.5
Salaries and other emoluments	4.8	4.2	3.0	2.7
Defined contribution plans	1.1	1.0	0.8	0.7
Meeting, travelling and other allowances	0.2	0.1	0.2	0.1
Estimated monetary value of benefits-in-kind	0.3	0.5	0.2	0.4
	<b>7.9</b>	<b>7.1</b>	<b>4.7</b>	<b>4.4</b>
<b>Other key management personnel</b>				
Short term employee benefits	57.5	51.9	7.8	6.9
Defined contribution plans	6.4	5.7	1.3	1.1
	<b>63.9</b>	<b>57.6</b>	<b>9.1</b>	<b>8.0</b>
Total paid to key management personnel	<b>71.8</b>	<b>64.7</b>	<b>13.8</b>	<b>12.4</b>

The Group is a Government-related entity by virtue of its relationship with Lembaga Tabung Angkatan Tentera (LTAT), the ultimate holding corporation of the Group.

The significant transactions with the Government of Malaysia are as follows:

- (a) On 23 March 2017, a Subsidiary signed a formal contract with the Government of Malaysia for the provision of design, construction, installation, commissioning, integration, tests & trials and delivery of first four units of Littoral Mission Ships (LMS) valued at RM1.2 billion. The Subsidiary has executed a sub-contract with China Shipbuilding Industry Corporation (CSIC) on 22 April 2017. The aggregate revenue recognised under the contract for the year ended 31 December 2017 amounted to RM138.2 million (2016: RM0.2 million).

On 19 March 2015, the Subsidiary received and accepted a letter of award from Ministry of Defence Malaysia (MINDEF) for the administration and implementation of the contract for the supply and delivery of spares, maintenance, Integrated Logistic Support (ILS) and training for the 17th Patrol Vessel Squadron of the Royal Malaysian Navy for a period of 3 years with total contract value of RM96.3 million. The aggregate revenue recognised for the year ended 31 December 2017 amounted to RM45.1 million (2016: RM30.2 million).

On 7 September 2013, the Subsidiary received a letter of award from the MINDEF to supply and deliver spare parts, maintenance services and training for the 23rd frigate squadron of the Royal Malaysian Navy at a contract value of RM70 million for a period of 3 years from the date of acceptance of the award. The aggregate revenue recognised for the year ended 31 December 2017 amounted to RM5.4 million (2016: RM8.2 million).

On 16 December 2011, the Subsidiary received a letter of award from MINDEF to design, construct, equip, install, commission, integrate, test and trials and deliver 6 units of 'Second Generation Patrol Vessels Littoral Combat Ship (Frigate Class)' (LCS) at a contract value of RM9 billion. The aggregate revenue recognised under the letter of award for the year ended 31 December 2017 amounted to RM1.0 billion (2016: RM501.4 million). The finalisation of this contract was on 17 July 2014.

# NOTES TO THE FINANCIAL STATEMENTS

## 43. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)

- (b) On 16 March 2011, a Subsidiary entered into a concession agreement with the Government of Malaysia represented by the Ministry of Health Malaysia (MOH) for a period of ten years expiring on 30 November 2019 for the right and authority to purchase, store, supply and distribute Approved Products (drugs and non-drugs approved by MOH) to the Public Sector Customers such as government hospital, health office, health clinic, dental clinic or any health institution or other similar facility within Malaysia which is operated and controlled by MOH and as determined by MOH from time to time. The aggregate revenue recognised for the year amounted to RM1,411 million (2016: RM1,380 million).

In 2015, the Subsidiary entered into Supply Agreements with three teaching hospitals under Ministry of Higher Education (MOHE), namely Universiti Sains Malaysia, Universiti Kebangsaan Malaysia and University Malaya for the services of purchasing, storing, supplying and delivering to drugs and non-drugs. The Supply Agreement shall expire on 30 November 2019. The aggregate revenue recognised for the year amounted to RM71 million (2016: RM70 million).

## 44. SIGNIFICANT AND SUBSEQUENT EVENTS

- (a) On 24 January 2018, CIMB Islamic Trustee Berhad (CITB), acting as trustee for Boustead Plantations Berhad (BPB), entered into a sale and purchase agreement with the following parties:
- (i) Sunrich Conquest Sdn. Bhd. (SCSB) for the sale of 82.84 hectares of freehold land in the District of Seberang Perai Utara, Pulau Pinang for a total cash consideration of RM81.1 million; and
  - (ii) Titanium Greenview Sdn Bhd (TGSB) for the sale of 2 parcels of freehold land measuring 0.2 hectare and 55.85 hectares respectively in the District of Seberang Perai Utara, Pulau Pinang for a total cash consideration of RM54.9 million.

The sale is subject to the approval of Estate Land Board and Economic Planning Unit. SCSB and TGSB have paid 7% earnest deposit towards the sale consideration. Completion of the sale is expected to in the third quarter of 2018.

- (b) On 22 December 2017, the Group's wholly owned Subsidiary, Mutiara Rini Sdn Bhd (MRSB) entered into a sale and purchase agreement with Lembaga Tabung Angkatan Tentera (LTAT) to purchase land measuring 6.59 hectares held under HSD 118499 PT 484 Section 90, Town of Kuala Lumpur, District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur (Jalan Cochrane land) for a total cash consideration of RM143,513,065 (Proposed Acquisition).

The Proposed Acquisition is conditional upon the approval of the relevant State Authority for the transfer of the Jalan Cochrane Land to MRSB.

- (c) On 30 October 2017, Boustead Rimba Nilai Sdn Bhd (BRNSB), a wholly-owned Subsidiary of Boustead Plantation Berhad (BPB), entered into a sale and purchase agreement (SPA) with Pertama Land & Development Sdn Bhd (PLDSB) for the acquisition of 42 parcels of plantation land measuring about 11,579.31 hectares in the district of Labuk & Sugut, Sabah inclusive of all buildings, agricultural machineries, vehicles, equipment and other amenities located at the property for a total cash consideration of RM750 million. BRNSB has paid a 10% deposit. The SPA is conditional upon approval of shareholders of BPB, shareholders of Dutaland Berhad (parent company of PLDSB) and applicable regulatory authorities. Completion of the SPA is expected in the second quarter of 2018.
- (d) On 12 September 2017, the Company had issued RM500 million of Islamic Medium Term Note (IMTN) under the RM2.0 billion programme and on 28 September 2017, the Company issued another RM500 million of IMTN under the RM500 million programme. Both IMTN programmes have a combined size of RM2.5 billion with tenure of 10 years. The IMTN programmes are unrated and are implemented under Securities Commission Malaysia's Guidelines on Unlisted Capital Market Products under The Lodge and Launch Framework. The proceeds to be raised from the IMTN programmes are to be utilised, amongst others, to finance future property development projects and capital expenditures, investments in subsidiaries and/or associates, working capital requirements and to finance existing borrowings of the Company.



## 44. SIGNIFICANT AND SUBSEQUENT EVENTS (CONT'D.)

- (e) On 1 September 2016, the Group's subsidiary MHS Aviation Berhad (MHS) issued a Notice of Arbitration against PETRONAS Carigali Sdn Bhd (PCSB) in connection with a contract dated 29 June 2011 made between MHS and PCSB for the Provision of Rotary Wing Aircraft, Equipment and Services (for Heavy Type Aircraft – EC225) (the Contract). In the Contract, MHS was engaged to provide PCSB with five (5) EC225 helicopters for use in PCSB's oil and gas exploration and production operations. This contract mirrors contracts with ExxonMobil Exploration and Production Malaysia Inc, EQ Petroleum Production Malaysia Ltd and Sapura Exploration and Production (PM) Inc. Nevertheless, the use of all five helicopters was suspended by PCSB unilaterally following an incident that was unconnected to MHS and PCSB.

MHS viewed this suspension as a breach of contract by PCSB and was claiming in the Arbitration for damages of RM42.8 million, general damages, declaration that PCSB was liable to pay MHS the Monthly Standby Rate and the Monthly Standing Charges during the suspension period, interest on awarded sum, cost and any further sum in damages and other orders deemed fit by the Arbitral Tribunal appointed.

On 9 June 2017, MHS received termination letter from PCSB giving MHS a 90 days' notice of PCSB's intention to terminate the contract. Subsequent to the PCSB's termination of the Contract, on 16 June 2017, MHS also received termination notice from Sapura Exploration Production (PM) Inc. On 19 June 2017, MHS received a termination notice from EQ Petroleum Production Malaysia Ltd and ExxonMobil Exploration and Production Malaysia Inc. Together with PCSB, all the three companies above are Joint Operating Partners (JOPs) for the Contract.

MHS has put on record that it did not agree that these termination notices have been validly issued and viewed this as a breach of Contract on the part of the JOPs.

MHS is in the midst of finalising the settlement agreements with the JOPs. Upon full payment of the any agreed sums, MHS will withdraw the arbitration proceedings against PCSB.

- (f) During the year, an Associate of the Group, Affin Holdings Berhad (AHB), had undergone the reorganisation exercise which involved among others:
- i) transfer of identified companies under AHB to Affin Bank Berhad (ABB);
  - ii) distribution of entire shareholdings in ABB held by AHB to the entitled shareholders of AHB whose name appeared in AHB's Record of Depositors on the entitlement date by way of a distribution-in-specie via a reduction of the entire consolidated capital of AHB and the retained profits of AHB; and
  - iii) transfer of listing status from AHB to ABB on the Main Market of Bursa Malaysia Berhad (Bursa Securities).

During the AHB's Extraordinary General Meeting (EGM) on 16 October 2017, the shareholders of AHB had approved the reorganisation exercise of AHB while Bursa Securities had on 17 November 2017 approved the withdrawal of entire 1,942,948,547 ordinary shares of AHB from Official Listing of Bursa Malaysia and listing of entire 1,942,948,547 ordinary shares of ABB to Official Listing of Bursa Malaysia. The transfer of listing status was completed on 2 February 2018.

With the completion of the exercise, the Group's 20.7% shareholdings in AHB will now be held under the new listed entity, ABB. There is no impact to the Group arising from the reorganisation exercise.

# NOTES TO THE FINANCIAL STATEMENTS

## 45. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

### (a) Acquisition of a Subsidiary

Bio-Collagen Technologies Sdn Bhd became a Subsidiary during the previous financial year. The fair value of the assets acquired and liabilities assumed upon the acquisition are as follows:

	Group
	2016 RM Million
Net assets acquired:	
Property, plant and equipment (Note 13)	(0.6)
Intangible assets (Note 24)	(3.6)
Current assets	(0.1)
Current liabilities	0.7
Deferred tax (Note 19)	0.1
Purchase consideration	(3.5)
Retention sum classified as other payables	0.5
Net cash outflow on acquisition	(3.0)

During the financial year, the Group had completed the final Purchase Price Allocation exercise on the above acquisition and the fair value of the identifiable net assets of Bio-Collagen Technologies Sdn Bhd attributable to the Group at acquisition date was increased from RM0.1 million to RM0.7 million with a corresponding decrease in goodwill of the same amount.

## 45. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (CONT'D.)

### (b) Disposal of a Subsidiary

The Group completed the disposal of Boustead Sedili Sdn Bhd during the previous financial year. The effects on the financial position of the Group arising from the disposal are as follows:

	Group
	2016 RM Million
Net assets disposed:	
Property, plant and equipment (Note 13)	2.9
Biological assets (Note 14)	19.5
Prepaid land lease payments (Note 17)	5.5
Current assets	1.9
Current liabilities	(0.3)
Deferred tax (Note 19)	2.4
Non-controlling interests	(5.4)
Net assets disposed	26.5
Disposal expenses	0.1
Gain on disposal (Note 8)	33.4
Disposal proceeds	60.0
Cash and bank balances disposed	–
Net cash inflow on disposal	60.0

# BOUSTEAD GROUP

Name of company*	Principal activities	Paid-up capital	Group interest	
			% 2017	% 2016
As at 31 December 2017				
SUBSIDIARIES				
Boustead Properties Berhad	Investment holding and property investment	RM757,254,185	100	100
Boustead Plantations Berhad	Investment holding and oil palm cultivation	RM1,422,343,198	57	57
Pharmaniaga Berhad**	Investment holding	RM146,213,301	56	56
Boustead Heavy Industries Corporation Berhad	Investment holding	RM248,457,612	65	65
Boustead Naval Shipyard Sdn Bhd	Construction, repair and maintenance of naval and merchant ships	RM130,000,003	82	82
Boustead Petroleum Marketing Sdn Bhd**	Marketing of petroleum products	RM315,795,000	42	42
UAC Berhad	Manufacture of fibre cement products, project management and property investment	RM2,894,000	100	100
MHS Aviation Berhad	Provision of air transportation, flight support, engineering and technical services	RM79,999,994	51	51
Boustead Segaria Sdn Bhd	Investment holding	RM18,000,520	100	100
Boustead Credit Sdn Bhd	Hire purchase and lease financing	RM15,000,000	100	100
Boustead Global Trade Network Sdn Bhd	Insurance agent	RM3,000,000	100	100
Boustead Weld Quay Sdn Bhd	Property investment and hotel operations	RM150,000,000	100	100
Boustead Travel Services Sdn Bhd	Travel agent	RM5,500,000	100	100
Boustead Construction Sdn Bhd	Project management, construction and property development	RM1,000,000	100	100
Mutiara Rini Sdn Bhd	Property developer	RM338,000,000	100	100

Name of company*	Principal activities	Paid-up capital	Group interest	
			% 2017	% 2016
As at 31 December 2017				
SUBSIDIARIES (cont'd.)				
U.K. Realty Sdn Bhd	Property development	RM40,000,000	100	100
Boustead Balau Sdn Bhd	Property developer	RM30,000,000	100	100
Boustead Curve Sdn Bhd	Property investment	RM150,000,000	100	100
Damansara Entertainment Centre Sdn Bhd	Property investment	RM60,000,000	100	100
Boustead Hotels & Resorts Sdn Bhd	Hotel operations	RM175,000,000	100	100
Boustead Realty Sdn Bhd	Property investment	RM100,000,000	100	100
Boustead Weld Court Sdn Bhd	Property investment	RM20,000,000	100	100
Nam Seng Bee Hoon Sdn Bhd	Property investment	RM70,000,000	100	100
Mecuro Properties Sdn Bhd	Property investment	RM2	100	100
Boustead Shipping Agencies Sdn Bhd	Shipping agent	RM5,000,000	100	100
Boustead Cruise Centre Sdn Bhd	Provision of port facilities and services to cruise and navy vessels	RM80,000,000	100	100
Boustead Ventures Limited <sup>a</sup>	Hotel operations	£1,000	100	100
Boustead Hyde Park Ltd <sup>a</sup>	Hotel operations	–	100	100
Boustead Building Materials Sdn Bhd	Building products distributor and project management	RM53,000,000	100	100
Boustead DCP Sdn Bhd	Produce and supply of chill water for air-conditioning	RM12,000,000	100	100
Bakti Wira Development Sdn Bhd	Investment holding	RM75,000	100	100
Cargo Freight Shipping Sdn Bhd	Shipping agent	RM186,000	100	100
Midas Mayang Sdn Bhd	Operating hotels and resorts	RM10,000,000	80	80
The University of Nottingham in Malaysia Sdn Bhd	Operation of a university	RM154,960,000	66	66
Astacanggih Sdn Bhd	Investment holding	RM20,000,000	80	80



Name of company*	Principal activities	Paid-up capital	Group interest	
			% 2017	% 2016
As at 31 December 2017				
Cebur Megah Development Sdn Bhd	Investment holding	RM2	80	80
Mutiara Nusa Sdn Bhd	Property development	RM2	100	–
Boustead Rimba Nilai Sdn Bhd	Cultivation of oil palm and processing of fresh fruit bunches (FFB)	RM100,000,000	57	57
Boustead Emastulin Sdn Bhd	Cultivation of oil palm and processing of FFB	RM17,000,000	57	57
Boustead Eldred Sdn Bhd	Cultivation of oil palm	RM15,000,000	57	57
Boustead Trunkline Sdn Bhd	Cultivation of oil palm	RM7,000,000	57	57
Boustead Gradient Sdn Bhd	Cultivation of oil palm and processing of FFB	RM3,000,000	57	57
Boustead Estates Agency Sdn Bhd	Plantation management and engineering consultancy	RM1,637,292	57	57
Boustead Telok Sengat Sdn Bhd	Processing of FFB and investment holding	RM11,480,000	57	57
Boustead Solandra Sdn Bhd	Cultivation of oil palm	RM200,000	57	57
Boustead Pelita Kanowit Oil Mill Sdn Bhd	Operation of palm oil mill	RM30,000,000	34	34
Boustead Pelita Kanowit Sdn Bhd	Cultivation of oil palm	RM234,560,000	34	34
Boustead Pelita Tinjar Sdn Bhd	Cultivation of oil palm and processing of FFB	RM161,370,000	34	34
Pharmaniaga Manufacturing Berhad**	Manufacture and sale of pharmaceutical products	RM10,000,000	56	56
Pharmaniaga Logistics Sdn Bhd**	Distribution of pharmaceutical and medical products	RM40,000,000	56	56
Pharmaniaga Marketing Sdn Bhd**	Trading and marketing of pharmaceutical and medical products	RM3,000,000	56	56
Pharmaniaga LifeScience Sdn Bhd**	Manufacture and sale of pharmaceutical products	RM200,000,000	56	56
Pharmaniaga Research Centre Sdn Bhd**	Conduct research and development of pharmaceutical products	RM10,000,000	56	56

Name of company*	Principal activities	Paid-up capital	Group interest	
			% 2017	% 2016
As at 31 December 2017				
SUBSIDIARIES (cont'd.)				
Paradigm Industry Sdn Bhd**	Manufacture and sale of food supplement	RM100,000	45	–
Pharmaniaga Biomedical Sdn Bhd**	Supply, trading and installation of medical and hospital equipment	RM8,000,000	56	56
Idaman Pharma Manufacturing Sdn Bhd**	Manufacture and sale of pharmaceutical products	RM25,000,000	56	56
Pharmaniaga Pristine Sdn Bhd**	Trading and wholesaling of consumer products	RM20,000,050	56	56
Pharmaniaga International Corporation Sdn Bhd**	Investment holding	RM103,000,000	56	56
Bio-Collagen Technologies Sdn Bhd**	Research and manufacture of collagen medical devices	RM2,000,000	39	39
PT Errita Pharma***	Manufacture and sale of pharmaceutical products in Indonesia	Rp95,832,000,000	54	48
PT Millennium Pharmacon International Tbk***	Distribution and trading of pharmaceutical & diagnostic products and food supplements	Rp127,400,000,000	41	31
Boustead Penang Shipyard Sdn Bhd	Heavy engineering construction, ship repair and shipbuilding	RM350,000,000	65	65
Perstim Industries Sdn Bhd	Investment holding	RM51,155,724	65	65
BHIC Marine Carriers Sdn Bhd	Provision of engineering services for oil and gas industry	RM3,000,000	65	65
Dominion Defence & Industries Sdn Bhd	Supply and services of marine and defence related products	RM1,000,000	65	65
BHIC Defence Techservices Sdn Bhd	Provision of maintenance and services for defence related products	RM1,000,000	65	65

Name of company*	Principal activities	Paid-up capital	Group interest	
			% 2017	% 2016
As at 31 December 2017				
BHIC Defence Technologies Sdn Bhd	Investment holding	RM36,579,282	65	65
Naval and Defence Communication System Sdn Bhd	Provision of maintenance and services for telecommunication systems	RM100,000	65	65
BHIC Navaltech Sdn Bhd	In-service support for the maintenance, services and supply of spare parts for vessels	RM1,000,000	65	65
BHIC Electronics and Technologies Sdn Bhd	Provision of maintenance and services for defence weapons and related products	RM2,329,897	65	65
BHIC Allied Defence Technology Sdn Bhd	Supply of electronics and system technology to defence related industry	RM510,000	65	65
BHIC Trading Sdn Bhd	Property Investment	RM8,000,002	65	65
BHIC Submarine Engineering Services Sdn Bhd	Provision of maintenance and service of submarines	RM500,000	65	65
BHIC Marine Technology Academy Sdn Bhd	Provision of marine and defence management training	RM500,000	65	65
BHIC AeroTech Sdn Bhd	Provision of maintenance repair and overhaul of aircraft wheels and brakes	RM500,000	65	65
BHIC Shipbuilding and Engineering Sdn Bhd	Ship repair, shipbuilding and fabrication of steel structures	RM500,000	65	65
Boustead Langkawi Shipyard Sdn Bhd	Construction, repair and maintenance of boats and yachts	RM100,000,000	82	82
Boustead Petroleum Sdn Bhd	Investment holding	RM118,329,300	60	60
AB Shipping Sdn Bhd	Inactive	RM45,000	100	100
Boustead Idaman Sdn Bhd	Inactive	RM13,000,000	100	100
Boustead Management Services Sdn Bhd	Inactive	RM10,000	100	100
MHS Assets Sdn Bhd	Inactive	RM10,000,000	51	51

Name of company*	Principal activities	Paid-up capital	Group interest	
			% 2017	% 2016
As at 31 December 2017				
SUBSIDIARIES (cont'd.)				
Boustead Atlas Hall Sdn Bhd	Ceased operation	RM4,666,000	100	51
Bounty Crop Sdn Bhd	Ceased operation	RM70,200,000	57	57
Boustead Engineering Sdn Bhd	Ceased operation	RM8,000,000	100	100
Boustead Information Technology Sdn Bhd	Ceased operation	RM1,000,000	100	100
Boustead Sissions Paints Sdn Bhd	Ceased operation	RM22,663,000	100	100
Boustead Sungai Manar Sdn Bhd	Ceased operation	RM4,500,000	57	57
UAC Steel Systems Sdn Bhd	Ceased operation	RM1,860,000	100	100
PT Mega Pharmaniaga***	Ceased operation	Rp11,372,400,000	53	53
ASSOCIATES				
Pavilion Entertainment Centre (M) Sdn Bhd	Property development	RM74,538,400	50	50
Drew Ameroid (M) Sdn Bhd	Industrial chemicals distributor	RM20,000	50	50
Boustead Wah Seong Sdn Bhd	Investment holding	RM24,306,085	50	50
Wah Seong Boustead Co Ltd^	Consumer and building products distributor	Kyat2,760,000	50	50
Kao (Malaysia) Sdn Bhd	Toiletries, household products distributor	RM16,000,000	45	45
Applied Agricultural Resources Sdn Bhd	Agronomic advisory services, commercial production of oil palm planting materials and investment holding	RM3,000,000	29	29
Cadbury Confectionery Malaysia Sdn Bhd	Chocolate and sugar confectionery manufacturer	RM33,173,950	25	25
Affin Bank Berhad	Financial services group	RM4,684,752,000	21	21
Rakan Riang Sdn Bhd	Operating education and entertainment facilities	RM30,600,000	20	20
Rakan Riang Pte Ltd#	Operating education and entertainment facilities	S\$24,000,000	20	20

Name of company*	Principal activities	Paid-up capital	Group interest	
			% 2017	% 2016
As at 31 December 2017				
JOINT VENTURES				
Irat Properties Sdn Bhd	Property investment and operator of automated traffic enforcement system	RM472,910,000	50	50
Boustead Ikano Sdn Bhd	Property investment	RM400,000,000	50	50
BHIC MSM Sdn Bhd	Provision for maintenance and repair of MTU products	RM1,000,000	39	39
Boustead DCNS Naval Corporation Sdn Bhd	Vessel maintenance	RM10,000,000	39	39
Contraves Advanced Devices Sdn Bhd	Manufacture of electronic products	RM5,000,000	33	33
BYO Marine Sdn Bhd	Construction of vessels	RM500,000	33	33
BHIC Bofors Asia Sdn Bhd	Providing, supplying and servicing BOFORS weapons system	RM1,000,000	33	33
BHIC AeroServices Sdn Bhd	Maintenance, repair and overhaul of rotary and fixed wing aircraft	RM2,000,000	33	33
BHIC System Integration Sdn Bhd	Project management, contract administration and other related services for defence industry	RM1,000,000	33	–
Pyrotechnical Ordnance Malaysia Sdn Bhd	Production and selling of double based propellant for locally used artillery shells and rockets in defence sector	RM50,002	32	33

\* Incorporated and operating in Malaysia unless otherwise indicated

\*\* Subsidiaries not audited by Ernst & Young

+ Incorporated and operating in Indonesia

^ Incorporated and operating in Myanmar

# Incorporated and operating in Singapore

Ⓔ Incorporated in British Virgin Island and operating in United Kingdom

% Incorporated and operating in United Kingdom



# ■ RECURRENT RELATED PARTY TRANSACTIONS

At the Annual General Meeting held on 6 April 2017, the Company obtained Shareholders' Mandate to allow the Group to enter into recurrent related party transactions of a revenue or trading nature.

In accordance with Section 3.1.5 of Practice Note No. 12 of the Bursa Malaysia Securities Berhad Listing Requirements, the details of recurrent related party transactions conducted during the financial year ended 31 December 2017 pursuant to the Shareholders' Mandate are disclosed as follows:

Related Party	Interested Director/ connected person	Nature of transactions	Actual transactions RM Million
Boustead Plantations Berhad	Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)	Office rental at Menara Boustead paid to Boustead Properties Berhad	1.3
	Tan Sri Dato' Seri Lodin Wok Kamaruddin	General management fees, internal audit fees and tax consultancy fees paid to Boustead Holdings Berhad	1.9
	Dato' Sri Ghazali Mohd Ali	Purchase of air tickets and travel related services from Boustead Travel Services Sdn Bhd	0.9
	LTAT		
Boustead Naval Shipyard Sdn Bhd	Tan Sri Dato' Seri Lodin Wok Kamaruddin	Ship building and ship repair works provided to Boustead Heavy Industries Corporation Berhad	0.1
	Dato' Sri Ghazali Mohd Ali		
	Datuk Azzat Kamaludin	Office rental at Menara Boustead paid to Boustead Realty Sdn Bhd	2.2
	LTAT	Premise rental paid by Boustead Heavy Industries Corporation Berhad	1.8
		Provision of construction works to Boustead Heavy Industries Corporation Berhad	–
		Purchase of air tickets and travel related services from Boustead Travel Services Sdn Bhd	1.1

Related Party	Interested Director/ connected person	Nature of transactions	Actual transactions RM Million
Boustead Heavy Industries Corporation Berhad	Tan Sri Dato' Seri Lodin Wok Kamaruddin	Sale of equipment and machinery for ship related activities to Boustead Naval Shipyard Sdn Bhd	1.9
	Dato' Sri Ghazali Mohd Ali	Ship building and ship repair works provided to Boustead Naval Shipyard Sdn Bhd	463.4
	Datuk Azzat Kamaludin	Premise rental paid by Boustead Naval Shipyard Sdn Bhd	1.4
	LTAT	Provision of training to Boustead Naval Shipyard Sdn Bhd	0.3
		Office rental at Menara Boustead, Penang paid to Boustead Holdings Berhad	0.1
		Purchase of air tickets and travel related services from Boustead Travel Services Sdn Bhd	2.7
		Provision of training, management and related services by Boustead Holdings Berhad	0.5
		Office rental at Menara Boustead paid to Boustead Realty Sdn Bhd	0.1
Boustead Petroleum Marketing Sdn Bhd	Tan Sri Dato' Seri Lodin Wok Kamaruddin	Sale of non-regulated petroleum products to Boustead Holdings Berhad Group	7.8
	Dato' Sri Ghazali Mohd Ali	Purchase of air tickets and travel related services from Boustead Travel Services Sdn Bhd	1.2
	LTAT		
Pharmaniaga Berhad	Tan Sri Dato' Seri Lodin Wok Kamaruddin	Purchase of air tickets and travel related services from Boustead Travel Services Sdn Bhd	1.1
	Dato' Sri Ghazali Mohd Ali	Provision of corporate and administrative support services and training by Boustead Holdings Berhad	1.4
	LTAT		
Affin Bank Berhad Group	Tan Sri Dato' Seri Lodin Wok Kamaruddin	Office rental at Menara Boustead, Menara Affin and the Curve paid to Boustead Realty Sdn Bhd, Boustead Curve Sdn Bhd and Boustead Properties Berhad	17.6
	Dato' Sri Ghazali Mohd Ali	Provision of professional service to Boustead Holdings Berhad, Boustead Naval Shipyard Sdn Bhd and Boustead Properties Berhad	9.4
	LTAT	Purchase of air tickets and travel related services from Boustead Travel Services Sdn Bhd	4.6

## RECURRENT RELATED PARTY TRANSACTIONS

Related Party	Interested Director/ connected person	Nature of transactions	Actual transactions RM Million
Irat Hotels and Resorts Sdn Bhd	Tan Sri Dato' Seri Lodin Wok Kamaruddin  Dato' Sri Ghazali Mohd Ali  LTAT	Rental of hotel building paid by Boustead Hotels and Resorts Sdn Bhd	12.3
Arkitek MAA	Dato' Sri Ghazali Mohd Ali	Provision of architectural services to Boustead Curve Sdn Bhd, Boustead Weld Quay Sdn Bhd, Damansara Entertainment Centre Sdn Bhd, Mutiara Rini Sdn Bhd and Boustead Balau Sdn Bhd and Boustead Heavy Industries Corporation	3.5
Azzat & Izzat	Datuk Azzat Kamaludin	Provision of legal services to Boustead Holdings Berhad Group	1.6
Drew Ameroid (M) Sdn Bhd	Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)  Tan Sri Dato' Seri Lodin Wok Kamaruddin  Dato' Sri Ghazali Mohd Ali  LTAT	Provision of chemical products for raw and boiler water treatment to Boustead Plantations Berhad	1.0
LTAT	Tan Sri Dato' Seri Lodin Wok Kamaruddin  Dato' Sri Ghazali Mohd Ali  LTAT	Provision of project management service by Boustead Properties Berhad  Purchase of air tickets and travel related services from Boustead Travel Services Sdn Bhd	0.7  –
Perbadanan Perwira Harta Malaysia	Tan Sri Dato' Seri Lodin Wok Kamaruddin  Dato' Sri Ghazali Mohd Ali  LTAT	Provision of renovation works by Boustead Building Materials Sdn Bhd  Construction of low cost housing project by UAC Berhad	31.3  56.2

# TOP 30 PROPERTIES OF THE GROUP

Location	Hectares	Description	Tenure	Age of buildings Years	Book value	Year of acquisition/ revaluation
The Curve, Jalan PJU 7/3, Mutiara Damansara, Selangor	5.0	Commercial land and building	Freehold	13	635.0	*2017
Lot 78143/78144/78146/78147/78148/78153/78154/78155 and PT63807, Mukim Klang, Daerah Klang, Selangor	25.8	Cruise terminal building, jetty and industrial land	1996 – 2095	18	309.4	2014
Lot 67329 & Lot 67330 Mutiara Damansara, Mukim Sungai Buloh, Selangor	0.85	Office complex under construction	Freehold		304.7	*2017
Telok Sengat Estate, Kota Tinggi, Johor	3,690.1	Oil palm estate & palm oil mill	Freehold	31	280.3	2013
University of Nottingham in Malaysia, Semenyih Selangor	41.2	University campus	Freehold	12	261.1	2003
eCurve, Jalan PJU 7/3 Mutiara Damansara,	1.6	Commercial land and building	Freehold	12	210.0	*2017
PT 216/PT220, Mukim of Kapar, District of Klang, and Lot 1158, Mukim of Bukit Raja, District of Petaling, Selangor	81.0	Development land	Freehold		202.1	2014
Royale Chulan Damansara, No 2, Jalan PJU 7/3 Mutiara Damansara, Selangor	0.88	Hotel	Freehold	6	193.3	2012
G&G Estate, Lahad Datu, Sabah	2,409.8	Oil palm estate	1978 – 2077		179.7	2013

## TOP 30 PROPERTIES OF THE GROUP

Location	Hectares	Description	Tenure	Age of buildings Years	Book value	Year of acquisition/ revaluation
Menara Affin 80 Jalan Raja Chulan, Kuala Lumpur	0.34	Office complex	Freehold	19	166.0	*2017
Sungai Sungai Estate, Sugut, Sabah	6,096.4	Oil palm estate & palm oil mill	1997 – 2098	12	160.6	2012
23-26, Leinster Square, London	0.1	Hotel	Freehold	>100	143.4	2014
Sutera Estate, Sandakan Sabah	2,200.7	Oil palm estate	1888 – 2887		142.8	2013
Bukit Mertajam Estate, Kulim, Kedah	2,164.8	Oil palm estate	Freehold		139.5	2013
Mutiara Rini, Kulai, Johor	76.7	Development land	1912 – 2911		132.3	1995
PT482, Seksyen 90 Bandar Kuala Lumpur	3.24	Development land	Freehold		131.1	2013
Curve NX, Jalan PJU 7/3 Mutiara Damansara, Selangor	0.61	Commercial land and building	Freehold	6	127.0	*2017
PT481, Seksyen 90 Bandar Kuala Lumpur	1.2	Commercial land	Freehold		122.5	*2017
Menara Boustead, 69 Jalan Raja Chulan, Kuala Lumpur	0.43	Office complex	Freehold	32	116.9	2001
Bebar Estate, Muadzam Shah, Pahang	2,340.6	Oil palm estate	1984 – 2083		116.7	2013
Royale Chulan Penang Pengkalan Weld, Pulau Pinang	0.48	Hotel	Freehold	4	112.9	2007
Menara Boustead Penang, Jalan Sultan Ahmad Shah Georgetown, Pulau Pinang	4.0	Office complex	Freehold	19	109.5	*2017



## TOP 30 PROPERTIES OF THE GROUP

Location	Hectares	Description	Tenure	Age of buildings Years	Book value	Year of acquisition/ revaluation
Sungai Segamaha and Bukit Segamaha Estates Lahad Datu	5,659.6	Oil palm estate and palm oil mill	1979 – 2077	21	109.3	2012
Menara UAC, 12 Jalan PJU 7/5 Mutiara Damansara, Selangor	1.4	Commercial land and building	Freehold	10	105.0	*2017
Segaria Estate, Semporna Sabah	4,746.2	Oil palm estate & palm oil mill	1965 – 2072	37	92.0	2012
Royale Chulan Bukit Bintang, 17-21 Jalan Bukit Bintang, Kuala Lumpur	0.31	Hotel	Freehold	20	91.7	2003
Lepan Kabu Estate, Kuala Pahi, Kelantan	2,034.6	Oil palm estate & palm oil mill	Freehold	47	90.7	2013
Royale Chulan Seremban, Jalan Dato' A.S. Dawood Seremban, Negeri Sembilan	2.5	Hotel	Freehold	17	85.7	2008
Lot 70, Mutiara Damansara Mukim Sungai Buluh, Selangor	4.0	Development land	Freehold		85.4	1999
Taiping Rubber Plantation Estate, Trong, Perak	1,379.3	Oil palm estate & palm oil mill	Freehold	16	81.3	2013

\* Year of revaluation

Book values are stated in RM Million

# ADDITIONAL DISCLOSURES

## 1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

(a) The status of the utilisation of proceeds from the Company's rights issue as at 15 February 2018 is as tabulated below:

Purpose	Proposed Utilisation RM Million	Actual Utilisation RM Million	Balance To Be Utilised RM Million	Deviation %	Time Frame
Repayment of borrowings	486.0	486.0	–	–	Within 12 months
Property development activities	507.0	78.5	428.5	85	Within 24 months
Working capital	60.5	60.5	–	–	Within 12 months
Rights issue expenses	1.3	1.3	–	–	Within 6 months
Total gross proceeds	1,054.8	626.3	428.5		

b) The status of utilisation of proceeds from the Company's issuance of Islamic Medium Term Notes (IMTN) as at 15 February 2018 is as tabulated below:

Purpose	Proposed Utilisation RM Million	Actual Utilisation RM Million	Balance To Be Utilised RM Million	Deviation %
Refinancing of existing borrowings	962.4	962.4	-	-
Funding of reserve account of IMTN programme	37.6	37.6	-	-
Total gross proceeds	1,000.0	1,000.0	-	

## 2. AUDIT AND NON-AUDIT FEES

	Audit Fees		Non-Audit Fees	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Audit and non-audit fees paid to the external auditors for the financial year ended 31 December 2017				
– Auditor of the Company	3,445	350	220	85
– Others	959	–	45	–
	4,404	350	265	85

The provision of non-audit services by the external auditors to the Group is both cost effective and efficient due to their knowledge and understanding of the operations of the Group, and did not compromise their independence and objectivity. It is also the Group's policy to use the auditors in cases where their knowledge of the Group means it is neither efficient nor cost effective to employ another firm of accountants.

## 3. MATERIAL CONTRACTS

- (a) On 19 December 2016, the Group's wholly owned Subsidiary, Boustead Construction Sdn Bhd (BCSB) entered into sale and purchase agreement with Lembaga Tabung Angkatan Tentera to purchase lands measuring 10.74 acres in Mukim Petaling, District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur (known as The Bukit Jalil Lands) for a total cash consideration of RM172,780,035.48 (Proposed Acquisition).

The Proposed Acquisition is conditional upon the approval of the relevant State Authority for the transfer of the Bukit Jalil lands to BCSB.

- b) On 22 December 2017, the Group's wholly owned Subsidiary, Mutiara Rini Sdn Bhd (MRSB) entered into a sale and purchase agreement with Lembaga Tabung Angkatan Tentera to purchase land measuring 6.59 hectares held under HSD 118499 PT 484 Section 90, Town of Kuala Lumpur, District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur (Jalan Cochrane land) for a total cash consideration of RM143,513,065 (Proposed Acquisition).

The Proposed Acquisition is conditional upon the approval of the relevant State Authority for the transfer of the Jalan Cochrane Land to MRSB.

There were no other material contracts which had been entered into by the Group involving the interests of Directors and major shareholders, either still subsisting at the end of the financial year ended 31 December 2017 or entered into since the end of the previous financial year.



# GROUP OIL PALM AGRICULTURAL STATISTICS

	2017	2016	2015	2014	2013
<b>Planted area in hectares (ha)</b>					
Past prime	14,569	12,234	13,138	13,464	9,631
Prime	32,363	33,199	33,533	38,436	42,922
Young	12,179	11,964	12,387	12,636	12,542
Total mature	59,111	57,397	59,058	64,536	65,095
Immature	5,876	7,071	6,622	6,042	5,243
Total planted	64,987	64,468	65,680	70,578	70,338
<b>FFB Crop (MT)</b>	973,513	908,576	1,037,163	1,036,582	1,032,174
<b>FFB yield (MT/ha)</b>	16.7	15.6	17.6	16.2	16.4
<b>Mill production (MT)</b>					
FFB processed	1,080,390	1,011,778	1,119,737	1,134,707	1,141,824
Crude palm oil	226,843	217,561	245,120	247,198	238,371
Palm kernel	46,896	44,035	51,444	51,533	52,927
<b>Extraction rate (%)</b>					
Crude palm oil	21.0	21.5	21.9	21.8	20.9
Palm kernel	4.3	4.4	4.6	4.5	4.6
<b>Oil yield (MT/ha)</b>	3.5	3.4	3.9	3.5	3.4
<b>Average selling price (RM/MT)</b>					
FFB	610	598	458	511	486
Crude palm oil	2,810	2,584	2,148	2,401	2,353
Palm kernel	2,505	2,460	1,533	1,679	1,284

# PLANTATION AREA STATEMENT

## AREA STATEMENT

	2017		2016	
	Ha	%	Ha	%
Oil palm	64,987	79.4	64,468	78.1
Building sites, roads, unplantable areas, etc	16,851	20.6	18,048	21.9
Total	81,838	100.0	82,516	100.0

## AGE PROFILE OF PALMS

### 2017

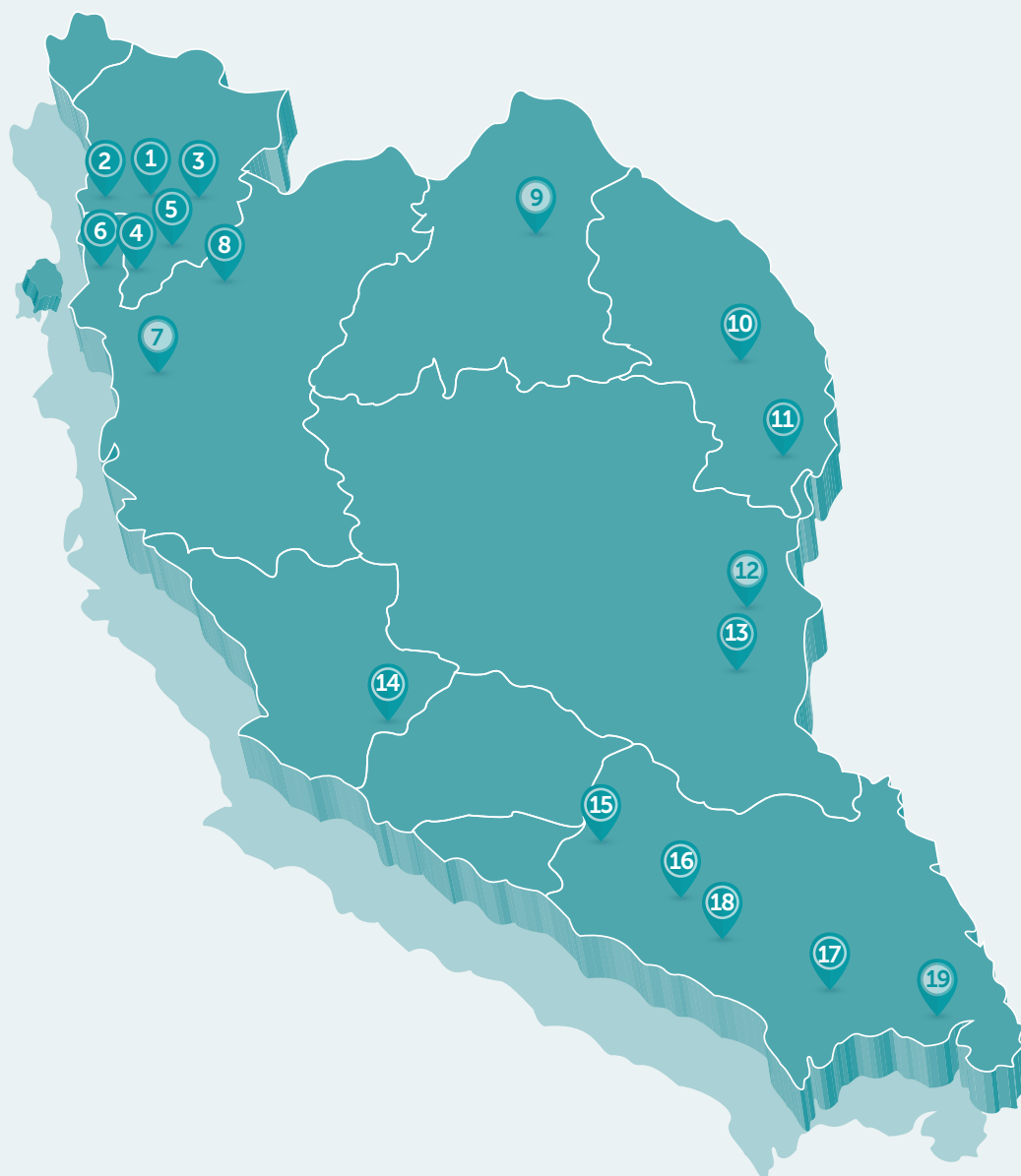
Region	Immature < 3 years	Mature			Total planted
		Young 4 - 9 years	Prime 10 - 20 years	Past Prime > 20 years	
Peninsular Malaysia	2,473	6,957	9,329	5,439	24,198
Sabah	3,370	4,902	12,759	6,175	27,206
Sarawak	33	320	10,275	2,955	13,583
Total hectares	5,876	12,179	32,363	14,569	64,987

### 2016

Region	Immature < 3 years	Mature			Total planted
		Young 4 - 9 years	Prime 10 - 20 years	Past Prime > 20 years	
Peninsular Malaysia	2,749	7,431	9,292	5,402	24,874
Sabah	4,052	4,533	13,544	5,092	27,221
Sarawak	270	–	10,363	1,740	12,373
Total hectares	7,071	11,964	33,199	12,234	64,468

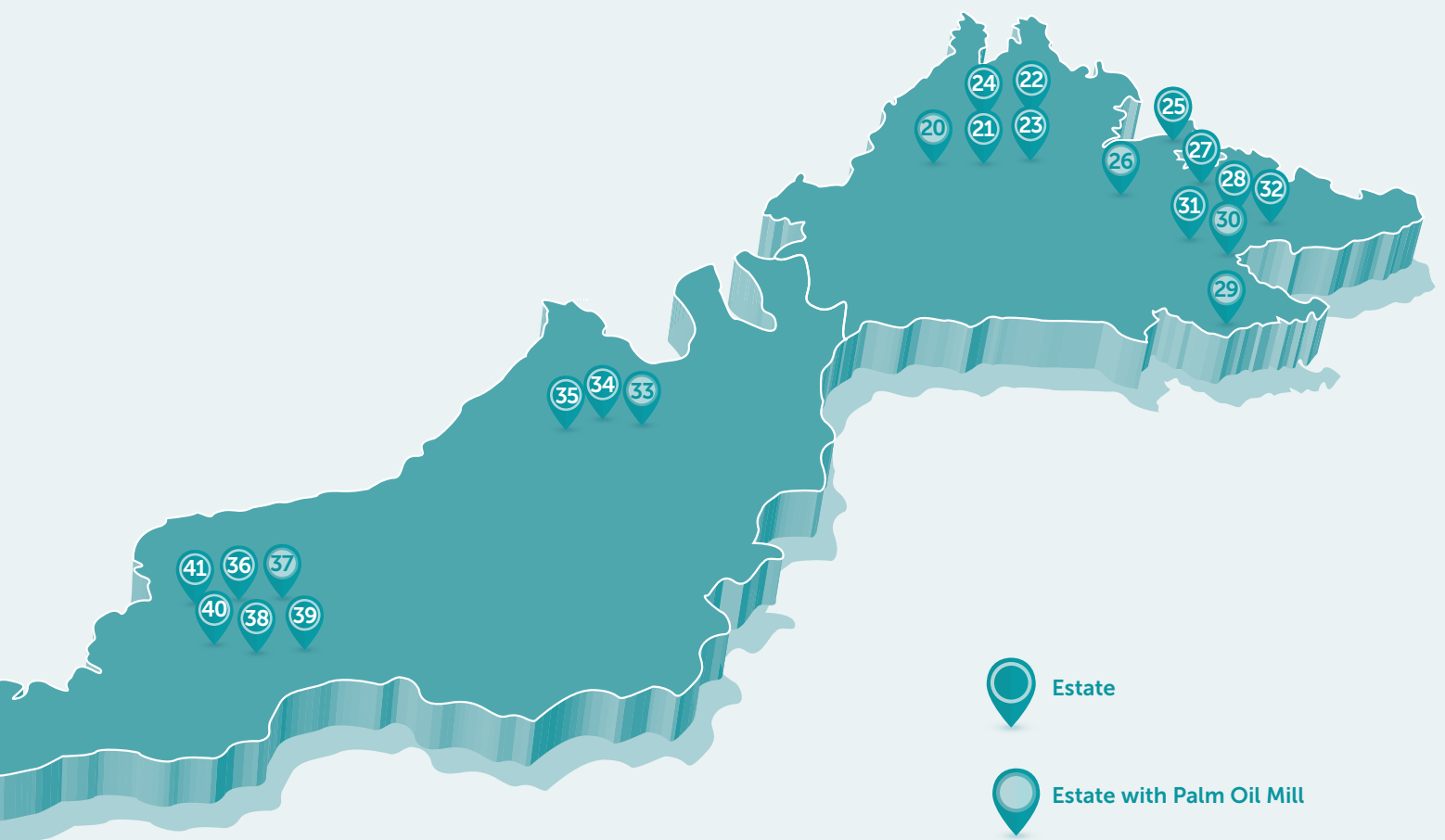


# LOCATION OF GROUP PLANTATIONS



## Peninsular Malaysia

- |                    |                              |                    |                  |
|--------------------|------------------------------|--------------------|------------------|
| 1. Batu Pekaka     | 6. Malakoff                  | 11. LTT-Terengganu | 16. Eldred       |
| 2. Kuala Muda      | 7. Taiping Rubber Plantation | 12. Sungai Jernih  | 17. Kulai Young  |
| 3. Stothard        | 8. Malaya                    | 13. Bebar          | 18. Chamek       |
| 4. Kedah Oil Palms | 9. Lapan Kabu                | 14. Balau          | 19. Telok Sengat |
| 5. Bukit Mertajam  | 10. Solandra                 | 15. Bekoh          |                  |



#### Sabah & Sarawak

- |                     |                     |                  |             |
|---------------------|---------------------|------------------|-------------|
| 20. Sungai Sungai 1 | 26. Nak             | 32. G&G          | 37. Jih     |
| 21. Sungai Sungai 2 | 27. Sutera          | 33. Loagan Bunut | 38. Kelimut |
| 22. Sungai Sungai 3 | 28. LTT-Sabah       | 34. Sungai Lelak | 39. Maong   |
| 23. Kawananan       | 29. Segaria         | 35. Bukit Limau  | 40. Mapai   |
| 24. Lembah Paitan   | 30. Sungai Segamaha | 36. Pedai        | 41. Bawan   |
| 25. Resort          | 31. Bukit Segamaha  |                  |             |

# SHAREHOLDING STATISTICS

AS AT 15 FEBRUARY 2018

Size of shareholdings	No. of holders	%	No. of shares	%
Less Than 100	945	7.82	21,892	0.00
100 to 1,000	1,200	9.94	525,180	0.03
1,001 to 10,000	6,301	52.18	27,152,821	1.34
10,001 to 100,000	3,130	25.92	89,686,966	4.42
100,001 to less than 5% of issued shares	498	4.12	503,325,028	24.83
5% and above of issued shares	2	0.02	1,406,276,110	69.38
<b>TOTAL</b>	<b>12,076</b>	<b>100.00</b>	<b>2,026,987,997</b>	<b>100.00</b>

## 30 LARGEST SHAREHOLDERS

No.	Name of shareholders	No. of shares	%
1	LEMBAGA TABUNG ANGKATAN TENTERA	1,191,712,218	58.79
2	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	214,563,892	10.59
3	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>EMPLOYEES PROVIDENT FUND BOARD</i>	79,041,648	3.90
4	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>EXEMPT AN FOR AIA BHD.</i>	62,742,811	3.09
5	CHINCHOO INVESTMENT SDN.BERHAD	19,743,000	0.97
6	CIMSEC NOMINEES (TEMPATAN) SDN BHD <i>CIMB BANK FOR CHE LODIN BIN WOK KAMARUDDIN (PBCL-0G0052)</i>	19,600,000	0.97
7	KEY DEVELOPMENT SDN.BERHAD	18,927,857	0.93
8	GAN TENG SIEW REALTY SDN.BERHAD	17,068,921	0.84
9	CIMSEC NOMINEES (TEMPATAN) SDN BHD <i>CIMB FOR CHE LODIN BIN WOK KAMARUDDIN (PB)</i>	15,339,530	0.76
10	CHE LODIN BIN WOK KAMARUDDIN	12,872,000	0.63
11	CITIGROUP NOMINEES (ASING) SDN BHD <i>CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND</i>	12,767,991	0.63
12	YONG SIEW YOON	12,239,731	0.60
13	CARTABAN NOMINEES (TEMPATAN) SDN BHD <i>ICAPITAL.BIZ BERHAD</i>	12,147,786	0.60
14	HONG LEONG ASSURANCE BERHAD <i>AS BENEFICIAL OWNER (LIFE PAR)</i>	10,070,174	0.50
15	HONG LEONG ASSURANCE BERHAD <i>AS BENEFICIAL OWNER (S'HOLDERS NPAR)</i>	7,831,720	0.39
16	GEMAS BAHRU ESTATES SDN. BHD.	6,917,780	0.34
17	BIDOR TAHAN ESTATES SDN.BHD.	6,435,268	0.32

### 30 LARGEST SHAREHOLDERS

No.	Name of shareholders	No. of shares	%
18	MIKDAVID SDN BHD	5,914,162	0.29
19	UOB KAY HIAN NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR UOB KAY HIAN PTE LTD ( A/C CLIENTS )</i>	5,324,826	0.26
20	RENGO MALAY ESTATE SENDIRIAN BERHAD	4,847,981	0.24
21	CITIGROUP NOMINEES (ASING) SDN BHD <i>CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC</i>	4,776,231	0.24
22	CIMSEC NOMINEES (TEMPATAN) SDN BHD <i>CIMB BANK FOR DATO' CHE LODIN BIN WOK KAMARUDDIN (MM0197)</i>	4,446,275	0.22
23	CHINCHOO HOLDINGS (S) PRIVATE LIMITED	3,987,286	0.20
24	HSBC NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR BANK JULIUS BAER &amp; CO. LTD. (SINGAPORE BCH)</i>	3,152,317	0.16
25	CITIGROUP NOMINEES (ASING) SDN BHD <i>CBNY FOR DFA EMERGING MARKETS SMALL CAP SERIES</i>	2,667,728	0.13
26	YEOH SAIK KHOO SENDIRIAN BERHAD	2,514,980	0.12
27	CIMSEC NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR CIMB SECURITIES (SINGAPORE) PTE LTD (RETAIL CLIENTS)</i>	2,467,887	0.12
28	INTER-PACIFIC EQUITY NOMINEES (ASING) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR MAK SENG FOOK</i>	2,393,378	0.12
29	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. <i>YAYASAN WARISAN PERAJURIT</i>	2,330,204	0.11
30	HSBC NOMINEES (TEMPATAN) SDN BHD <i>HSBC (M) TRUSTEE BHD FOR AFFIN HWANG SELECT INCOME FUND (4850)</i>	2,232,600	0.11
<b>TOTAL</b>		<b>1,767,078,182</b>	<b>87.17</b>

### SUBSTANTIAL SHAREHOLDERS BASED ON THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

	Direct interest		Indirect interest	
	No. of holders	%	No. of shares	%
Lembaga Tabung Angkatan Tentera	1,191,712,218*	58.79	–	–
Kumpulan Wang Persaraan (Diperbadankan)	214,563,892	10.59	–	–
Class of shares	Ordinary share			
Voting rights	1 vote per ordinary share			

\* Held directly by Lembaga Tabung Angkatan Tentera 1,191,015,418 ordinary shares (58.75%)  
Held by Nominees 696,800 ordinary shares (0.04%)



# STATEMENT OF DIRECTORS' INTERESTS

IN THE COMPANY AND RELATED CORPORATIONS AS AT 15 FEBRUARY 2018

Name of Director	No. of ordinary shares	Direct %
<b>BOUSTEAD HOLDINGS BERHAD</b>		
Tan Sri Dato' Seri Lodin Wok Kamaruddin	52,257,805	2.58
Datuk Azzat Kamaludin	112,000	0.00
<b>PHARMANIAGA BERHAD</b>		
Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)	220,000	0.08
Tan Sri Dato' Seri Lodin Wok Kamaruddin	12,500,148	4.81
Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad	121,000	0.05
Datuk Azzat Kamaludin	226,260	0.09
Dato' Sri Ghazali Mohd Ali	143,000	0.06
<b>BOUSTEAD PLANTATIONS BERHAD</b>		
Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)	1,560,000	0.10
Tan Sri Dato' Seri Lodin Wok Kamaruddin	27,836,800	1.74
Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad	1,590,000	0.10
Datuk Azzat Kamaludin	1,550,000	0.10
Dato' Sri Ghazali Mohd Ali	1,234,000	0.08
Datuk Francis Tan Leh Kiah	1,200,000	0.08
<b>BOUSTEAD HEAVY INDUSTRIES CORPORATION BERHAD</b>		
Tan Sri Dato' Seri Lodin Wok Kamaruddin	2,000,000	0.80
Datuk Azzat Kamaludin	350,000	0.14
Dato' Sri Ghazali Mohd Ali	75,000	0.03
<b>BOUSTEAD PETROLEUM SDN BHD</b>		
Tan Sri Dato' Seri Lodin Wok Kamaruddin	5,916,465	5.00
<b>AFFIN BANK BERHAD*</b>		
Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)	119,220	0.01
Tan Sri Dato' Seri Lodin Wok Kamaruddin	1,051,328	0.05
Datuk Francis Tan Leh Kiah	50,000	0.00

\* Pursuant to reorganisation exercise of Affin Holdings Berhad (AHB) as explained in Note 44 (f), the Directors' interest in AHB was transferred to Affin Bank Berhad with effective from 2 February 2018.



# DIVIDEND POLICY

It is the Board's intention to pay dividends to allow shareholders to participate in the profits of Boustead Holdings Berhad. The dividend policy is in line with the Board's intention to adopt a policy of active capital management where the Board endeavours to declare an interim dividend at the end of each quarter of the financial year in order that shareholders may enjoy a distribution on a regular basis. In this regard, the Company's ability to pay dividends would depend upon factors such as business prospects, expansion and growth strategies, capital requirements, cash reserves and other factors the Board may deem relevant.

Under the dividend policy, the Company intends to pay a minimum of 70% of the audited consolidated profit after taxation attributable to shareholders for each financial year after appropriate adjustments for the profit retained by Associated Companies, any unrealised income from fair value adjustments that are non-cash in nature and exceptional gains of non-operating nature where cash flow arising therefrom maybe reinvested.

As the Company is an investment holding company, its income, and therefore its ability to pay dividends or make distributions to shareholders, is dependent upon the dividends and other distributions from Subsidiaries, Associated Companies and investments which in turn will depend upon their operating results, financial condition, capital expenditure plans and other factors that their respective board of directors deem relevant.

The dividend policy reflects the Board's current views on the Group's financial position and the said policy will be reviewed from time to time. In recommending dividends, it is the Board's policy to allow shareholders to participate directly in the Company's profits whilst taking into account the retention of adequate reserves for future growth.

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Fifty-Sixth Annual General Meeting of Boustead Holdings Berhad will be held at Mutiara Ballroom, Ground Floor, Royale Chulan Damansara, 2 Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor on Thursday, 12 April 2018 at 2.30 p.m. for the purpose of transacting the following business:

## AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of the Directors and Auditors.  
(Please refer to Note 1)
2. To re-elect the following Directors who retire by rotation in accordance with Article 105 of the Company's Constitution, and being eligible, offer themselves for re-election:
  - i) Tan Sri Dato' Seri Lodin Wok Kamaruddin
  - ii) Datuk Francis Tan Leh Kiah
3. To re-elect Datuk Zainun Aishah Ahmad who retires in accordance with Article 111 of the Company's Constitution.
4. To approve payment of Directors' fees of RM902,333 for Boustead Holdings Berhad and its subsidiaries in respect of the financial year ended 31 December 2017.
5. To approve Directors' allowances and benefits of RM242,750 for Boustead Holdings Berhad and its subsidiaries for the financial year ended 31 December 2017.
6. To approve payment of Directors' fees, allowances and other benefits for Boustead Holdings Berhad and its subsidiaries from 1 January 2018 until the conclusion of the next Annual General Meeting of the Company.
7. To re-appoint Messrs. Ernst & Young as auditors of the Company and to hold office until the conclusion of the next Annual General Meeting, at a remuneration to be determined by the Directors.

**Resolution 1**

**Resolution 2**

**Resolution 3**

**Resolution 4**

**Resolution 5**

**Resolution 6**

**Resolution 7**

## AS SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolutions:

8. **ORDINARY RESOLUTION**  
**AUTHORITY TO ALLOT AND ISSUE SHARES IN GENERAL PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016** **Resolution 8**
- "THAT pursuant to Sections 75 and 76 of the Companies Act 2016 and subject to the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue shares in the capital of the Company from time to time and upon such terms and conditions and for such purposes as the Directors, may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are hereby also empowered to obtain approval from Bursa Malaysia Securities Berhad for the listing and quotation of the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."
9. **ORDINARY RESOLUTION**  
**PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS** **Resolution 9**
- "THAT, subject always to the Companies Act 2016 (Act), the Company's Constitution and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given for the renewal of the mandate granted by the shareholders of the Company on 6 April 2017, authorising the Company and/or its Subsidiaries to enter into recurrent transactions of a revenue or trading nature with the Related Parties as specified in Section 2.3.1 of the Circular to Shareholders dated 14 March 2018, provided that the transactions are:
- i) necessary for the day-to-day operations;
  - ii) carried out in the ordinary course of business and on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public; and
  - iii) are not to the detriment of the minority shareholders.
- AND THAT such approval shall continue to be in force until:
- i) the conclusion of the next Annual General Meeting (AGM) of the Company, at which time it will lapse, unless by a resolution passed at the said AGM, such authority is renewed;
  - ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
  - iii) revoked or varied by a resolution passed by the Shareholders in a General Meeting;
- whichever is the earlier.
- AND FURTHER 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 this Shareholders' Mandate."

# NOTICE OF ANNUAL GENERAL MEETING

## 10. ORDINARY RESOLUTION

### PROPOSED ADDITIONAL SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS

Resolution 10

"THAT, subject always to the Companies Act 2016 (Act), the Company's Constitution 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 transactions involving the Related Parties as specified in Section 2.3.2 of the Circular to Shareholders dated 14 March 2018, provided that the transactions are:

- i) recurrent transaction of a revenue or trading nature;
- ii) necessary for the day-to-day operations;
- iii) carried out in the ordinary course of business and 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 the minority shareholders.

AND THAT such approval shall continue to be in force until:

- i) the conclusion of the next Annual General Meeting (AGM) of the Company, at which time it will lapse, unless by a resolution passed at the said AGM, such authority is renewed;
- ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- iii) revoked or varied by a resolution passed by the Shareholders in a General Meeting;

whichever is the earlier.

AND FURTHER 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 this Shareholders' Mandate."

## 11. ORDINARY RESOLUTIONS

### RETENTION OF INDEPENDENT DIRECTORS

- i) "THAT Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R) be and is hereby retained as an Independent Non-Executive Director of the Company and he shall continue to act as an Independent Non-Executive Director, notwithstanding that he has been on the Board of the Company for cumulative term of more than twelve (12) years."

Resolution 11

- ii) "THAT Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad be and is hereby retained as an Independent Non-Executive Director of the Company and he shall continue to act as an Independent Non-Executive Director, notwithstanding that he has been on the Board of the Company for cumulative term of more than twelve (12) years."

Resolution 12

- 12. To transact any other business of the Company of which due notice shall have been received.

# NOTICE OF ANNUAL GENERAL MEETING

By Order of the Board

**TASNEEM MOHD DAHALAN**  
Secretary

Kuala Lumpur  
14 March 2018

## Notes

### 1. Audited Financial Statements

The Audited Financial Statements laid at this meeting pursuant to Section 340(1) (a) of the Companies Act 2016 are meant for discussion only. It does not require shareholders' approval, and therefore, shall not be put forward for voting.

### 2. Ordinary Resolutions 1, 2 and 3 – Proposed Re-election of Directors in accordance with Article 105 and Article 111 of the Company's Constitution

Article 105 of the Company's Constitution provides amongst others that at least one-third of the Directors who are subject to retirement by rotation or, if their number is not three (3) or multiple of three (3), the number nearest to one-third shall retire from office provided always that all Directors shall retire from office once at least in every three (3) years and shall be eligible for re-election.

Directors who are standing for re-election pursuant to Article 105 of the Company's Constitution are as follows:

- i) Tan Sri Dato' Seri Lodin Wok Kamaruddin
- ii) Datuk Francis Tan Leh Kiah

The Nominating Committee ("NC") of the Company has assessed the criteria and contribution of Tan Sri Dato' Seri Lodin Wok Kamaruddin and Datuk Francis Tan Leh Kiah and recommended for their re-election. The Board endorsed the NC's recommendation that Tan Sri Dato' Seri Lodin Wok Kamaruddin and Datuk Francis Tan Leh Kiah be re-elected as Directors of the Company.

Article 111 of the Company's Constitution provides amongst others that the Directors shall have power at any time and from time to time to appoint any other person to be a Director of the Company either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following Annual General Meeting of the Company and shall then be eligible for re-election.

### Boustead Holdings Berhad

		Directors' Fees (annual) (RM)	Meeting Allowance (per meeting) (RM)	Travelling and Other Allowances (annual) (RM)	Benefits in kind
Board of Directors	Non-Executive Chairman	180,000	2,000	60,000	Company car and petrol
	Non-Executive Director	120,000	1,000	12,000	
Audit Committee	Chairman	30,000	1,500	–	
	Member	20,000	1,000	–	
Other Board Committees	Chairman	5,000	1,500	–	
	Member	3,000	1,000	–	

Director who is standing for re-election pursuant to Article 111 of the Company's Constitution is as follows:

- i) Datuk Zainun Aishah Ahmad

The profiles of the Directors who are standing for re-election are set out on page 11, 15 and 16 of the Annual Report, while details of their interests in securities are set out on page 256 of the Annual Report.

### 3. Ordinary Resolutions 4, 5, and 6 – Directors' Remuneration

Section 230(1) of the Companies Act 2016 provides amongst others that the fees of the Directors and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting.

In this respect, the Board wishes to seek shareholders' approval for the following payments to the Directors of Boustead Holdings Berhad at the Fifty-Sixth Annual General Meeting in three (3) separate resolutions as below:

**Ordinary Resolution 4** seeks approval for payment of Directors' fees in respect of the financial year ended 31 December 2017:

- i) RM556,333 for Boustead Holdings Berhad
- ii) RM346,000 for subsidiaries of Boustead Holdings Berhad

**Ordinary Resolution 5** seeks approval for payment of Directors' allowances and benefits in respect of the financial year ended 31 December 2017:

- i) RM212,500 for Boustead Holdings Berhad
- ii) RM30,250 for subsidiaries of Boustead Holdings Berhad

**Ordinary Resolution 6** seeks approval for payment of Directors' fees, allowances and other benefits from 1 January 2018 until the conclusion of the next Annual General Meeting of the Company comprising the following, with or without modifications:



# NOTICE OF ANNUAL GENERAL MEETING

## Subsidiaries of Boustead Holdings Berhad

Name	Position Held	Fee Type	Amount (RM)
Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)	<b>Boustead Properties Berhad</b>		
	• Chairman	Directors' Fee (annual)	35,000
	<b>UAC Berhad</b>		
	• Chairman	Directors' Fee (annual) Meeting allowance – per meeting Other allowance (monthly)	55,000 2,000 1,000
Tan Sri Dato' Seri Lodin Wok Kamaruddin	<b>MHS Aviation Berhad</b>		
	• Chairman	Directors' Fee (annual) Meeting allowance – per meeting	40,000 750
	<b>Boustead Naval Shipyard Sdn Bhd</b>		
	• Director	Directors' Fee (annual) Meeting allowance – per meeting	60,000 1,000
	<b>Boustead Petroleum Marketing Sdn Bhd</b>		
	• Director	Directors' Fee (annual)	72,000
Datuk Azzat Kamaludin	<b>Boustead Naval Shipyard Sdn Bhd</b>		
	• Director	Directors' Fee (annual) Meeting allowance – per meeting	60,000 1,000
	<b>Boustead Langkawi Shipyard Sdn Bhd</b>		
	• Director	Directors' Fee (annual) Meeting allowance – per meeting	24,000 1,000

## 4. Ordinary Resolution 7 – Re-appointment of Auditors

The Board and Audit Committee of the Company are satisfied with the quality of service, adequacy of resources provided, communication, interaction skills and independence, objectivity and professionalism demonstrated by the External Auditors in carrying out their functions. Being satisfied with the External Auditors' performance, the Board recommends their re-appointment for shareholders' approval at the Fifty-Sixth Annual General Meeting.

## 5. Explanatory Notes to Special Business

### a) Ordinary Resolution 8 – Authority for Directors to Allot and Issue Shares

Ordinary Resolution 8, if passed, will give powers to the Directors to issue up to a maximum of 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the interest of the Company.

This authority will, unless revoked or varied by the Company at a general meeting, expire at the conclusion of the next Annual General Meeting.

The authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

As at the date of this Notice, no new shares were issued pursuant to the authority granted to the Directors at the Fifty-Fifth Annual General Meeting held on 6 April 2017, the mandate of which will lapse at the conclusion of the Fifty-Sixth Annual General Meeting to be held on 12 April 2018.

## b) Ordinary Resolutions 9 and 10 – Recurrent Related Party Transactions

Ordinary Resolutions 9 and 10, if passed, will enable the Company and/or its Subsidiaries to enter into recurrent transactions involving the interests of Related Parties, which are of a revenue or trading nature and necessary for the Group's day-to-day operations, subject to the transactions being carried out in the ordinary course of business and on terms not to the detriment of the minority shareholders of the Company.

Further information on the Mandate is set out in the Circular to Shareholders dated 14 March 2018.

## c) Ordinary Resolutions 11 and 12 – Retention of Independent Directors

At the Fifty-Fifth Annual General Meeting held on 6 April 2017, shareholders' approval was obtained for Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R) and Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad to continue to act as Independent Non-Executive Directors. Ordinary Resolutions 11 and 12 seeks approval for their continuing directorship as Independent Directors of the Company.

The Board through the NC, has determined that Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R) and Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad are fair and impartial in carrying out their duties to the Company. As Directors, they continue to bring independent and objective judgements to Board deliberations and the decision making process as a whole. They also possess vast professional experience and bring the right mix of skills to the Board. The Board therefore, endorsed the NC's recommendation for both Directors to be retained as Independent Directors.

Shareholders' approval for Ordinary Resolutions 11 and 12 will be sought on a single tier voting basis.

## 6. Appointment of Proxy

- A member of the Company entitled to attend and vote at the meeting is entitled to appoint any person to be his proxy to attend and vote in his stead. A proxy may but need not be a member of the Company.
- In the case of a Corporation, the proxy should be executed under the hand of a duly authorised officer.
- A member of the Company is entitled to appoint more than one proxy to attend and vote at the same meeting in his stead, provided that the member specifies the proportion of his shareholdings to be represented by each proxy.
- Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, which holds ordinary shares in the Company for multiple beneficial owners in one 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.
- The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, should be deposited at the office of the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd, located at Unit 32-01, Level 32, Tower A, Vertical Business Suite Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, no later than Tuesday, 10 April 2018 at 2.30 p.m.
- Only members registered in the Record of Depositors as at 3 April 2018 shall be eligible to attend the meeting or appoint a proxy to attend and vote on his/her behalf.
- Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in this Notice will be put to vote by poll.

# PROXY FORM

BOUSTEAD HOLDINGS BERHAD

I/We \_\_\_\_\_ NRIC (New)/Company No.: \_\_\_\_\_  
(INSERT FULL NAME IN BLOCK CAPITAL)

of \_\_\_\_\_  
(FULL ADDRESS)

being a member of **BOUSTEAD HOLDINGS BERHAD**, hereby appoint\* \_\_\_\_\_  
(INSERT FULL NAME IN BLOCK CAPITAL)

NRIC (New) No.: \_\_\_\_\_ of \_\_\_\_\_  
(FULL ADDRESS)

and/or \_\_\_\_\_ NRIC (New) No.: \_\_\_\_\_  
(INSERT FULL NAME IN BLOCK CAPITAL)

of \_\_\_\_\_  
(FULL ADDRESS)

\*or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to attend and vote for me/us on my/our behalf, at the Fifty-Sixth Annual General Meeting of the Company to be held at Mutiara Ballroom, Ground Floor, Royale Chulan Damansara, 2 Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor on Thursday, 12 April 2018 at 2.30 p.m. or any adjournment thereof, to vote as indicated below:

No.	Resolution	For	Against
1	Re-election of Tan Sri Dato' Seri Lodin Wok Kamaruddin		
2	Re-election of Datuk Francis Tan Leh Kiah		
3	Re-election of Datuk Zainun Aishah Ahmad		
4	Approval of Directors' fees for Boustead Holdings Berhad and its subsidiaries in respect of the financial year ended 31 December 2017		
5	Approval of Directors' allowances and benefits for Boustead Holdings Berhad and its subsidiaries for the financial year ended 31 December 2017		
6	Approval of Directors' fees, allowances and other benefits for Boustead Holdings Berhad and its subsidiaries from 1 January 2018		
7	Re-appointment of Messrs. Ernst & Young as Auditors		
8	Approval for Directors to allot and issue shares		
9	Renewal of Shareholders' Mandate for recurrent related party transactions		
10	Additional Shareholders' Mandate for recurrent related party transactions		
11	Retention of Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R) as an Independent Director		
12	Retention of Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad as an Independent Director		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2018

Signature of Member

## Notes

- If you wish to appoint as a proxy some person other than the Chairman of the Meeting, please insert in block letters the full name and address of the person of your choice and initial the insertion at the same time deleting the words "the Chairman of the Meeting". A proxy need not be a member of the Company but must attend the Meeting in person to vote. Please indicate with an "X" in the appropriate box how you wish your vote to be cast in respect of each Resolution.
- In the case of a Corporation, the proxy should be executed under the hand of a duly authorised officer.
- A member of the Company is entitled to appoint more than one proxy to attend and vote at the same meeting in his stead, provided that the member specifies the proportion of his shareholdings to be represented by each proxy.
- Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, which holds ordinary shares in the Company for multiple beneficial owners in one 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.
- The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, should be deposited at the office of the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd, located at Unit 32-01, Level 32, Tower A, Vertical Business Suite Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, no later than Tuesday, 10 April 2018 at 2.30 p.m.
- Only members registered in the Record of Depositors as at 3 April 2018 shall be eligible to attend the meeting or appoint a proxy to attend and vote on his/her behalf.
- Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions will be put to vote by poll.

No. of ordinary shares held:

CDS account no. of authorised nominee:

Proportion of shareholdings  
to be represented by proxies

First Proxy: \_\_\_\_\_%  
Second Proxy: \_\_\_\_\_%

Contact No.:

Fold here

STAMP

**Share Registrar of Boustead Holdings Berhad**  
Tricor Investor & Issuing House Services Sdn Bhd (11324-H)  
Unit 32-01, Level 32, Tower A  
Vertical Business Suite, Avenue 3, Bangsar South  
No. 8 Jalan Kerinchi  
59200 Kuala Lumpur

Fold here



BOUSTEAD HOLDINGS BERHAD 3871-H  
28th Floor, Menara Boustead  
69 Jalan Raja Chulan  
50200 Kuala Lumpur  
MALAYSIA

**[www.boustead.com.my](http://www.boustead.com.my)**