Boustead Holdings Berhad 3871-H

(A member of LTAT Group)

2018

ANNUAL REPORT

WHO WE ARE

Since its inception over 190 years ago, the Boustead Group has evolved and grown to become a well-diversified home-grown conglomerate. The Group is involved in key sectors of the Malaysian economy through its six Divisions, Plantation, Property, Pharmaceutical, Heavy Industries, Finance & Investment and Trading & Industrial.

More than 17,000 employees propel the Group's growth, across its listed and non-listed subsidiaries. Boustead's total assets amount to RM18.8 billion while shareholders' funds stood at RM5.4 billion.

CORE BUSINESS

- PLANTATION
- PROPERTY
- PHARMACEUTICAL
- HEAVY INDUSTRIES
- FINANCE & INVESTMENT
- TRADING & INDUSTRIAL

FACTS AT A GLANCE

REVENUE

RM10.2 BILLION

LOSS BEFORE TAX

RM388 MILLION

LOSS AFTER TAX

RM488 MILLION

EBITDA

RM220 MILLION

DIVIDEND

5 SEN

TOTAL ASSETS

RM18.8 BILLION

CAPEX & ACQUISITION

RM1.0 BILLION

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SUSTAINABILITY REPORT 2018

Scan to view or download our standalone Sustainability Report here

OUR CORE **BUSINESS**

PLANTATION

As one of the most experienced and established upstream oil palm plantation players in Malaysia, the Plantation Division is backed up by a strong track record in plantation management spanning decades. The Division manages a substantial land bank throughout Peninsular Malaysia, Sabah as well as Sarawak and is a strong proponent for sustainable agronomic practices.

PROPERTY

The Property Division is an established leader in the property sector, involved in key areas including property development, property investment, property management, hotel operations and project management. The Division features a strong portfolio of assets including award-winning townships, a prominent chain of hotels in addition to commercial and residential developments.

PHARMACEUTICAL

The Pharmaceutical Division provides an extensive range of services and products catering to the pharmaceutical and healthcare industries. Counting both Government and private entities as clients, the Division is growing its regional presence with its core businesses spanning logistics and distribution, manufacturing of generic pharmaceuticals and medical devices, sales and marketing, distribution of medical products and hospital equipment as well as retail pharmacy.

HEAVY INDUSTRIES

The Heavy Industries Division's diverse maritime and aerospace interests encompass the defence, enforcement and security as well as commercial and energy sectors. The Division's participation in these sectors involves 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

Led by financial services conglomerate, the AFFIN Bank, the Finance & Investment Division's strong portfolio of businesses offer a wide range of financial solutions comprising consumer banking, investment banking, Islamic banking along with finance and insurance. The Division is also invested in other key sectors of the economy including education, travel and tourism.

TRADING & INDUSTRIAL

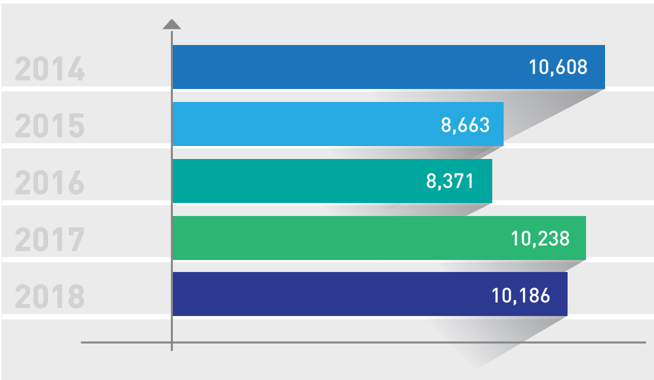
Apart from being the owner and operator of Malaysia's only other home-grown retail petroleum network, the Trading & Industrial Division is also involved in the manufacturing and distribution of building materials and Industrialised Building System (IBS). The Division also provides project management expertise for construction work.

FIVE-YEAR
FINANCIAL HIGHLIGHTS

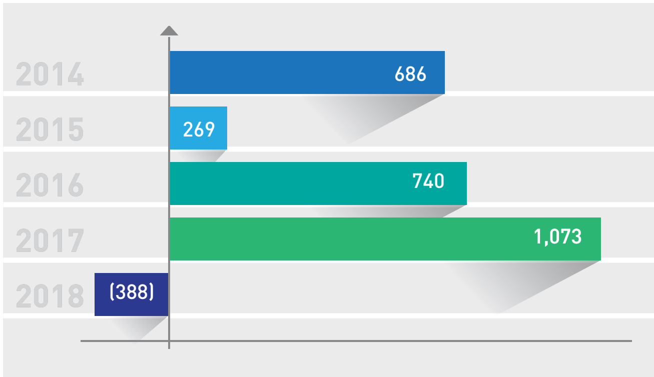
		2018	2017	2016	2015	2014
FINANCIAL PERFORMANCE						
Revenue		**10,186**	10,238	8,371	8,663	10,608
(Loss)/profit before taxation		**(388)**	1,073	740	269	686
(Loss)/profit after taxation		**(488)**	875	589	139	533
(Loss)/profit attributable to shareholders		**(469)**	436	369	13	408
(Loss)/earnings per share	sen	**(23.2)**	21.5	20.0	0.8	24.9
Return on equity	%	**(8.1)**	7.2	7.0	0.3	8.8
Return on assets	%	**(0.8)**	7.0	5.8	3.3	6.1
Return on revenue	%	**(1.1)**	12.1	7.0	4.3	6.0
DIVIDENDS						
Dividend for the year		**101**	223	305	207	269
Net dividend per share	sen	**5.0**	11.0	17.5	20.0	26.0
Dividend yield	%	**3.5**	2.9	6.6	4.7	5.4
Dividend cover	times	**(4.6)**	2.0	1.2	–	1.5
GEARING						
Borrowings		**7,533**	6,184	7,317	8,034	7,081
Gearing	times	**0.9**	0.7	0.9	1.1	0.9
Interest cover	times	**(0.6)**	6.0	3.5	1.9	3.4
OTHER FINANCIAL STATISTICS						
Net assets per share	sen	**265**	305	295	439	458
Share price – high	sen	**292**	307	271	475	550
Share price – low	sen	**136**	241	186	380	438
Price earning ratio	times	**(6)**	13	13	–	12
Paid up share capital		**2,736**	2,736	1,014	517	517
Shareholders' equity		**5,368**	6,182	5,985	4,543	4,739
Total equity		**8,178**	9,243	8,875	7,358	7,573
Total assets		**18,831**	18,263	18,530	17,620	16,680

Notes:
- All figures are in RM million unless otherwise stated.
- The financial information relating to 2018 and 2017 are in accordance with the Malaysian Financial Reporting Standard (MFRS) Framework.
- The financial information relating to 2016, 2015 and 2014 are in accordance with the Financial Reporting Standard (FRS) Framework.

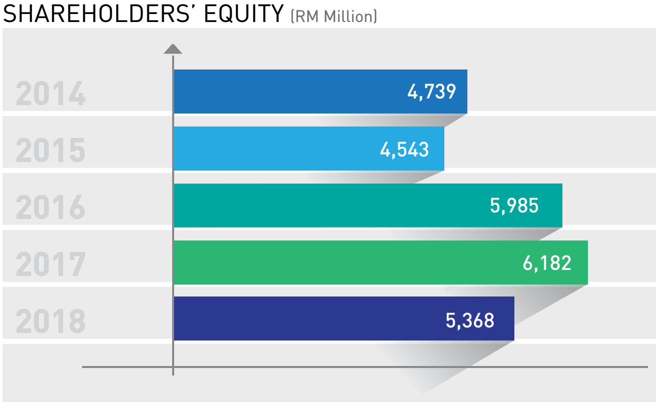
REVENUE (RM Million)



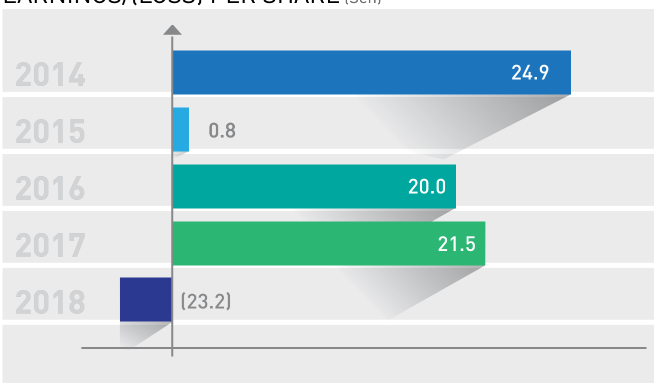
PROFIT/(LOSS) BEFORE TAXATION (RM Million)



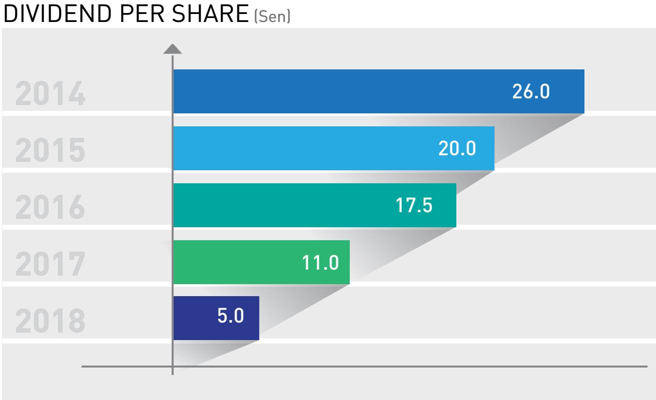
SHAREHOLDERS' EQUITY (RM Million)



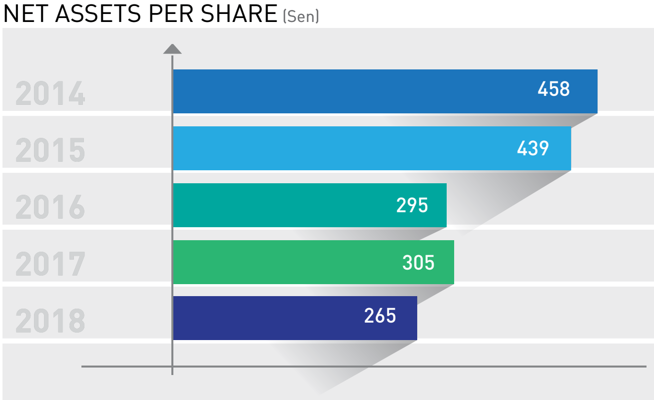
EARNINGS/(LOSS) PER SHARE (Sen)



DIVIDEND PER SHARE (Sen)



NET ASSETS PER SHARE (Sen)



CORPORATE **INFORMATION**

DIRECTORS

Gen. Tan Sri Dato' Seri Panglima 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
(until 31 December 2018)

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

Puan Nik Amlizan Mohamed
Non-Independent
Non-Executive Director
(Appointed on 1 November 2018)

REGISTERED OFFICE

28th Floor, Menara Boustead
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

SECRETARIES

Tasneem Mohd Dahalan
Juniza Azizan

PRINCIPAL BANKERS

Affin Bank Berhad
Alliance Bank Malaysia Berhad
Ambank (M) Berhad
Malayan Banking Berhad
CIMB Bank Berhad
United Overseas Bank Berhad
OCBC Bank (Malaysia) Berhad
RHB Bank Berhad
Hong Leong 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 January to 31 December 2018

RESULTS

1st	quarter	Announced 31 May 2018
2nd	quarter	Announced 29 August 2018
3rd	quarter	Announced 30 November 2018
4th	quarter	Announced 28 February 2019

ANNUAL REPORT

Issued
26 March 2019

ANNUAL GENERAL MEETING

To be held
24 April 2019

First interim
Announced 31 May 2018
Entitlement date 18 June 2018
Payment date 4 July 2018

Second interim
Announced 29 August 2018
Entitlement date 21 September 2018
Payment date 5 October 2018

Third interim
Announced 30 November 2018
Entitlement date 17 December 2018
Payment date 8 January 2019

PROFILE OF **DIRECTORS**

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

Chairman
Independent
Non-Executive Director

Age : 88
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
- 6/6

Working experience
- Tan Sri Ghazali held various senior command and staff 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

(until 31 December 2018)

Age : 69
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
- 5/6

Working experience
- 1973 to 1982 – General Manager, Perbadanan Kemajuan Bukit Fraser
- 1983 – Deputy General Manager, Lembaga Tabung Angkatan Tentera (LTAT)
- 1985 to 2018 – Chief Executive, LTAT
- 1991 to 2018 – Group Managing Director, Boustead Holdings Berhad (BHB)
- 2010 to 2018 – 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
- 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

DATO' WIRA (DR.) MEGAT ABDUL RAHMAN MEGAT AHMAD

Senior Independent Non-Executive Director

Age	:	79
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
- 6/6

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 : 73
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
- 6/6

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

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 : 70
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
- 6/6

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 : 67
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
- 6/6

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

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 : 72
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
- 5/6

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
- 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

PUAN NIK AMLIZAN MOHAMED

Non-Independent Non-Executive Director

Age : 50
Gender : Female
Nationality : Malaysian

Date the Director was first appointed to the Board
- 1 November 2018

Board Committee(s)
- None

Board Meeting attended in the financial year
- 2/2, as Puan Nik Amlizan was appointed to the Board on 1 November 2018

Working experience
- Puan Nik Amlizan is currently the Chief Executive of Lembaga Tabung Angkatan Tentera (LTAT)
- Prior to joining LTAT, she was the Chief Investment Officer of Kumpulan Wang Persaraan (Diperbadankan), and had served the organisation for 11 years
- She has held several senior positions in fund management industry as Senior Director, Equity; General Manager/Head of Equity (Syariah Ethical); and Head of Investment Research/Senior Portfolio Manager
- Other organisations that she had served include RHB Asset Management Sdn Bhd, Maybank Investment Management Sdn Bhd, BBMB Unit Trust and Georgiou Inc. (based in San Francisco, California, United States of America)

Qualification
- 1991 – Bachelor of Economics/ Accounting, Claremont McKenna College, USA

Details of any interest in the securities of Boustead Holdings Berhad
- Nil

Directorship in other 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

SENIOR
MANAGEMENT TEAM

DATO' SRI GHAZALI MOHD ALI
Executive Director/
Divisional Director, Property

EN. FAHMY ISMAIL
Chief Operating Officer/Group Finance Director

LAKSAMANA MADYA TAN SRI DATO' SERI AHMAD RAMLI HJ. MOHD NOR (R)
Executive Deputy Chairman/Managing Director,
Boustead Heavy Industries Corporation Berhad /
Boustead Naval Shipyard

DATO' FARSHILA EMRAN
Managing Director,
Pharmaniaga Berhad

MR. CHOW KOK CHOY
Chief Executive Officer,
Boustead Plantations Berhad

DATUK KOO HOCK FEE
Divisional Director, Industrial

MR. TAN KIM THIAM
Managing Director,
Boustead Petroleum Marketing

DATUK MOKHTAR KHIR
Group Director of Operations,
Boustead Hotels and Resorts

PROFILE OF
SENIOR MANAGEMENT TEAM

DATO' SRI GHAZALI MOHD ALI
Executive Director/Divisional Director, Property

Age : 70 • 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

EN. FAHMY ISMAIL
Chief Operating Officer/Group Finance Director

Age : 42 • Gender : Male • Nationality : Malaysian

Date of appointment to present position
- 1 October 2017 – Group Finance Director
- 1 January 2019 – Chief Operating Officer

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 May 2018 – Chief Executive Officer, Boustead Plantations Berhad
- 2017 to present – Group Finance Director, BHB
- January 2019 to present – Chief Operating Officer, BHB

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

Directorship in public listed companies
- Pharmaniaga Berhad

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

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

Executive Deputy Chairman/Managing Director, Boustead Heavy Industries Corporation Berhad / Boustead Naval Shipyard

Age : 75 • Gender : Male • Nationality : Malaysian

Date of appointment to present position
- 17 August 2005

Working experience
- Commanding Officer of KD GEMPITA, KD GANAS and KD KASTURI
- Director of Plans & Development, Royal Malaysian Navy (RMN)
- Director of National Maritime Enforcement & Coordinating Centre (NMECC), National Security Council
- Deputy Chief Navy, RMN
- Chief Navy, RMN until January 1999 (Retired)

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

Details of any interest in the securities of Boustead Holdings Berhad
- 111,580 Ordinary Shares

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

DATO' FARSHILA EMRAN

Managing Director, Pharmaniaga Berhad

Age : 52 • 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, 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

PROFILE OF SENIOR MANAGEMENT

MR. CHOW KOK CHOY

Chief Executive Officer, Boustead Plantations Berhad (BPB)

Age : 70 • Gender : Male • Nationality : Malaysian

Date of appointment to present position
- 23 May 2014 – Managing Director, BEA
- 1 June 2018 – Chief Executive Officer, BPB

Working experience
- 1969 to June 1971 – Assistant Manager with Guthrie Estate
- July 1971 – Joined Barlow Boustead Agency Sendirian Berhad as Assistant Manager in Eldred Estate (Malakoff Berhad)
- 1978 – Manager, Telok Sengat Estate
- 1990 – Senior Manager, Kuala Muda Estate
- 1993 – Planting Advisor, BEA
- 2001 – Planting Director, BEA
- 2008 – Director of Operations, Plantation, BEA
- 2014 to May 2018 – Chief Operating Officer, BPB
- 2014 to present – Managing Director, BEA
- June 2018 to present – Chief Executive Officer, BPB

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

Details of any interest in the securities of Boustead Holdings Berhad
- 20,440 Ordinary Shares

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

DATUK KOO HOCK FEE

Divisional Director, Industrial

Age : 67 • 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)
- 1982 to 1986 – Financial Controller, Boustead Trading Sdn Bhd
- 1986 to 1990 – General Manager, Boustead Travel Sdn Bhd
- 1990 to 1993 – Divisional Director, Trading Division, BHB
- 1993 to 1995 – Managing Director, SA Travel and Tours Sdn Bhd
- 1995 to 2005 – Divisional Director, Manufacturing Division, BHB
- 2005 to 2016 – CEO/Managing Director, UAC Berhad (UAC) (concurrently Divisional Director, Industrial Division, BHB)
- 2016 to present – Director/Advisor, UAC (concurrently Divisional Director, Industrial Division, BHB)

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

Details of any interest in the securities of Boustead Holdings Berhad
- 841,288 Ordinary Shares

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. TAN KIM THIAM

Managing Director, Boustead Petroleum Marketing

Age : 60 • 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

Details of any interest in the securities of Boustead Holdings Berhad
- 1,540 Ordinary Shares

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

DATUK MOKHTAR KHIR

Group Director of Operations, Boustead Hotels and Resorts

Age : 71 • 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

Details of any interest in the securities of Boustead Holdings Berhad
- 9,800 Ordinary Shares

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

CHAIRMAN'S **STATEMENT**

GEN. TAN SRI DATO' SERI PANGLIMA MOHD GHAZALI HJ. CHE MAT (R)
Chairman

DEAR SHAREHOLDER,

IT WAS A TOUGH YEAR FOR THE BOUSTEAD GROUP, PARTICULARLY AS OUR HEAVY INDUSTRIES DIVISION WAS IMPACTED BY PROVISIONS AND IMPAIRMENTS. THIS LED THE GROUP TO CLOSE THE YEAR WITH A DEFICIT OF RM388 MILLION. DESPITE THIS DIFFICULT PERIOD, WE ARE OPTIMISTIC THAT OUR FUNDAMENTAL STRENGTHS AS A DIVERSIFIED CONGLOMERATE WILL ENABLE US TO REMAIN RESILIENT AND PROPEL THE GROUP FORWARD.

ECONOMIC LANDSCAPE

The global economy saw moderate growth in 2018, amidst ongoing trade tensions. Weaker financing conditions, softer commodity and energy prices also had an impact. Overall, there was a slowdown in growth in advanced economies as well as emerging markets and developing nations.

Against these global headwinds, Malaysia recorded positive GDP growth of 4.7%, driven by domestic demand and private sector activities. The services and manufacturing sectors were key drivers of growth, although this was offset by disruptions in commodity-related sectors during the year.

Aerial view of palm oil mills in Sg. Jernih, Pahang

FINANCIAL PERFORMANCE

In light of the losses incurred by our Heavy Industries and Plantation Divisions, the Group posted a loss of RM388 million. Our other Divisions registered moderate earnings as a result of trying economic conditions, which further affected our bottom line.

Net assets per share stood at RM2.65 while shareholders' funds came in at RM5.4 billion for the year ended 31 December 2018.

DIVIDEND

Regardless of the economic landscape or challenges that we may face, the Group is steadfast in our dedication to enhance value for our shareholders via consistent dividend payouts.

In line with this, total dividend stood at 5 sen for the year, reflecting a 3.5% yield based on the closing price for the fiscal year.

HUMAN CAPITAL

Our people are integral to the Group's growth. Given the increasingly competitive and globalised business environment, equipping our employees with the necessary skills and expertise is paramount to our success.

Through the various talent development programmes we have in place, we are building a strong talent pipeline to lead the Group forward. In tandem, we are focused on attracting fresh talent to maintain our competitive edge and continue driving performance.

SUSTAINABILITY

As a responsible corporate entity, we are committed to embracing sustainable practices across our organisation. This enables us to support the long-term growth of the Group and ensure that we make a positive impact in relevant areas.

In-house training workshop on RPT and RRPT

MyTOWN

Our sustainability efforts under our economic, environmental and social pillars encapsulate our vision, *Building a Legacy of Sustainable Growth as a Leading Diversified Conglomerate.*

Reflecting our drive to accelerate our sustainability commitments, we are pleased to announce the publication of our first standalone Sustainability Report together with this Annual Report. This dedicated report comprehensively details our sustainability performance, key highlights and achievements for the year under review.

OUTLOOK

Global economic growth is projected to soften in 2019, with financial market pressures and ongoing trade tensions impacting prospects for emerging markets and developing countries.

In spite of these continued headwinds, Malaysia's economic fundamentals remain strong. The domestic economy is set to see a steady expansion, buoyed by private sector demand and recovery from supply disruptions in commodity-related sectors, along with new production facilities.

Other positive indicators such as favourable labour market conditions, a resilient banking system and sound financial buffers will further support the Malaysian economy in 2019, which bodes well for the Group as we seek to strengthen earnings potential and unlock value.

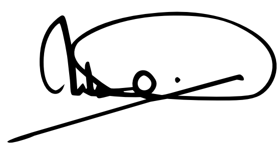
ACKNOWLEDGEMENT

My sincere thanks to my fellow Board members for leading the Group through this challenging year. To our management and staff, our utmost appreciation for your dedicated efforts.

We would like to express our deepest gratitude to our former Deputy Chairman and Group Managing Director, Tan Sri Dato' Seri Lodin Wok Kamaruddin. His able leadership and profound business acumen enabled the Boustead Group to grow by leaps and bounds over these past many years. He has played a truly significant role in the Group and we wish him all the very best.

On behalf of the Group, a warm welcome to our newest Board member, Puan Nik Amlizan binti Mohamed, who was appointed effective 1 November 2018. Her well-established professional background and valuable expertise will certainly be an asset to the Group.

We would also like to thank our major shareholder, Lembaga Tabung Angkatan Tentera, for their continued trust in the Group. Our appreciation as well to our shareholders, financiers, business associates, consultants and regulatory authorities for all their support.



GEN. TAN SRI DATO' SERI PANGLIMA MOHD GHAZALI HJ. CHE MAT (R)
Chairman

18 March 2019

EXECUTIVE DIRECTOR'S REVIEW

DEAR SHAREHOLDER,

THE FINANCIAL YEAR HAS INDEED BEEN A TOUGH ONE FOR OUR GROUP. WE ARE COGNISANT THAT EXTERNAL FACTORS CONTRIBUTED TO THESE RESULTS, INCLUDING HIGHLY ERRATIC COMMODITY PRICES AND THE ADOPTION OF NEW STANDARDS FOR ACCOUNTING TREATMENT UNDER THE MALAYSIAN FINANCIAL REPORTING STANDARDS (MFRS). IN ADDITION, THE HEAVY INDUSTRIES DIVISION WAS IMPACTED BY IMPAIRMENT AND PROVISIONS FOR LIQUIDATED ASCERTAINED DAMAGES.

NEVERTHELESS, FROM THE PERSPECTIVE OF BUSINESS PROSPECTS AS WELL AS OUR FINANCIAL STANDING, IT IS IMPORTANT TO NOTE THAT THE GROUP IS STILL VERY MUCH IN A STRONG POSITION.

DATO' SRI GHAZALI MOHD ALI
Executive Director

FINANCIAL PERFORMANCE

It is important to contextualise our circumstances. The fact remains that the Group continued to deliver solid top line results, recording a revenue of RM10.2 billion which is at par with the previous year. This is a clear indication that the Divisions are generating business despite the trying conditions in the various sectors we are involved in. Despite this strong turnover, we registered a loss before tax of RM388 million as we were weighed down by two particular Divisions, namely Heavy Industries and Plantation that impacted profits.

Given that the initial half of the fiscal year saw sustainable earnings, we took the opportunity to reward our shareholders with dividends. Total dividends for the year came in at 5 sen per share representing a total payout of RM101 million. This reflects a dividend yield of 3.5% based on the closing price for the financial year. Gearing ratio at the end of the financial year stood at 0.9 times (2017: 0.7 times). It is crucial to note that total assets as at the close of the financial year was in the region of RM18.8 billion and shareholders' funds stood at RM5.4 billion.

On a positive note, the strongest contributor to the Group, the Trading & Industrial Division reported a profit of RM119 million as BHPetrol achieved solid growth in its key business segments. However, the Division's results were impacted by stockholding losses due to reduced oil prices and higher finance costs.

Posting an improved profit of RM84 million, the Finance & Investment Division was the second highest contributor to the Group. Lower share of profit contribution from Affin Bank was cushioned by improved results from most of the Division's other investments.

The Pharmaceutical Division turned in a lower profit of RM52 million, primarily attributable to increased selling and distribution cost as well as finance cost. However, this was partially offset by reduced operating costs arising from cost containment measures.

REVENUE

RM10.2
BILLION

TOTAL ASSETS

RM18.8
BILLION

The Property Division reported a lower profit of RM2 million, mainly as a result of higher share of loss in a joint venture in addition to weaker results from the hotel segment.

As a result of the decline in palm product prices and sales volumes, coupled with the cost of financing for a recent acquisition and higher operating expenditure, the Plantation Division incurred a loss of RM51 million. The Division's profitability was further impacted by the new MFRS treatment that necessitates bearer plants to be depreciated.

The Heavy Industries Division closed the year with a deficit of RM593 million mainly due to provisions and impairments. Boustead Heavy Industries Corporation Berhad was impacted by an increased share of loss from a joint venture company, which was subjected to provisions. In addition, MHS Aviation was affected by impairment on its fleet of aircraft as its operations were scaled down. Boustead Naval Shipyard also recorded a deficit, owing to revisions in the Littoral Combat Ship project costs as a result of variation orders and increase in its project finance cost that are pending customer approval.

Bebar Estate, Pahang

University of Nottingham Malaysia graduates

SUSTAINABILITY COMMITMENT

In line with our commitment to sustainability, this year, we published the Group's inaugural standalone Sustainability Report.

As a leading Malaysian conglomerate, the Boustead Group plays an integral role in the creation of a more sustainable corporate Malaysia. To this end, we look to ingrain the principles of sustainability into all aspects of our operations.

This year's Sustainability Report details our focus on sustainable growth, which is founded around our three key pillars of impact, economic, environment and social. During the year, we streamlined our material issues further in order to concentrate on six key matters based on stakeholder priorities.

With this report, we look to share our sustainability journey for the year, the progress we have made as well as our plans to strengthen our sustainability efforts.

OUTLOOK

Our Group is not new to challenges and tough times. We assure you of our firm commitment to work hard and deliver better results. While external and cyclical conditions will continue to have a bearing on most of our businesses, we are encouraged by opportunities ahead that the Group is well positioned to leverage on.

Towards this end, in the year ahead, we have planned for a capital expenditure (capex) to the tune of RM980 million. Of this amount, RM357 million has been set aside for the proposed acquisition of plantation land. In addition, funds have also been allocated to reinforce our retail petroleum business through the expansion of our network of service stations.

Capex will also be utilised to upgrade our assets in line with our focus on improving operational efficiencies. To this end, we have allocated a portion of the capex for upgrading works at our estate and mills, our shipyard in Lumut as well as Pharmaniaga's warehouse and manufacturing facilities.

Pharmaniaga won 'Best Sustainability Reporting' award

We have grown our land bank for our Plantation Division from 81,800 hectares (ha) to 93,300 ha. We are committed to strengthening our efficiencies and improving our yields despite the fact that crude palm oil prices may continue to weather hard times. We have in place a strong business plan to improve mechanisation, strengthen productivity, enhance yields and grow the business further. We are confident that over time our latest proposed acquisition of over 4,000 ha of prime plantation land near our Pertama Estates will contribute to our bottom line. Moreover, as part of our drive to monetise land with high development potential, the disposal of 139 ha of land in Seberang Perai Utara is set to be completed by the first quarter of 2019. This is expected to net the Group a total estimated gain of RM120 million.

For our Property Division, our portfolio of assets, from retail, prime office space, residential, commercial and industrial land banks, are indeed viable. We are in the planning stages to enhance and improve our various offerings be it retail or commercial and we expect our MSC certified Nucleus Tower located at our Mutiara Damansara township to commence contribution to our property investment portfolio in 2019. We also look to benefit from the proposed disposal of Royale Chulan Bukit Bintang.

The Pharmaceutical Division holds much potential for the Group. We will be focusing our efforts on expanding our manufacturing capabilities for our oncology and vaccines segments given increasing market demand for these products. We also expect to tap into the growing local medical devices industry, which is expected to contribute to our long-term profitability. Additionally, in line with our vision to become a global Halal pharmaceutical provider, we look to achieve Halal certification for close to 45 products in the year ahead.

Our Finance & Investment Division, specifically our banking segment, will focus on improving capabilities and operating efficiencies on the digital front to enrich customer experience. In addition, we look to maximise synergistic value to drive the next phase of growth and meet the ever-changing business environment and requirements. In 2019, customers can look forward to more digital offerings with our new Retail Internet Banking, Affin Pay @ E-wallet and Mobile Internet Banking.

Looking ahead, for our Trading & Industrial Division, while we expect to face a challenging operating environment due to uncertainties in oil prices and weak consumer sentiment, we are committed to continuing with our strategic network expansion in the year ahead. As for UAC Berhad, we will continue to explore market demand for our Industrial Building System (IBS) products in the construction of affordable housing.

The Heavy Industries Division will focus on strengthening operations and cost efficiencies, as well as continuously engaging with the relevant stakeholders, particularly our key clientele. At the same time, we will continue to seek out opportunities in Malaysia and in the region. To this end, the Division looks to tap into prospects from the Royal Malaysian Navy's ongoing 15to5 Transformation Plan.

As we look ahead to the new year, I am reminded of the way our Group has time and again faced adversity head-on and emerged strong. I can assure you that this fiscal year is no different. We will tap into strategic opportunities to improve organic as well as inorganic growth.

Mutiara Rini awarded 'Inclusive Development Award'

I am pleased to be supported by our talented pool of Bousteadians who remain steadfast in ensuring the Group unlocks value and delivers results for our loyal shareholders.

The following pages offer a detailed elaboration on how our Divisions have performed as well as opportunities that lie ahead.

As we close the books on a challenging year, I would like to take this opportunity to thank former Deputy Chairman and Group Managing Director, Tan Sri Dato' Seri Lodin Wok Kamaruddin for his tremendous and unmatched contribution to the Boustead Group over these many years.

I am also pleased to welcome Puan Nik Amlizan binti Mohamed to our Board. Her extensive experience will undoubtedly be greatly beneficial to the Group.

My sincere appreciation to my fellow Board members, our shareholders, our customers and of course all regulatory authorities. Thank you for your unwavering support.

DATO' SRI GHAZALI MOHD ALI
Executive Director

18 March 2019

KEY DEVELOPMENTS

MILL WITH HIGHEST
OER IN MALAYSIA

SUNGAI JERNIH PALM OIL MILL

RSPO CERTIFIED MILLS

4

MSPO CERTIFIED MILLS

4

PLANTATION DIVISION

PLANTATION **DIVISION**

The Plantation Division faced demanding conditions in 2018, with substantially lower crude palm oil prices and sluggish production. Financing costs for the acquisition of the Pertama Estates in Sabah as well as new accounting requirements under the Malaysian Financial Reporting Standards also affected profitability. This saw the Division recording a deficit of RM51 million for the financial year.

REVENUE
RM584 MILLION

TOTAL ASSETS
RM4.2 BILLION

MARKET REVIEW

Commodities markets struggled in 2018, impacted by the volatile economic environment. Against this landscape, crude palm oil (CPO) prices declined during the year.

The Malaysian Government's suspension of export taxes in the first quarter saw CPO prices stabilising, trading between RM2,400 to RM2,600 per metric tonne (MT). However, this took a downturn with the introduction of higher import duties by the Indian government in March 2018, subsequently impacting palm oil exports to the country.

The escalating trade dispute between the US and China was another key contributing factor. China's move to levy a 25% tariff on US exports in July 2018 further weakened commodities prices and put pressure on soybean and CPO prices.

Oil palm nursery

Palm oil stockpiles grew significantly on the back of reduced demand and increased CPO production in Indonesia. This resulted in Malaysian palm oil stocks reaching a record high of 3.22 million tonnes by end 2018.

In the year under review, the Group recorded an average CPO price of RM2,261, a 20% drop from the previous year. Average palm kernel price declined to RM1,780 per MT, from RM2,505 per MT in the previous year.

ESTATES AND MILLS

The Group's combined land bank grew to 93,300 hectares (ha), with a total of 46 estates across Peninsular Malaysia, Sabah and Sarawak, as well as nine palm oil mills. Area under cultivation for the year amounted to 75,000 ha, comprising 68,700 ha mature oil palm areas and 6,300 ha immature oil palm areas.

Fresh fruit bunches (FFB) production saw a marginal decline to 966,134 MT, compared with 973,513 MT in the previous year. Average yields were lower at 14.9 MT per ha. Our Peninsular estates registered average yields of 18.2 MT per ha, compared with 19.4 MT per ha in the previous year. This was mainly attributable to the significant crop downtrend in the second quarter of the year, coupled with a 500 ha reduction in harvesting area along with a labour shortage.

Our Sabah estates registered average yields of 15.3 MT per ha, a drop from 17.3 MT per ha last year, primarily due to lower contributions from our Sugut property. This was as a result of wet weather conditions which led to flooding in some areas of the property and damaged main access roads and field roads, impacting evacuation of FFB. A lack of skilled harvesters hindered production as well.

Average yields for our Sarawak estates declined to 9.3 MT per ha, compared with 10.8 MT per ha in the previous year. Operating conditions in the region remained challenging, as a shortage of skilled harvesters and severe weather conditions hampered FFB evacuation and harvesting activities. Besides this, ongoing blockades arising from native customary rights land disputes continued to affect our operations. However, due to our close collaboration with the authorities, we made progress towards resolving the blockade at the Bukit Limau Estate. This enabled us to enter the estate and resume harvesting operations on a small area.

With a processing capacity of 405 MT FFB per hour, our nine palm oil mills processed a total of 1,000,367 MT FFB during the year. Of this, 85% comprised fruits from our own estates. Average FFB production cost increased to RM327 per MT due to decreased crops. Adding to this was upkeep of roads, equipment and workers' quarters for the Pertama Estates. Milling cost rose to RM83 per MT, primarily attributable to lower FFB processed, while CPO production cost stood at RM1,664 per MT.

CPO production was lower at 211,847 MT compared with 226,843 MT last year, while palm kernel production came in at 43,601 MT. Average oil extraction rate (OER) saw a marginal increase to 21.2%, higher than 21.0% in the previous year and the Malaysian Palm Oil Board's (MPOB) national average of 19.9% for 2018. Kernel extraction rate improved slightly at 4.4%.

Once again, our Sungai Jernih Palm Oil Mill achieved the highest OER of 23.5%. Our Segaria Palm Oil Mill in Sabah was another top performer with the second highest OER of 23.1%.

We are committed to the mechanisation of our operations in order to enhance efficiency and productivity, as well as reduce the need for manual labour. This included the use of lightweight graphite poles for tall palms across 29,000 ha, along with motorised cutters for young palms over 12,000 ha. To ensure the quality of FFB transported to our mills, we deployed mini tractor grabbers together with bin systems over 28,000 ha. For hilly areas, we utilised motorised wheelbarrows for FFB evacuation.

We also implemented the bin system at the Boustead Pertama, Boustead Ruku Ruku and Boustead Sapa Payau estates in Labuk and Sugut, Sabah, with the system now utilised at total of eight estates, covering 12,700 ha.

In addition, we extended the use of state-of-the-art fertiliser spreaders to the Bebar, Kuala Muda and Bukit Mertajam estates. More effective than conventional techniques, fertiliser spreaders can apply two types of fertiliser simultaneously. They can also ensure that the right amount of fertiliser is applied to each palm by using digital sensors to create fertiliser application maps.

Along with this, we incorporated precision agriculture and Internet of Things (IoT) technologies to aid decision-making. Combining Geographic Information System and Global Positioning System data with IoT technologies allows for accurate and precise monitoring of our field operations.

We continue to apply biological control measures, as the use of barn owls has proven very effective in curbing the rat population. With over 200 barn owl nest boxes in Segaria Estate in Tawau, Sabah, we plan to extend this to our Sungai Segamaha Estate in Sandakan, Sabah in 2019.

In line with our commitment to sustainable practices, during the year we progressed in our efforts to attain Roundtable on Sustainable Palm Oil (RSPO) and Malaysian Sustainable Palm Oil (MSPO) certification for our operating units. To date, a total of four business units are RSPO and MSPO certified, comprising 26,300 ha. The remaining business units covering 55,200 ha are on track to receive MSPO certification by end 2019, as per the deadline set by the Government.

FFB evacuation using a mini tractor grabber

Clonal planting materials

Moreover, we undertook a re-certification and upgrading audit for ISO 9001:2015 for all of our mills, conducted by SIRIM QAS International.

RESEARCH & DEVELOPMENT

Led by our associate company, Applied Agricultural Resources Sdn Bhd (AAR), our research and development (R&D) efforts underpin our strategy for long-term, sustainable growth.

In line with our drive to improve productivity and yields, AAR's oil palm breeding programme enables us to focus on planting materials with superior oil yields, such as AA Hybrida II which is proven to produce significantly higher oil yields. To date, the Group has planted approximately 23,200 ha with high-yielding planting materials.

In tandem, R&D for the breeding of long-stalk bearing palms has seen positive results. With AAR's unique planting material, bunches with longer stalks measuring 30 to 50 cm compared to the standard 20 cm can be produced. Longer stalks are more easily detected and can help improve pollination as well as harvesting. Plans are in the pipeline for large scale commercial planting as this R&D initiative progresses.

For precise planning and monitoring of palm growth, AAR has developed an improved image-based technique for inventory mapping and palm counting, using drones for high resolution aerial photographs. Moving forward, we aim to utilise high-speed drones which can capture images at a faster rate.

Meanwhile, we continued to explore the use of beneficial nitrogen-fixing microbes to reduce reliance on inorganic fertilisers. By enriching the soil, these microbes could potentially help to increase crop yields.

OUTLOOK

Moving forward, we will maintain our focus on improving operational efficiencies and productivity as well as implement cost optimisation measures, conscious of the need to strengthen our margins.

Our proposed acquisition of over 4,000 ha of prime plantation land including a 75 tonnes per hour palm oil mill is in close proximity to the Pertama Estates. This will form a business complex comprising more than 17,000 ha, where significant cost savings on operations can be expected from greater economies of scale and better operational efficiencies. The proposed acquisition is set to be completed by the first half of 2019.

Furthermore, we are putting in place good agronomic and best management practices at the Pertama Estates. From 2020 onwards, we also plan to undertake our replanting programme utilising high oil-yielding planting materials.

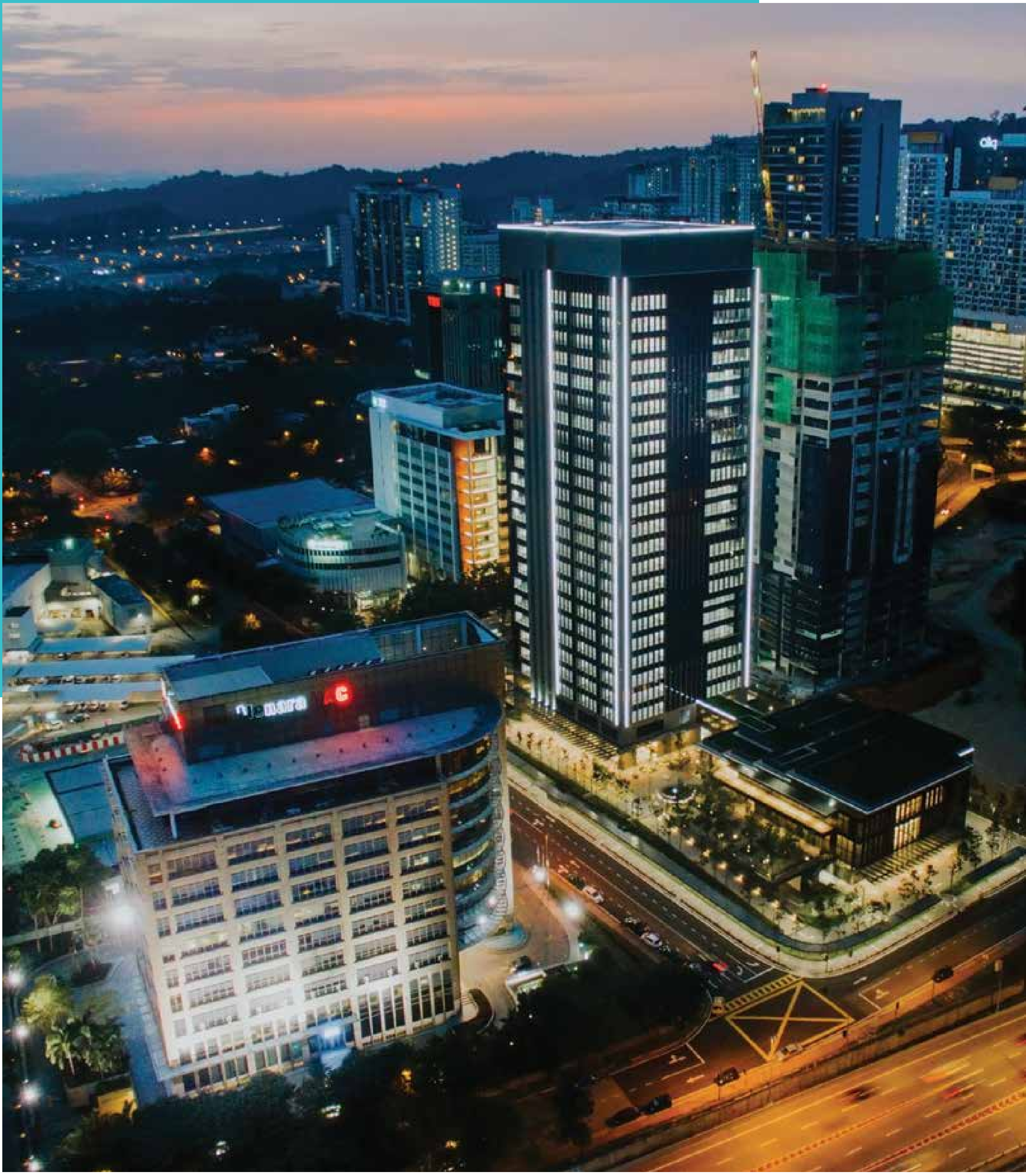
In addition, we are committed to optimising returns from our lands in the form of gains from monetising land with high development potential. To this end, we expect to complete the disposal of land in Seberang Perai Utara by the first quarter of 2019, which will net the Group a total estimated gain of RM120 million.

Our 2019 replanting efforts of over 7,200 ha will further contribute to the Group's future profitability. Along with this, in line with Environment Quality (Clean Air) Regulations 2014, we plan to install dust particulate reduction systems in eight palm oil mills.

Prospects are encouraging as CPO prices are projected to see a recovery in the first half of the year, with palm oil stocks expected to decrease. Malaysia and Indonesia's biodiesel mandates will further support demand for palm oil.

Meanwhile, the Indian government has reduced import duties, which should help to shore up CPO prices. China's positive outlook from the ongoing trade dispute with the US is also expected to boost CPO prices.

Amidst this backdrop, we are optimistic that we will be able to remain resilient over the long-term, leveraging on the Division's strong foundation and tapping opportunities ahead.



Night view of Nucleus Tower

KEY DEVELOPMENTS

TAMAN
MUTIARA RINI

419 UNITS LAUNCHED

ONE COCHRANE
RESIDENCES

448 UNITS LAUNCHED

PROPERTY DIVISION

PROPERTY **DIVISION**

REVENUE
RM534 MILLION

PROFIT BEFORE TAX
RM2 MILLION

Focused on sustainable long-term growth, the year saw the Property Division expanding its land bank and investments in strategic property development projects.

While the Division made steady progress in terms of property development activities, it was impacted by weaker contributions from the hotel segment primarily as a result of lower occupancy rates as well as losses from MyTOWN Shopping Centre's first full year of operations.

The Division recorded a lower profit of RM2 million in 2018 compared with a profit of RM54 million last year.

PROPERTY DEVELOPMENT

The segment reported a profit of RM67 million, mainly from the development and sale of residential properties in Taman Mutiara Rini, Johor.

New launches at our Taman Mutiara Rini development were received favourably. A total of 419 units were successfully launched in 2018, comprising 396 double storey terrace houses as well as 23 shop offices. We handed over 403 units during the year under review. The guarded and gated residential development that is located in Skudai, Johor Bahru is particularly attractive to those looking to invest in well-planned and matured townships close to modern conveniences as well as necessities including schools, parks, various food and beverage establishments in addition to retail centres.

Taman Mutiara Rini commercial hub in Johor

Our new sales office is taking shape in Mutiara Hills whilst infrastructure and earthworks are nearing completion. Additionally, we embarked on earthworks at our existing land bank in Bukit Raja, Klang. The 200-acre parcel will predominantly comprise industrial plots.

The latest addition to the vibrant Mutiara Damansara township, Multimedia Super Corridor (MSC) certified Nucleus Tower was completed in April 2018. The 28-storey office tower is linked to the Curve, eCurve, IKEA Store, IPC Shopping Centre and the Mutiara Damansara MRT Station via an elevated pedestrian walkway. Tenant sign ups at the Nucleus Tower have been strong with the likes of Common Ground, AstraZeneca, Kose, Kering Eyewear and Air Asia.

Featuring superior connectivity as well as proximity to conveniences and the Kuala Lumpur City Centre, our One Cochrane Residences, which was launched in April 2018 has surpassed the 20% construction mark. Scheduled for completion in 2021, the development has already garnered an award for Best Transit Oriented Development (Future) from iProperty.com.

One Cochrane Residences under construction

Various activities at the Curve, eCurve and MyTOWN

Additionally, we completed the purchase of 6.59 acres of prime residential land at Jalan Cochrane in October 2018. This parcel of land is strategically located in front of MyTOWN Shopping Centre and next to the Cochrane MRT Station. Designated for residential development, the addition of this prime land bank augurs well for the Division's future plans.

PROPERTY INVESTMENT

Our property investment segment recorded a loss of RM27 million in 2018. Boustead Ikano Sdn Bhd, our 50% associate company, which had to brace the current economic challenges in its first full year of operations coupled with high interest costs, recorded a loss.

Our portfolio of properties in strategic locations as well as our focus on refreshing our tenant mix has proven to be successful. Our Mutiara Damansara retail properties, the Curve and eCurve continued to attract a loyal following of patrons.

In line with our efforts to increase footfall at our retail establishments, we introduced a new and exciting mix of local and international outlets at the Curve including Du Pariel Au Meme, The Little Gym, Harley Davidson Store, Molly Fantasy, and Max Fashion amongst many others.

Our retail establishments also hosted several significant events, such as the Star Property Fair, Subaru Palm Challenge and Apple Travel Fiesta.

MyTOWN Shopping Centre saw occupancy in its first full year of operations surpassing 92% with tenants seeing an increase in sales and visitorship thanks to footfall of between 1.8 million to 2.5 million a month.

HOTELS

The year under review was a challenging one for the tourism sector with local and global uncertainties adversely affecting tourist arrivals and the Malaysian tourism industry. The oversupply of hotel rooms as a result of new hotel players joining the fray in addition to the influx of homestays in the market, especially in the Kuala Lumpur and Petaling Jaya areas have had a strong impact on hotel room occupancy and revenue per available room.

We achieved moderate revenue growth for Royale Chulan Seremban. However, strong competition amidst a weakened market had an adverse impact on the contribution of Royale Chulan Kuala Lumpur, Royale Chulan Damansara, Royale Chulan Bukit Bintang and Royale Chulan The Curve.

Scenic view of Royale Chulan Cherating Resort

Mutiara Hills@Semenyih

We are looking at strategic measures that can be undertaken to boost sales including the enlargement and extension of the ice-skating rink in Royale Chulan Damansara, which was completed in mid-2018. In addition, as part of our efforts to remain competitive and enhance the standard of our hotel Group, we are continually refurbishing our hotel establishments with the refurbishment of Royale Chulan The Curve completed in the last quarter of 2018.

The five-star Royale Chulan Cherating Resort which offers attractive holiday packages to guests has seen an encouraging response in the past year. An additional 80 chalets were completed during the year and will be ready for guests by the first half of 2019. These chalets can accommodate 160 guests to the Resort, bringing total capacity now to 250 guests.

OUTLOOK

We expect the Division to weather the challenging market conditions and remain resilient given its attractive portfolio of current properties as well as future projects.

Our property development undertakings are showing good progress. Comprising primarily of double storey terrace houses, we will be launching the Mutiara Hills township for sale in the third quarter of 2019. In addition, we look forward to developing the recently purchased residential land in Jalan Cochrane into condominiums in the future.

We are pleased to note that our Nucleus Tower has obtained Green Building Index Gold accreditation and MSC status.

In terms of property management, the construction of two additional levels of car park at Surian Tower comprising 248 bays has been completed with the Certificate of Completion and Compliance inspection scheduled for the first half of 2019.

As for our hotel segment, we expect to maximise room revenue for our Royale Chulan Cherating Resort with the opening of 80 additional chalets in 2019.

In February 2019, we embarked on the proposed disposal of Royale Chulan Bukit Bintang. This is part of the Group's continuous review of our assets to ensure that they are effectively managed and well-aligned with our long-term business plans.

There are currently two Royale Chulan hotels in Kuala Lumpur which are in close proximity to and competing with each other. Hence, it is a prudent decision to consolidate and focus on Royale Chulan Kuala Lumpur, to more effectively capture the highly competitive Kuala Lumpur market.

Having received an attractive offer price of RM197 million from Every Room A Home Sdn Bhd, we believe this is the right time to undertake this disposal to unlock value for the Group.

KEY DEVELOPMENTS

> 30 PRODUCTS

HALAL CERTIFIED

CUSTOMER CONTACT CENTRE

CERTIFIED ISO 18295-1: 2017

PHARMACEUTICAL DIVISION

PHARMACEUTICAL **DIVISION**

REVENUE
RM2.4 BILLION

PROFIT BEFORE TAX
RM52 MILLION

The Pharmaceutical Division turned in a profit of RM52 million, a marginal reduction compared with RM54 million in the previous financial year. Despite a challenging economic backdrop, the Division was propelled by its growing concession and private sector businesses, along with ongoing cost optimisation measures.

MANUFACTURING

The Division's Manufacturing segment posted a profit of RM61 million, compared with RM75 million in the last financial year. This was primarily due to lower contributions from the concession business. Despite this, we remained committed to strengthening operational efficiencies and implementing best practices across our manufacturing facilities.

The year under review saw the Division generate cost savings of RM5 million as a result of cost optimisation measures. This included price negotiations for raw and packaging materials through bulk purchasing and alternative sourcing, as well as prudent management of operating costs.

To further enhance efficiency, we successfully completed the implementation of the SAP S/4HANA (High Performance Analytic Appliance) software at all our Malaysian manufacturing sites. SAP S/4HANA streamlines information technology processes by utilising one integrated platform for production orders, quality management, delivery and product costing, allowing for more effective use of resources.

During the year, we entered into the new therapeutic segments of oncology and vaccines. We are collaborating with global partners to facilitate transfer of technology and know-how, including a global vaccine research and development organisation.

Our natural sweetener product, SweetRoyale Stevia, saw steady momentum following its launch in 2017, recording stronger sales in the year under review. This was supported by an effective digital marketing campaign, enabling us to create greater awareness on the benefits of the product, which is particularly relevant for the market given increasing health issues in Malaysia.

We are focused on sharpening our competitive edge in the Halal market. To this end, we have successfully attained Halal certification for more than 30 products in 2018. With more underway, this will allow us to tap into the immense global prospects for the Halal sector.

Manufacturing facility

LOGISTICS & DISTRIBUTION

The Logistics and Distribution segment turned in a stronger performance for the year, achieving a profit of RM12 million. This was supported by improved contribution from the Government sector.

Testament to our steadfast commitment to excellent service levels, we achieved 98% order fulfilment for the Ministry of Health's (MOH) facilities across the nation. Our Customer Contact Centre continued to deliver operational excellence by providing the highest quality of services to our clientele, whereby 92% rated us as 'Good' and 'Excellent' in the Customer Satisfaction Survey.

We also received positive feedback from MOH, Hospital Universiti Sains Malaysia, Pusat Perubatan Universiti Malaya and Hospital Canselor Tuanku Muhriz University Kebangsaan Malaysia, along with the private sector.

In another milestone for the Group, we were the first pharmaceutical company in Malaysia to be certified under the Customer Contact Centre ISO 18295-1 : 2017. This was a proactive initiative which we undertook in order to raise the bar in our quality of services, aligned with global best practices.

Further to this, following an increase of 20% of new products added to the 2017-2019 Approved Products Purchase List (APPL), we recorded 9% sales growth for APPL products to MOH in 2018. Building on our trusted reputation and solid track record with MOH, we expanded distribution of APPL products to other Government clientele such as the Ministry of Home Affairs, Ministry of Education, as well as Institut Jantung Negara and Lembaga Tabung Haji.

Amidst intense competition, our generic pharmaceutical products registered a three-year compounded annual growth rate of 3.8%. Our key generic brands continued to resonate with the market, with Zithrolide, Iqnyde and Aspira commanding an average market share of almost 65%. Meanwhile, the key therapeutic areas of Anti-Infectives, Respiratory and Cardiovascular were supported by strategic marketing initiatives.

Leveraging on opportunities in the budding medical devices industry, we successfully won an equipping project with a teaching hospital in Sabah. In tandem, we also have ongoing projects for Quantum Medical Systems, Kuala Lumpur Women and Children Hospital, PERKESO and the Needle Syringe Exchange Programme.

Tapping on the retail pharmacy segment, our RoyalePharma community-based pharmacy saw good growth, building on a strong digital marketing push and strategic partnerships via its alliance network. With its larger warehouse capacity, the network has widened considerably, now comprising close to 300 Alliance members throughout the country.

INDONESIA

We continued to see steady progress in the Indonesian market, propelled by PT Millennium Pharmacon International Tbk (MPI), our logistics and distribution arm, and PT Errita Pharma (Errita), our manufacturing plant.

Our Indonesian listed subsidiary, MPI, delivered higher net sales of IDR2.38 trillion, up by 13% from the previous year. This was achieved on the back of stronger sales of ethical and medical disposable products, which grew by 18% and 41% respectively. Pharmacies were key clients for MPI in 2018, along with government hospitals, private hospitals and wholesalers. During the year, MPI became the primary distributor of Errita's products.

As a result of its product development efforts, MPI successfully launched two new products during the year, Citrex Gummy Vitamin C and Gengigel, which were well-received by the market.

We also marked a milestone as Gengigel is the first patent product by MPI. In addition, MPI has a number of products in the pipeline for registration, such as Bio Collagen, SweetRoyale Stevia, Perozin and Aftamed, among others.

Errita also posted improved results in 2018 with an almost 40% increase in sales. Following MPI's acquisition of 15% equity interest in Errita, MPI established a dedicated marketing team to further expand marketing activities and boost sales of Errita's products.

Complementing this, Errita successfully commercialised nine products in Indonesia and submitted close to 20 products to the local product authority, *Badan Pengawas Obat dan Makanan* for approval.

RESEARCH & DEVELOPMENT

Our research and development (R&D) initiatives are vital to our long-term growth, enabling us to provide a sustained flow of relevant, high-quality products to the market.

As part of our drive to expand our product portfolio, we have successfully registered 10 new products during the year. More product development dossiers were submitted to the National Pharmaceutical Regulatory Agency (NPRA) for approval in 2018.

In addition, during the year we participated in a pilot study by the NPRA for the Pharmacovigilance System Master File. We were the only local pharmaceutical company to take part in this study, reflecting our commitment to high product quality standards and adherence to Malaysian Pharmacovigilance Guidelines.

We also made further headway on our phytomedicine projects, Kacip Fatimah and Patawali, tapping on the efficacy of local herbs.

OUTLOOK

Looking ahead, we are focused on building on our strong foundation to accelerate growth and capitalise on the immense prospects of the healthcare sector, both locally and globally.

As a leading manufacturer of generic pharmaceuticals, our R&D initiatives are paramount, enabling us to grow our product portfolio. With a stream of products in the pipeline, these efforts will bring us closer to our objective of developing more products and branching out to new therapeutic categories by 2024. To support this, we have also engaged a regional partner who is contributing to our progress.

We are on track to expand our manufacturing capabilities, following our entry into the fields of oncology and vaccines. We are currently evaluating product portfolios, finalising facility layouts and laying the necessary foundation with our global partners to move forward in these two segments. Given increasing market needs for quality oncology and vaccine products, this is expected to contribute to our long-term profitability.

Research & development

Quality products in compliance with stringent international standards

Tapping on the growing medical devices industry in Malaysia, the hospital equipping project with a teaching hospital in Sabah will underpin our medical products and services business over the next five years. This will be complemented by existing projects which are already underway.

The Halal sector holds much potential that we are well-poised to leverage on. In line with our vision to become a global Halal pharmaceutical provider, we are targeting to obtain Halal certification for an additional 45 products in 2019.

Along with this, we remain committed to improving efficiencies across our operations to strengthen our logistics network. This includes optimising our transportation fleet, equipment and system automation and overall manufacturing operations, coupled with cost savings and cost reduction initiatives. Concurrently, to better serve our clients across Malaysia, we are working towards increasing our warehouse capacity to broaden our national reach.

In tandem with this, we continue to take steps to broaden our global footprint. In Indonesia, plans are underway to expand the Citrex range of products. Meanwhile, in the European Union (EU), we are pursuing potential distributors to enable us to reach out to additional market segments. Moreover, through the launch of our vaccine segment and our EU accredited plant, our hospital-specific injectable range is set to improve our prospects in the coming years.

KEY DEVELOPMENTS

KEEL LAYING
CEREMONIES FOR

LCS4 & LMS1

STEEL CUTTING
CEREMONIES FOR

LMS1 & LMS2

HEAVY INDUSTRIES DIVISION

HEAVY INDUSTRIES **DIVISION**

REVENUE
RM1.1 BILLION

TOTAL ASSETS
RM3.0 BILLION

The Heavy Industries Division recorded a loss of RM593 million for the financial year, as its operating units were impacted by provisions and impairments.

Boustead Heavy Industries Corporation Berhad (BHIC) closed the year with a deficit mainly due to increased share of loss from a joint venture company, which was affected by impairments and provisions for Liquidated Ascertained Damages.

Boustead Naval Shipyard Sdn Bhd (BNS) posted a deficit for the year, primarily owing to revisions in the Littoral Combat Ship (LCS) project cost as a result of variation orders and an increase in its project finance cost, pending customer's approval.

MHS Aviation Berhad (MHSA) also recorded a loss mainly as a result of impairment on its fleet of aircraft due to the scaling down of its operations.

On the back of this weaker performance, the Group registered impairment of goodwill for BNS and MHSA amounting to RM106 million.

DEFENCE & SECURITY

Our collaboration with China in the Littoral Mission Ship (LMS) project cushioned BNS' results for the year by making significant progress. In July, a steel-cutting ceremony for LMS1 was held in Wuhan, China. Subsequently in October, a double ceremony took place to mark two milestones; the keel laying for LMS1 and steel cutting for LMS2. Minister of Defence, YB Tuan Haji Mohamad Sabu and Chief of Malaysian Armed Forces, General Tan Sri Dato' Seri Panglima Hj Zulkifli Hj Zainal Abidin were present to witness this momentous occasion.

Despite variation orders from vendors and an increase in the financial cost for the LCS, the six-vessel project continued to make headway with the keel laying of LCS4 taking place in October. Deputy Minister of Defence, YB Senator Tuan Liew Chin Tong graced the ceremony with his presence.

During the year, BNS commenced Docking for Essential Defect work for KD JEBAT, KD PERANTAU, KD LEKIR, KD KEDAH and KD LAKSAMANA HANG NADIM for the Royal Malaysian Navy (RMN).

Double Ceremonies: Keel laying for LMS1 and steel cutting for LMS2, graced by Minister of Defence, YB Tuan Haji Mohamad Sabu

As testament to the Division's aim to enhance operational efficiencies as part of its transformation, we completed several repair works ahead of time.

We also received a Letter of Award from the Ministry of Defence for the maintenance and upgrading of a combat management system for KD JEBAT valued at RM45 million.

Additionally, Emergency Repair Defect List work began on KD MAHAWANGSA, and KD MAHAMIRU in 2018. Work was completed on KD MAHAMIRU, which was handed back to RMN in September 2018, while work on KD MAHAWANGSA is currently ongoing.

MRO services for helicopters

During the year our JV company BHIC AeroServices Sdn Bhd completed work on two aircrafts under the EC725 ISS contract for the Royal Malaysian Air Force ahead of schedule. It also supplied spare parts for RMN's Fennec AS555SN helicopters, while continuing MRO work for Dauphin AS365N3 helicopters for the Malaysian Maritime Enforcement Agency (MMEA).

In line with our strategic expansion in the aviation industry, the Group in March 2018 acquired a 30% share in Airbus Helicopters Simulation Sdn Bhd. This will enable us to offer full flight simulator training services for pilots of H225/H225M helicopters in the country.

The year also saw submarine refit work being completed by our JV company Boustead DCNS Naval Corporation Sdn Bhd for KD TUNKU ABDUL RAHMAN, which was delivered to RMN in June 2018.

Having merged into a one-stop centre for combat management systems in 2017, BHIC Defence Techservices Sdn Bhd continued to provide maintenance and supply of spare parts for the Skyguard radar and 35mm Oerlikon guns used by the Malaysian Army. Other MRO services are ongoing for RMN's 30mm guns and missile launching system, as well as the 3D tracking radar system on board KD PERAK.

Also for RMN, BHIC Bofors Asia Sdn Bhd completed MRO training in 2018 for Bofors 57mm Mk3 stealth naval guns for the LCS project. We continued to supply and deliver spare parts for Bofors 40mm/L70 guns, as well as to provide maintenance training.

COMMERCIAL

The year proved to be another challenging one for the segment which mainly focused on MRO projects and lowering operating costs.

Boustead Penang Shipyard Sdn Bhd undertook MRO work on two commercial vessels and one barge in 2018.

Over at Langkawi, Boustead Langkawi Shipyard Sdn Bhd (BLS) received a contract during the year for repair works on RMN's Combat Boat 90 Hex 001. BLS also completed MRO work for the PENGGALANG vessel owned by the MMEA, as well as for 14 white boats and 30 ferries.

Ship repair and maintenance

ENERGY

The Belum Topside project was officially delivered in October 2018. Lack of demand in the oil and gas industry as well as lower oil prices continued to dampen the segment.

MHS Aviation Berhad has concluded all previous settlements with main clients. The company is currently on the lookout for viable opportunities in the oil and gas sector in Malaysia and beyond.

OUTLOOK

Despite challenges, we are confident that our Defence and Security segment will be able to leverage prospects arising from the ongoing 15to5 Transformation Plan by RMN to strategically enhance its fleet. We will seek for opportunities to bid for other projects involving the nation's critical assets.

We also expect the ongoing LMS project for RMN to make good progress in 2019, with the remaining two vessels, LMS3 and LMS4.

As we press ahead in 2019, we will emphasise cost efficiencies and strengthen operational management, while pursuing opportunities in our core business segments both in Malaysia and in the region.


AFFINBA
INNOVATE YOUR WORLD
GET INTERACTIVE
Announcement
Do your online

KEY DEVELOPMENTS

AFFINBANK'S

FIRST INNOVATION BRANCH

MYTOWN

UNIVERSITY OF NOTTINGHAM MALAYSIA STUDENT POPULATION

5000

FINANCE & INVESTMENT DIVISION

FINANCE & INVESTMENT **DIVISION**

REVENUE
RM205 MILLION

PROFIT BEFORE TAX
RM84 MILLION

The Finance & Investment Division delivered a higher profit of RM84 million compared with RM71 million in the previous financial year. Although share of profit from the AFFIN Bank was lower, better contributions from the Division's other investments boosted profitability.

The AFFIN Bank recorded a profit of RM679 million while contributing a profit of RM104 million to Boustead for the year under review.

With the reorganisation exercise of the AFFIN Bank completed in February 2018, we were able to benefit from a more streamlined and synergised group structure, which laid the foundation for capacity building.

The third stage of the AFFINITY Transformation Programme commenced as part of the reorganisation and the banking group was able to rollout initiatives to improve operating efficiencies and earnings. This stage comprised building, testing and deploying planned capabilities with continuous tracking and monitoring of progress and accomplishments.

Significant progress was made during the year as a result of the AFFINITY Transformation Programme, particularly in terms of turnaround time and consumer credit scoring system. This resulted in heightened customer experience in Mortgage, Credit Card, Hire Purchase and Amanah Saham Bumiputera (ASB). In addition, the Bank's focus on growing the Islamic banking segment contributed to its performance.

Launch of AFFIN ISLAMIC Debit Card-i

Launch of AFFINBANK branch in Bandar Sri Sendayan, Negeri Sembilan

The banking group also launched the inaugural Additional Tier1 Capital Securities (AT1CS) and several Sukuk Programmes. The year 2018 saw the migration to AFFINBANK's data centre CX5 and the launch of its Big Six DNA values of Affin First, Resourceful, Customer Focus, Synergistic, Risk Culture and Ethical, representing the key characteristics and traits of AffinBankers as it builds a distinctive brand for the Bank and its workforce.

As part of its digitalisation journey, the Bank launched a new branch with enhanced digital value propositions and Service Ambassadors to provide a new level of customer experience at MyTOWN Cheras. It aims to eventually turn all its branches into one stop centres for financial advice, which is key to driving the Bank's synergistic offerings. In addition, digital imaging capabilities were rolled out for all branches. Apart from the MyTOWN branch, the Bank also increased its reach with the opening of new branches in Meru and Sendayan.

Affin Islamic Bank Berhad recorded an improved profit of RM155 million for the financial year ended 31 December 2018 driven by its enlarged financing and treasury portfolios.

Affin Hwang Investment Bank Berhad (Affin Hwang Capital) reported a profit of RM161 million in 2018.

Affin Hwang Trustee Berhad (formerly known as ABB Trustee Berhad), and Bintang Capital Partners Berhad (formerly Affin Capital Services Berhad) were re-established to develop higher value offerings, allowing this entity to benefit from the growing potential of the rapidly diversifying business markets, notably the fintech market which is flourishing in Malaysia.

Several new products and services were introduced to complement Affin Hwang Capital's existing suite of offerings including project advisory and valuation and corporate finance, amongst many others.

The investment bank marked several notable milestones this year in line with its commitment to innovation. In June 2018, it tapped into the Islamic Capital market with the launch of the first Bursa approved Islamic Securities Selling and Buying Negotiated Transaction (ISSBNT) through its partnership with Bursa Malaysia. The ISSBNT provides market participants with a shariah-compliant alternative to conventional securities borrowing and lending activities.

Affin Hwang Capital also assisted Mi Equipment Holdings Berhad for the largest IPO listing on Bursa Malaysia's Main Market in 2018. Affin Hwang Capital ended the year as the No.1 ranked equity broker in trading value in Malaysia.

AXA Affin Life Insurance Berhad (AALI) reported a reduced deficit of RM7 million for 2018, marking a significant improvement from the previous year's deficit of RM26 million primarily due to AALI's focus on higher margin protection, health products as well as effective cost management.

AXA Affin General Insurance Berhad clocked in a stable profit of RM140 million for 2018 attributable to higher investment income, stable underwriting results and one-off capital gains on disposal of investments.

Boustead Travel staff attending to customers

Boustead Cruise Centre terminal

One of the leading travel management companies in Malaysia, **Boustead Travel Services Sdn Bhd** posted a profit of RM6 million for the year under review, with earnings coming from its clientele of major international airlines including Emirates, Malaysia Airlines, Etihad Airways, Qatar Airways, Singapore Airlines, KLM and Lufthansa, amongst others.

The company's key product, corporate ticketing, remained a major contributor to profit. This was further strengthened by the company's partnership with the Australian listed travel management firm Corporate Travel Management. As a result of this collaboration, new technological and application upgrades were introduced, with the local team adopting a new online booking tool for its potential corporate clients.

Boustead Cruise Centre Sdn Bhd (BCC) registered substantially stronger results for the year. This improvement was primarily due to the company's collaboration with international cruise liners such as Genting Cruise Lines, Royal Caribbean International and Costa Cruises, which saw the deployment of larger cruise vessels as well as a significant increase in the number of passengers served. In total, 212 cruise vessels and 12 naval vessels docked at the terminal in 2018.

Efforts to position BCC's terminal as a preferred port yielded positive results. By strengthening its facilities and services, the terminal facilitated a total of 76 home port arrangements for cruise ships. In addition, the terminal attracted a new international cruise liner, the Norwegian Cruise.

BCC looks to continue serving as a main cruise gateway to drive tourist arrivals in line with the Kuala Lumpur Tourism Bureau and City Hall's goal to promote the city as a destination of choice.

University of Nottingham in Malaysia Sdn Bhd, known as the University of Nottingham Malaysia (UNM), remained a first-rate higher learning institution in 2018 with a stable student population of close to 5,000.

At the University's graduation ceremony in February 2018, UNM had the honour of presenting an honorary degree to DYMM Sultan Selangor, Sultan Sharafuddin Idris Shah Al-Haj ibni Almarhum Sultan Salahuddin Abdul Aziz Shah Al-Haj. The University was also honoured with a visit by Her Excellency Vicki Treadell, the British High Commissioner to Malaysia who was a guest at the Discover Our World campaign, organised to showcase the University's ground-breaking research on elephant conservation, cancer, dengue as well as food security.

DYMM Sultan Selangor, Sultan Sharafuddin Idris Shah Al-Haj conferred with honorary degree from UNM

Our staff members and students continued to excel in various fields with awards and recognition received both on the local as well international fronts. The University emerged victorious at the tenth Nottingham Tri Campus Games hosted by the United Kingdom (UK) campus after successfully defeating teams from the UK and China campuses.

The University signed several new collaborations during the year with partners in Singapore, Laos, China and India, for joint doctoral degrees as well as the delivery of foundation and post-graduate programmes.

Drew Ameroid (M) Sdn Bhd recorded a steady increase in profit despite the competitive operating environment in the industrial water treatment business. A key achievement for the year under review was the distributorship agreement signed with a leading global specialty chemical supplier for its pulp and paper chemicals business in Malaysia. This exclusive distributorship positions the company as a market leader in providing comprehensive solutions for client needs.

Kao (Malaysia) Sdn Bhd registered record sales in 2018, exceeding the RM200 million mark for the first time despite the challenges of the highly competitive fast-moving consumer products market. The 10% growth in sales compared with the previous year was due to the strong performance of the skin care line particularly driven by the change in packaging for the 'Laurier' product range as well as the launch of the new Oil Buster series by 'Biore Men'. In addition, the 'Biore' brand's official sponsorship of the AFF Suzuki Cup 2018 created awareness and top-of-mind brand recall amongst consumers.

Boustead Credit Sdn Bhd posted sustained results for the year. The company will continue to monitor non-performing accounts closely to reduce impairments on receivables. The company also remains focused on improving its performance amidst the uncertainty of the used car market.

Cadbury Confectionery Malaysia Sdn Bhd delivered positive results on the back of higher top line sales, with double digit growth of 13%. This was driven by increased domestic and export sales which grew by 9% and 24% respectively. While challenges such as factory conversion costs and the impact of the sales and services tax persisted, the improved domestic performance enabled the brand to capture market leadership once again in Malaysia's chocolate category, with its core range of Cadbury Dairy Milk chocolate as a key contributor. Meanwhile, growth in the export business was primarily led by sales in China.

KEY DEVELOPMENT

TOTAL NO. OF BHPETROL STATIONS

386

TRADING & INDUSTRIAL DIVISION

TRADING & INDUSTRIAL **DIVISION**

REVENUE

RM5.3 BILLION

PROFIT BEFORE TAX

RM119 MILLION

The Trading & Industrial Division was a strong contributor to the Group, recording a profit of RM119 million. However, this was lower than the previous financial year, mainly due to reduced oil prices and higher finance costs which impacted Boustead Petroleum Marketing Sdn Bhd.

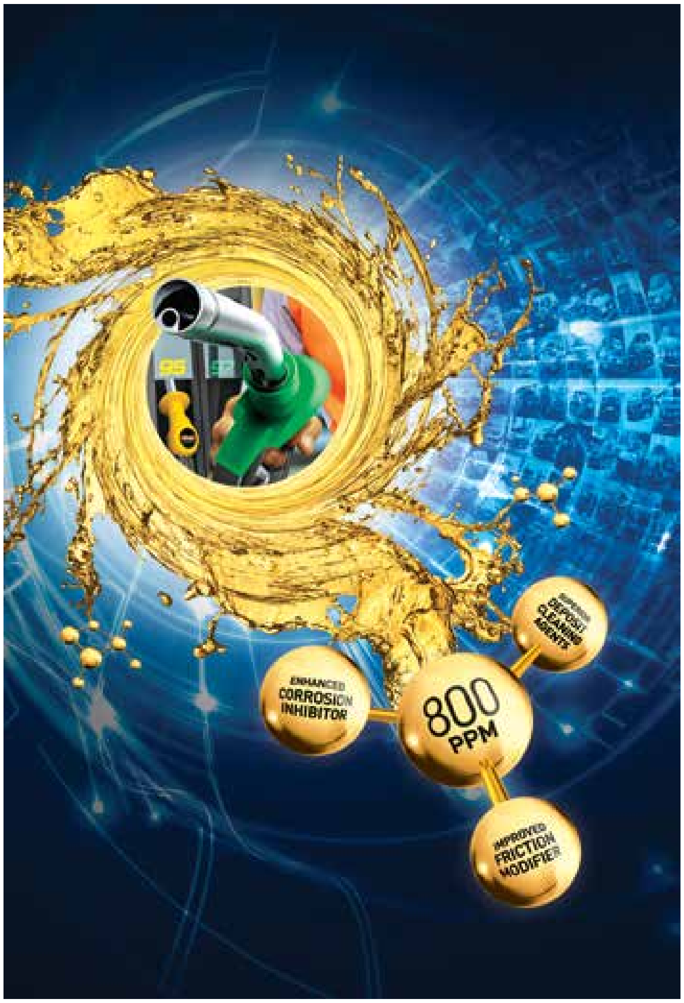
Boustead Petroleum Sdn Bhd reported a profit of RM97 million amidst a challenging business climate, with oil prices ending the year lower than the beginning of the year.

BHPetrol made steady progress in operational improvements to record commendable growth in its major business segments. Nine new retail stations commenced operations during the year with another six pending approvals from the authorities. Petrol volume grew by 4% in 2018 boosted by the expanded retail network coupled with BHPetrol's enhanced customer loyalty programme.

The launch of new revolutionised Infiniti petrol

The year under review also saw BHPetrol reaffirming its status as a leader in fuel technology as the retail segment launched all-new fuel additives for both diesel and petrol products.

For its liquefied petroleum gas (LPG) segment, the company's completion of the West Port LPG Terminal sphere requalification allows the company to concentrate on its efforts to expand market share as well as optimise operating margins.



UAC, the main contractor for Rumah Mampu Milik project in Bukit Jalil

UAC Berhad Group (UAC) posted a profit of RM22 million, for the year, compared with RM26 million in the previous year. This was mainly attributable to subdued market sentiment in the core fibre cement business exacerbated by the weaker US Dollar in the earlier part of the year, which led to reduced revenue from export sales. Higher cost of imported raw materials and consumables further impacted profit contribution.

On a positive note, demand for UAC's Industrial Building System (IBS) products, the UCO SolidPanel System and the UCO SolidWall System, remained robust with a healthy order book throughout the year. Demand was also strong for UCO DecoWood and thicker Superflex Boards which were used in IBS construction projects for schools, as these complemented the use of thinner UCO Superflex Boards.

Good progress was made on Rumah Mampu Milik high rise residential project in Bukit Jalil, which was secured in the previous year. The project is well on track for completion in 2019. In addition, the International School of Kuala Lumpur project was successfully completed during the year. Both projects utilise a combination of UAC's IBS products for internal and external applications. UAC also continued to actively raise awareness of its products via various platforms, including public seminars, trade exhibitions and roadshows in 2018.

UAC's other subsidiaries, UAC SolidPanel Sdn Bhd and **Boustead Global Risk Solution Sdn Bhd** continued to contribute positively. This helped to mitigate the slowdown in the core fibre cement business during the year. Meanwhile, *Boustead Wah Seong Sdn Bhd,* a 50% associate company with 51% equity in a business in Yangon, Myanmar, operates a 200-metre long jetty at the Thilawa port outside of Yangon, comprising warehousing and bulk liquid storage facilities. The company reported a positive contribution despite the sluggish market.

UCO DecoWood decking

EcoBuild 2018

Boustead Building Materials Sdn Bhd recorded an increased profit for 2018 in spite of sustained weakness in the domestic property sector and intense domestic competition.

The company's results were boosted by higher sales of building materials as well as improvements achieved in strengthening the company's product-mix. In addition, the company's efforts towards enhancing efficiencies have borne fruit. Key highlights included the completion of the Nucleus Tower project as well as the new ice-skating rink at Royale Chulan Damansara.

Moreover, replenishment of new project contracts is expected to further enhance the company's existing order book and contribute positively to earnings.

AUDIT
COMMITTEE REPORT

A total of four 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[1]	Senior Independent Non-Executive Director (Chairman of the Committee)	Yes	4/4
Datuk Francis Tan Leh Kiah	Independent Non-Executive Director	Yes	4/4
Datuk Azzat Kamaludin	Non-Independent Non-Executive Director	No	4/4

Note: [1]The Audit Committee Chairman's profile can be viewed on page 12 of this Annual Report

The Audit Committee membership is in line with Paragraph 15.09 & 15.10 of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad 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 members is a former key audit partner of the Company's external auditor.

The Audit Committee meeting 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 were 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 86 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.

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 Malaysian Financial Reporting Standards (MFRS);

    - adequate processes and controls were in place for effective and efficient financial reporting and disclosures under the MFRSs 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 2018.

External Audit

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

1. Reviewed 2018 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 2018.

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 2018.

The external auditor's non-audit service fees and the statutory audit fees are available on page102, 172 and 261 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 a timely basis.

4. Reviewed the adequacy of resource requirements and competencies of staff within Group Internal Audit 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 12 April 2018.

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 are clearly spelt out in Group Internal Audit Charter. Group Internal Audit had operated and performed in accordance to the principles of the Charter that provides for its independence. 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 a 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 in total internal auditors of 36 as at 31 December 2018, 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 Auditor	2	6%
Professional Accounting (ACCA, CIMA, CPA, CA, MIA)	7	19%
Total	**9**	**25%**

Group Internal Audit is in a continuous process of identifying potential candidates with the required professional qualifications to enhance the competency of the internal audit function.

During the year, Group Internal Audit has completed and issued internal audit reports for 118 assignments based on the approved annual audit plan and ad hoc requests from the Audit Committee and Management.

The audits conducted in 2018 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 Audit Committee and Audit Committee for attention, deliberation and corrective actions.

During the financial year, Group Internal Audit 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.
- Conducted regular follow-up and monitoring on the implementation of recommendations made by Group Internal Audit 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 in respect of the financial year ended 31 December 2018 amounted to RM5.3 million (2017: RM5.4 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.

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 2018 except:

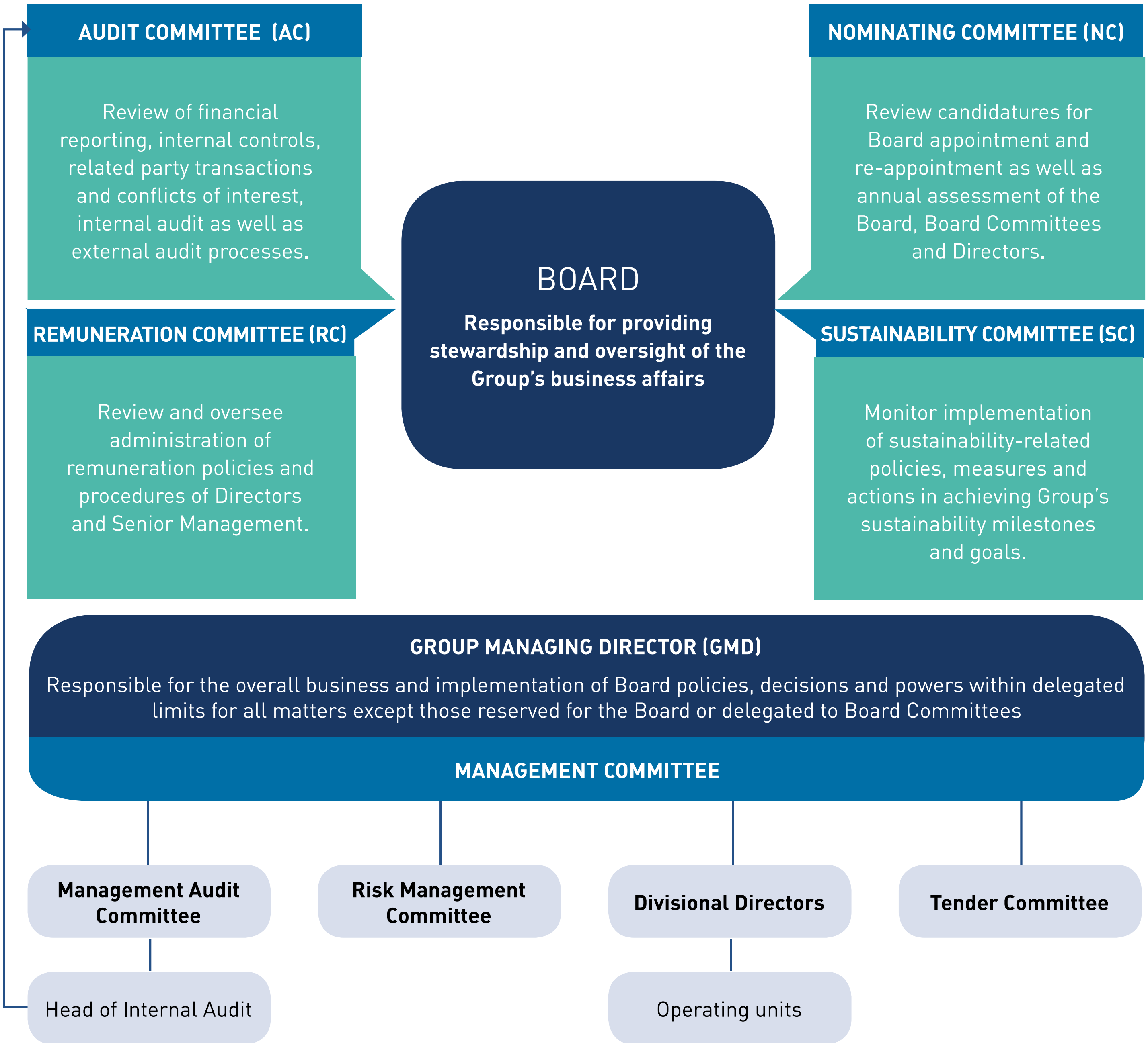
- Practice 4.1 Board to comprise a majority of Independent Directors;
- Practice 4.2 Two-tier shareholder voting process to retain an Independent Director who has served for more than 12 years;
- Practice 4.5 Policy on Gender Diversity;
- Practice 6.1 Remuneration Policy for Directors and Senior Management;
- Practice 7.2 Disclosure of the top five Senior Management personnel's remuneration on a named basis in bands of RM50,000;
- Practice 11.2 Adoption of integrated reporting; and
- Practice 12.3 Remote shareholders' participation.

In line with the latitude accorded in the application mechanism of MCCG, the Company has provided explanations for the departures from the said practices 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.

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 earlier illustration, Board Committees have been established to assist the Board in its oversight function with reference to specific responsibility areas. However, it should be noted that the Board retains collective oversight over the Board Committees at all times. 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 is made available on the Group's website, http://www.boustead.com.my and was last reviewed on 5 March 2018.

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 2018 is outlined below:

Director	Board	AC	NC	RC	SC
Executive Directors					
Tan Sri Dato' Seri Lodin Wok Kamaruddin*	5/6			4/5	4/4
Dato' Sri Ghazali Mohd Ali	6/6				
Non-Independent Non-Executive Directors					
Datuk Azzat Kamaludin	6/6	4/4	2/2	5/5	
Puan Nik Amlizan Mohamed #	2/2				
Independent Non-Executive Directors					
Gen. Tan Sri Dato' Seri Panglima Mohd Ghazali Hj. Che Mat (R)	6/6		2/2	5/5	
Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad	6/6	4/4	2/2	5/5	4/4
Datuk Francis Tan Leh Kiah	6/6	4/4			4/4
Datuk Zainun Aishah Ahmad	5/6				

Board/Board Committee Chairman   Member

** Board Member until 31 December 2018.*
 # Appointed on 1 November 2018.

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 Management Committees.

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.

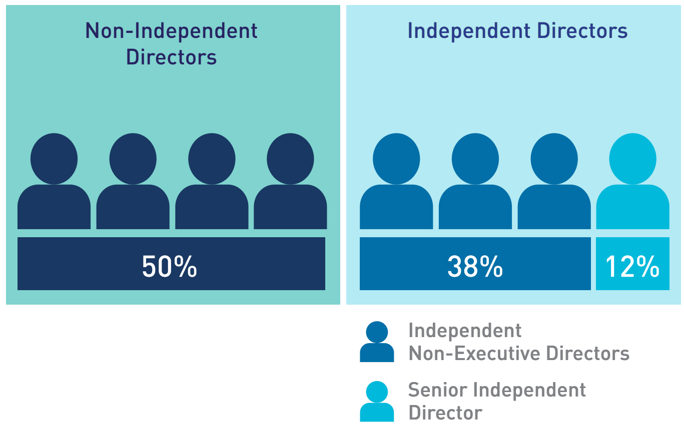
As Integrity is a core value of the Group, the Board is cognisant of its responsibility to set the ethical tone for the Group. The Code of Ethics and Conduct and Whistleblowing Policy have been put in place to foster an ethical culture and allow legitimate ethical concerns to be escalated in confidence 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.

BOARD COMPOSITION

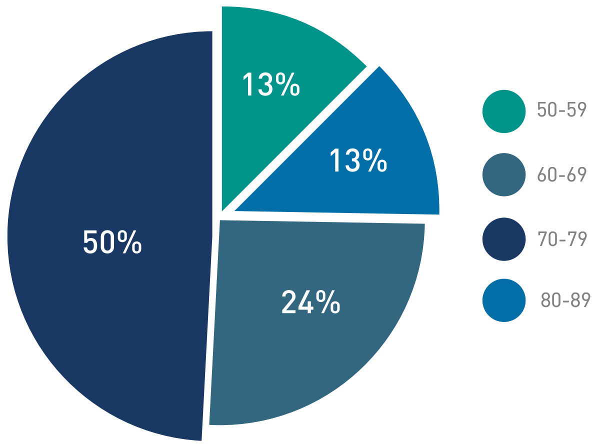
During the year under review, the Board of Directors comprised eight members, two of which were Executive Directors and six were Non-Executive Directors. Subsequent to the departure of YBhg. Tan Sri Dato' Seri Lodin Wok Kamaruddin on 31 December 2018, there are currently seven Directors on the Board, 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.

Board Composition



Age Composition



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.

During the year under review, the Company welcomed a new female Director, increasing female representation on the Board to 28% by end of 2018. The Board is mindful that any diverse mix of Board members, in terms of age, ethnicity or gender should always be premised or precipitated on the best interest of the Company.

The Board reviews its performance, and that of Board Committees and individual Directors on an annual basis. During the year under review, the Board engaged an external consultant to facilitate a Board Effectiveness Evaluation (BEE) exercise. Through the BEE, the Board was satisfied with level of commitment of its Directors in fulfilling the Board's fundamental roles and responsibilities. The Board was also assured 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. 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 Board endorsed the NC's recommendation on 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.

Remuneration details of the Directors for the financial year ended 31 December 2018 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**
Executive Directors							
Tan Sri Dato' Seri Lodin Wok Kamaruddin*	575	2,007	1,444	888	30	113	**5,057**
Dato' Sri Ghazali Mohd Ali	–	1,213	483	279	–	92	**2,067**
Non-Executive Directors							
Gen. Tan Sri Dato' Seri Panglima Mohd Ghazali Hj. Che Mat (R)	402	–	–	–	112	10	**524**
Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad	161	–	–	–	36	–	**197**
Datuk Azzat Kamaludin	360	–	–	–	51	–	**411**
Datuk Francis Tan Leh Kiah	143	–	–	–	26	–	**169**
Datuk Zainun Aishah Ahmad	120	–	–	–	17	–	**137**
Puan Nik Amlizan Mohamed	20				4	–	**24**
Total	**1,781**	**3,220**	**1,927**	**1,167**	**276**	**215**	**8,586**

** Board Member until 31 December 2018.*

In RM'000	Company						
Directors	**Fees**	**Salaries**	**Bonuses**	**Retirement funds**	**Meeting, travelling and other allowances**	**Benefits in kind**	**Total**
Executive Directors							
Tan Sri Dato' Seri Lodin Wok Kamaruddin*	–	2,007	1,444	888	–	113	**4,452**
Dato' Sri Ghazali Mohd Ali	–	–	–	–	–	–	**–**
Non-Executive Directors							
Gen. Tan Sri Dato' Seri Panglima Mohd Ghazali Hj. Che Mat (R)	186	–	–	–	91	10	**287**
Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad	161	–	–	–	36	–	**197**
Datuk Azzat Kamaludin	148	–	–	–	32	–	**180**
Datuk Francis Tan Leh Kiah	143	–	–	–	26	–	**169**
Datuk Zainun Aishah Ahmad	120	–	–	–	17	–	**137**
Puan Nik Amlizan Mohamed	20	–	–	–	4	–	**24**
Total	**778**	**2,007**	**1,444**	**888**	**206**	**123**	**5,446**

** Board Member until 31 December 2018.*

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 on Risk Management and Internal Control in 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.

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, Chief Operating Officer/Group Finance Director 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.

CORPORATE GOVERNANCE FOCUS AND INITIATIVES

The Board is committed towards continuous enhancement of governance practices throughout the Group. In 2018, the Group has undertaken the following activities:

NOTICE OF AGM

Date : **24 April 2019**

Venue: **Royale Chulan Damansara, Petaling Jaya**

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

Independence of the Board

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.

Board Effectiveness Evaluation

MCCG stipulates that a formal and objective annual evaluation should be conducted to determine the effectiveness of the Board. To achieve this, during the year under review the Board engaged an external consultant to facilitate a Board Effectiveness Evaluation exercise. The evaluation covered three key areas i.e. Board structure, Board responsibilities and Board operations. Questionnaires were circulated as well as individual interviews held with the Directors and key Senior Management to gather significant insight and feedback.

Through the BEE, the Board was satisfied with level of commitment of its Directors in fulfilling the Board's fundamental roles and responsibilities, and there was a suitable environment for constructive deliberation and robust decision-making. The Board will use the recommendations highlighted in the report as part of an ongoing process to enhance Board effectiveness and efficiency.

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 November 2018, the Board appointed Puan Nik Amlizan Mohamed as Director. Together with Datuk Zainun Aishah Ahmad, the two female Directors will be able to provide a fresh and diverse perspective to the Board.

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)
Executive Directors		
Tan Sri Dato' Seri Lodin Wok Kamaruddin *(Board Member until 31 December 2018)*	• World Capital Markets Symposium Kuala Lumpur – Renaissance of Capitalism : Market for Growth (Securities Commission Malaysia)	6 February 2018
	• Win the Innovation Race: Unlocking the Creative Power of Asians by Professor Roy Chua (FIDE Forum)	6 June 2018
	• Malaysian Financial Reporting Standards Briefing (Ernst & Young)	7 August 2018
	• EPF International Social Security Conference 2018 (Employees Provident Fund (EPF))	8-9 August 2018
	• Malaysian Economic Summit – "Whither Economic Growth, Towards Sustainable Productivity" (Kingsley Advisory & Strategic Initiatives Sdn Bhd)	16 October 2018
	• Emerging Risks, the Future Board, and Return on Compliance (The ICLIF Leadership and Governance Centre)	22 October 2018
	• Affin Hwang Capital Conference Series 2018 – Building A New Malaysia (Affin Hwang Capital (AHC))	8 November 2018
Dato' Sri Ghazali Mohd Ali	• 14th Khazanah Annual Review Briefing (Khazanah Nasional Berhad (Khazanah))	19 January 2018
	• 8th Annual Shopping Malls The Big Disrupt is On/Survival is Not Mandatory (Trueventus Sdn Bhd)	25 – 26 April 2018
	• 11th Iskandar Malaysia CEO Forum (Khazanah)	26 July 2018
	• Affin Hwang Conference 2018 (AHC)	1 November 2018

Name	Programme title and Organiser	Date(s)
Non-Independent Non-Executive Directors		
Datuk Azzat Kamaludin	• Introduction to Corporate Liability Provision : What it is, How Will My Company be Affected, and What Do I Need to Put In Place by way of Safeguards? (Malaysian Institute of Corporate Governance (MICG))	6 September 2018
	• Khazanah Megatrends Forum 2018: On Balance – Recalibrating Markets, Firms, Society and People (Khazanah)	8 – 9 October 2018
Puan Nik Amlizan Mohamed	• Sustainable Capitalism Forum : Better for Business (Securities Commission Malaysia)	6 – 7 February 2018
	• IMD Digital Leadership Course (International Institute for Management Switzerland)	20 – 22 June 2018
	• Amundi World Investment Forum 2018 (Amundi Investment)	28 – 29 June 2018
	• KWAP Inspire : Environmental Conference (Kumpulan Wang Persaraan Diperbadankan (KWAP))	17 – 18 July 2018
Independent Non-Executive Directors		
Gen. Tan Sri Dato' Seri Panglima Mohd Ghazali Hj. Che Mat (R)	• 10th International Conference on Humanities and Social Science 2018 (National Defence University of Malaysia)	12 May 2018
Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad	• Sales Tax and Service Tax (SST), Re-Introduction and Transitional Issues (Boardroom Corporate Services Sdn Bhd)	15 August 2018
Datuk Francis Tan Leh Kiah	• World Capital Markets Symposium Kuala Lumpur – Renaissance of Capitalism : Market for Growth (CM2 Capital Markets Malaysia)	6 – 7 February 2018
	• Business Foresight Forum 2018 (Securities Industry Development Corporation)	8 August 2018
	• Introduction to Corporate Liability Provision : What it is, How Will My Company be Affected, and What Do I Need to Put In Place by way of Safeguards? (MICG)	6 September 2018
	• Review of Strategic Planning by Directors as Bursa Requirement (Smart Business Consulting)	1 November 2018

Name	Programme title and Organiser	Date(s)
Independent Non-Executive Directors (cont'd.)		
Datuk Zainun Aishah Ahmad	• Remuneration Committee : Attracting and Retaining the Best Talents (Bursatra Sdn Bhd)	13 August 2018
	• Business Transformation Challenges – Shaping High Performance Organisations (MICG)	23 October 2018

CORPORATE GOVERNANCE PRIORITIES (2019 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.

Board 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.

Presently, the Company has two female Directors (representing 28% of the Board). While this gender diversity is encouraging, any appointment shall always be in the best interest of the Company.

YEAR 2020 – 2021

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.

LONG TERM PLAN

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 2018 which was prepared in accordance with Practice 9.1 & 9.2 of Malaysian Code of Corporate Governance (MCCG) and the "Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers".

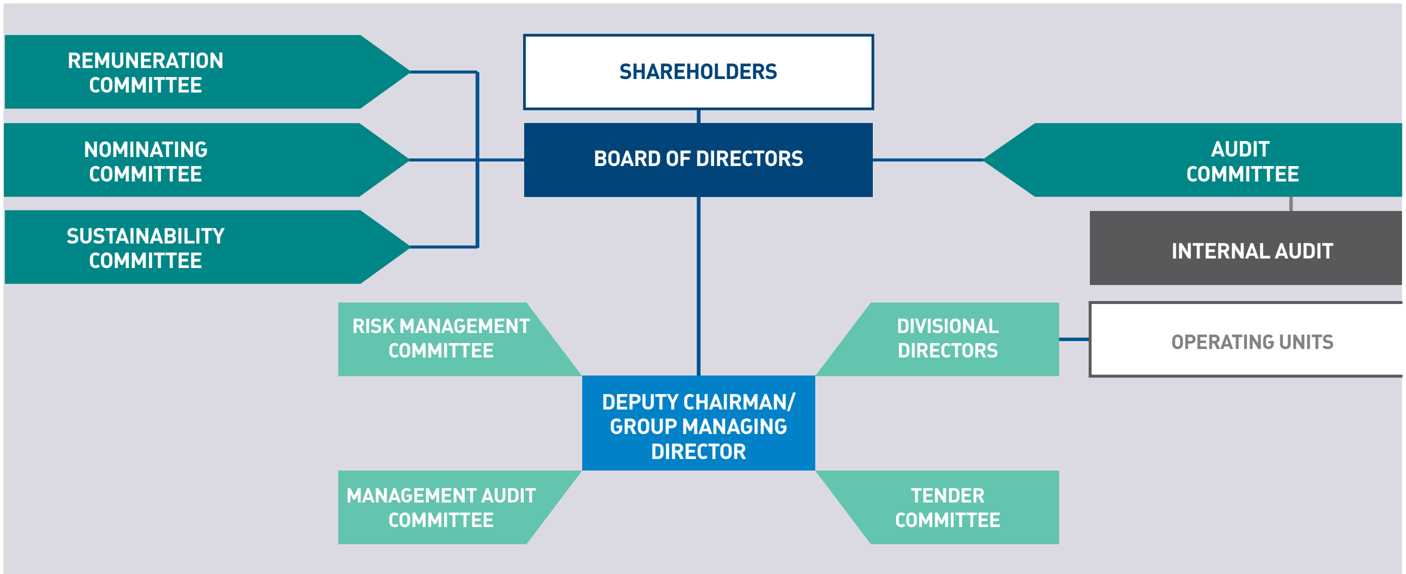
BOARD RESPONSIBILITY

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 inquiries 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 organisational 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 plan; and
- create a risk-aware culture and building the necessary knowledge for risk management at every level of management.

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;

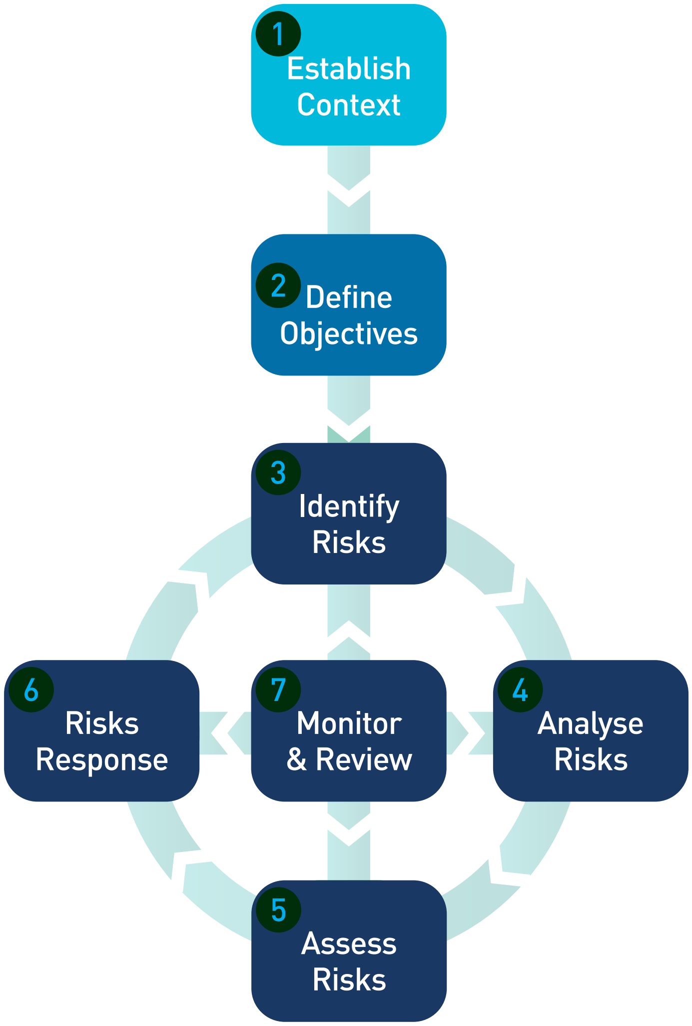
- heightened risk awareness culture in the business processes through risk owners' accountability and sign-off for action plans and continuous monitoring;

- 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

- fostered 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 submits 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.

For the financial year ended 31 December 2018, the Group's key risks are highlighted as below, amongst others;

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. Inherent Risks in the Hotel Industry

Over the year, the competition within the hospitality industry become more intense due to the increasing number of international brand hotels, local and low-budget hotels, serviced apartments and Airbnb.

This highly competitive market has led to margin compression in the hotel industry as several hotel operators are lowering their room rate in order to fill up their room occupancy. This is also compounded by the increase in salary costs, significantly contributing to escalating hotel operating costs. More new hotels are opening up and offering higher salaries to experienced hotel staff, contributing to higher attrition rates.

As part of the Group's drive to remain competitive and elevate the appeal of the Group's hotels, the Group has undertaken various measures such as regular performance reviews with the hotels' key personnel to re-strategise action plans based on market trends and feedback. In addition, the Group is also implementing a Group-wide social media marketing and promotion strategy.

3. Heavy Reliance on Concession Business

The Pharmaceutical Division's concession with the Government is up for renewal at the end of 2019.

Amidst the above concern, the Group is committed to delivering outstanding service to key clientele especially the Ministry of Health (MOH) and had fulfilled a key requirement of the concession agreement through the delivery of the Pharmacy Information System (PhIS) to all government facilities equipped with the requisite infrastructure. In addition, the Group is also mitigating this by targeting an increase of non-concession business.

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 and competent 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 report 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.

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.

- 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.

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 18 March 2019.

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 2018.

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 Group and 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 as well as to prevent and detect fraud and other irregularities.

This statement is made in accordance with a resolution of the Board of Directors dated 18 March 2019.

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DIRECTORS' **REPORT**

The Directors hereby present their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

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 246 to 253. 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
Loss for the year attributable to:		
Shareholders of the Company	(469.2)	(186.9)
Holders of Perpetual Sukuk	73.9	73.9
Non-controlling interests	(92.8)	–
	(488.1)	(113.0)

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.

HOLDING CORPORATION

The Directors regard Lembaga Tabung Angkatan Tentera (LTAT), a local statutory body established under the Tabung Angkatan Tentera Act, 1973, as the holding corporation.

DIVIDENDS

During the financial year under review, the Company paid the fourth interim dividend of 2.5 sen per share totalling RM50.7 million in respect of the financial year ended 31 December 2017 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 2018:

	Net dividend		Date	Date of
	Sen per share	**RM Million**	**Declared**	**Payment**
First interim dividend	2.5	50.7	31 May 2018	4 July 2018
Second interim dividend	1.0	20.3	29 August 2018	5 October 2018
Third interim dividend	1.5	30.4	30 November 2018	8 January 2019
	5.0	101.4		

The Directors do not recommend any final dividend to be paid for the financial year under review.

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' Seri Panglima Mohd Ghazali Hj. Che Mat (R)#
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
Puan Nik Amlizan Mohamed (Appointed on 1 November 2018)
Tan Sri Dato' Seri Lodin Wok Kamaruddin (Board Member until 31 December 2018)

- 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 2018)

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

Directors of Pharmaniaga Berhad:

Dato' Farshila Emran	
Izzat Othman	
Lieutenant General Dato' Seri Panglima Dr Sulaiman Abdullah (Retired)	
Mohd Suffian Haji Haron	
Fahmy Ismail	(Appointed on 1 January 2019)
Daniel Ebinesan	(Resigned on 31 December 2018)

(For list of Directors of Pharmaniaga Berhad's subsidiaries, please refer to annual report of Pharmaniaga Berhad for the financial year ended 31 December 2018)

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	
Rozi Binti Baharudin	(Appointed on 2 January 2019)

(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 2018)

Directors of other subsidiaries of the Company:

Admiral Tan Sri Ramlan Mohamed Ali (R)	
Adzli Shaferul Ramli	
Cheah Swee Choo	
Dato' Seri Dr. Shafiq Sit Abdullah	
Dato' Baharuddin Musa	(Resigned on 31 December 2018)
Dato' Kho Hui Meng	
Dato' Shoib Abdullah	
Dato' Zainal Abidin Haji Ahmad	
Datin Rashidah Mohd Sies	
Datuk Koo Hock Fee	
Datuk Mokhtar Md Khir	
Fahmy Ismail	
Gan Boon Ting	
Ir. Azman Ahmad	
Ir. Ma'som Mahadi	
Koh Chor Meng	
Khoo Teng Chai	(Resigned on 31 January 2018)
Laksamana Tan Sri Dato' Seri Ahmad Kamarulzaman Hj Ahmad Badaruddin	
Loh Wai Cheong	(Resigned on 30 May 2018)
Loon Peng Wai	(Appointed on 30 January 2018)
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 (R)	
Mohamad Azlan bin Jaafar	(Appointed on 1 October 2018)
Mohd Ali Zakaria	

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

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

Mohd Zaidi Zainol Rashid	
Mohsein Ma'som	
Nawal Hanafiah	
Nazri Suhaimie Mohd Nasir	
Norlymalis Jazmi Kamarudin	
Professor Graham Kendall	
Professor Nicholas James Miles	
Professor Sayed Nader Azam-Ali	
Professor Shearer Carrol West	
Rahim Mohd Som	
Shahril Mohd Khairi @ Bakhri	
Sharudin Jaffar	
Syed Naqiz Shahabuddin Syed Abdul Jabbar	(Resigned on 1 July 2018)
Tan Kim Thiam	
Tan Sri Datuk Mustafa Mansur	
Wan Mohd Zamri Wan Ibrahim	(Appointed on 1 July 2018)
YM Tengku Abu Bakar Ahmad Tengku Abdullah	
YM Tengku Tan Sri Dato' Seri Ahmad Rithauddeen Tengku Ismail	(Resigned on 31 July 2018)
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 41 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' 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 1/1/18	Acquired	Sold	At 31/12/18
Boustead Holdings Berhad				
Datuk Azzat Kamaludin	112,000	–	–	112,000
Tan Sri Dato' Seri Lodin Wok Kamaruddin◆	52,257,805	–	–	52,257,805
Pharmaniaga Berhad				
Gen. Tan Sri Dato' Seri Panglima Mohd Ghazali Hj. Che Mat (R)	220,000	–	–	220,000
Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad	121,000	–	–	121,000
Datuk Azzat Kamaludin	226,260	–	–	226,260
Dato' Sri Ghazali Mohd Ali	143,000	–	–	143,000
Tan Sri Dato' Seri Lodin Wok Kamaruddin◆	12,500,148	–	–	12,500,148
Boustead Plantations Berhad				
Gen. Tan Sri Dato' Seri Panglima Mohd Ghazali Hj. Che Mat (R)	1,560,000	624,000*	–	2,184,000
Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad	1,590,000	636,000*	–	2,226,000
Datuk Azzat Kamaludin	1,550,000	700,000^	–	2,250,000
Dato' Sri Ghazali Mohd Ali	1,234,000	493,600*	–	1,727,600
Datuk Francis Tan Leh Kiah	1,200,000	480,000*	638,900	1,041,100
Tan Sri Dato' Seri Lodin Wok Kamaruddin◆	27,836,800	11,134,720*	–	38,971,520
Boustead Heavy Industries Corporation Berhad				
Datuk Azzat Kamaludin	350,000	–	–	350,000
Dato' Sri Ghazali Mohd Ali	75,000	–	–	75,000
Tan Sri Dato' Seri Lodin Wok Kamaruddin◆	2,000,000	–	–	2,000,000
Boustead Petroleum Sdn Bhd				
Tan Sri Dato' Seri Lodin Wok Kamaruddin◆	5,916,465	–	–	5,916,465
Affin Bank Berhad				
Gen. Tan Sri Dato' Seri Panglima Mohd Ghazali Hj. Che Mat (R)	119,220	–	–	119,220
Datuk Francis Tan Leh Kiah	50,000	–	–	50,000
Tan Sri Dato' Seri Lodin Wok Kamaruddin◆	1,051,328	–	–	1,051,328

Datuk Zainun Aishah Ahmad and Puan Nik Amlizan Mohamed do not have any interest in shares in the Company or its related corporations during the financial year.

* Increase pursuant to bonus issue
^ Acquisition of 80,000 shares and increase pursuant to bonus issue
◆ Board Member until 31 December 2018

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 42 to the financial statements.

AUDITORS AND AUDITORS' REMUNERATION

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

Auditors' remuneration is as below:

	Group		Company	
	2018 RM Million	**2017 RM Million**	**2018 RM Million**	**2017 RM Million**
Auditors' remuneration paid to Ernst & Young				
– Statutory audit	**4.2**	3.4	**0.4**	0.3
– Others	**0.6**	0.2	**0.2**	0.1
	4.8	3.6	**0.6**	0.4
Auditors' remuneration paid to other firm				
– Statutory audit	**0.9**	1.0	**–**	–
Total remuneration paid to the external auditors	**5.7**	4.6	**0.6**	0.4

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' SERI PANGLIMA MOHD GHAZALI HJ. CHE MAT (R)

DATO' SRI GHAZALI MOHD ALI

Kuala Lumpur
18 March 2019

STATEMENT **BY DIRECTORS**

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

We, Gen. Tan Sri Dato' Seri Panglima Mohd Ghazali Hj. Che Mat (R) and Dato' Sri Ghazali Mohd Ali, 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 110 to 253 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 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' SERI PANGLIMA MOHD GHAZALI HJ. CHE MAT (R)

DATO' SRI GHAZALI MOHD ALI

Kuala Lumpur
18 March 2019

STATUTORY **DECLARATION**

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

I, FAHMY ISMAIL (CA 22119), 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 110 to 253 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 18 March 2019.

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 THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Boustead Holdings Berhad, which comprise the statements of financial position as at 31 December 2018 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 110 to 253.

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 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International 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 audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. 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 of our audit opinion on the accompanying financial statements.

Key audit matters (cont'd.)

1. Impairment assessment of non-financial assets

MFRS 136: Impairment of Assets ("MFRS 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. MFRS 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.

MFRS 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 2018, the Group's carrying amount of goodwill is RM1,068.7 million as disclosed in Note 22 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 on goodwill of RM106.2 million as disclosed in Notes 8 and 22 to the financial statements.

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

As at 31 December 2018, the carrying amount of property, plant and equipment and prepaid land lease payments of the Group are RM6,899.6 million and RM49.6 million respectively. These are disclosed in Notes 13 and 15 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 owned by MHS Aviation Sdn. Bhd. ("MHSA"), a partially owned subsidiary of the Group (Heavy Industries Division).

  As disclosed in Notes 13 and 42(e) to the financial statements, during the financial year, MHSA's aircraft were not in use upon termination of contracts by the counterparties and this was identified by management as having indications of impairment.

- Oil palm estates and mills (Plantation Division)

  During the financial year, management had identified external and internal indicators of impairment in respect of the property, plant and equipment and prepaid land lease payments of the Plantation Division. Management has then undertaken an assessment of the recoverable amount, which is defined as the higher of FVLCD or VIU.

Accordingly, impairment reviews performed for the aforementioned assets resulted in impairment losses of aircraft of RM76.1 million as disclosed in Notes 6 and 13 to the financial statements.

Key audit matters (cont'd.)

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

(c) Impairment assessment of investment in subsidiaries and a joint venture

As at 31 December 2018, the Company's carrying amount of the investment in subsidiaries and a joint venture is RM3,027.0 million and RM140.2 million respectively as disclosed in Notes 18 and 20 to the financial statements.

The Company 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.

The market value of the Company's quoted investment in a subsidiary is lower than its carrying value. Certain subsidiaries have also reported continuing operating losses and/or depleting shareholders' funds.

The Company has performed impairment assessments by comparing the carrying amounts of these investment in subsidiaries and the joint venture respectively against their respective recoverable amounts.

The aforementioned impairment review gave rise to impairment losses relating to investment in subsidiaries and a joint venture of RM201.3 million and RM109.8 million respectively as disclosed in Notes 8, 18 and 20 to the financial statements.

We have identified the above impairment reviews as important to our audit given the significance of goodwill, property, plant and equipment and prepaid land lease payments to the Group and investment in subsidiaries and a joint venture to the Company and the judgments and estimates involved in the assessment of the recoverable amount.

2. Assessment of fair value of property, plant and equipment as deemed cost

The Group had elected to regard the fair value of certain property, plant and equipment at the date of transition as its deemed cost. Consequently, a net increase of RM568.3 million was recognised in property, plant and equipment of the Group. The corresponding adjustments were recognised against retained profits, deferred tax liability and non-controlling interests, as applicable. The effects are disclosed in Notes 2.1 to the financial statements.

We have identified this as an important area of our audit given the significance of the adjustments to property, plant and equipment of the Group and the judgments and estimates involved in the assessment of the fair values in arriving at the deemed cost.

Our procedures in reviewing the estimates and judgements applied in arriving at the recoverable amounts as at 31 December 2018 for impairment testing or fair values as deemed costs as at the transition date, include inter alia the following:

– 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.

– We have assessed the key assumptions on which the cash flow projections are based, including, and where relevant, comparing them against historical trends, existing contracts, order book, price forecasts and useful lives of the assets. We evaluated the probability of securing significant future contracts, variation orders and government compensation by making enquiries with the project teams and read project proposals to obtain an understanding of the status of negotiations and the likelihood that such cash inflows will materialise.

– We also assessed the discount rate in calculating 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.

Key audit matters (cont'd.)

3. Revenue recognition from shipbuilding, ship repair and property development

The Group is involved in a number of significant shipbuilding, ship repair and property development activities which span across multiple accounting periods as disclosed in Notes K and 5 to the financial statements.

We have focused on this area due to the materiality to the overall results of the Group and the nature of shipbuilding, ship repair and property development activities entered by the Group which involves significant management judgement and estimation uncertainty.

The Group determines that certain of its performance obligations in relations to these activities are satisfied over time and thus recognises revenue from shipbuilding, ship repair and property development activities over time. The Group applies the input method which is based on cost incurred to-date relative to the total expected cost to the satisfaction of that performance obligation.

Our procedures in relation to the budgeted revenue, included where applicable, agreeing this to signed contracts, letters of awards, approved change orders and variation orders. We evaluated the variable considerations arising from 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 evaluated the budgeted costs to corresponding supporting evidence including but not limited to suppliers' contracts and subcontractors' claims. We also reviewed management's workings on the measurement of progress based on the input method.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International 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 intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and 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 judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

AHMAD ZAHIRUDIN BIN ABDUL RAHIM
No. 02607/12/2020 J
Chartered Accountant

Kuala Lumpur, Malaysia
18 March 2019

INCOME
STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

		Group		Company	
	Note	2018 RM Million	2017 RM Million	2018 RM Million	2017 RM Million
Revenue	5	**10,186.4**	10,238.3	**296.9**	358.9
Operating cost	6	**(10,296.4)**	(9,557.9)	**(72.5)**	(24.6)
Results from operations		**(110.0)**	680.4	**224.4**	334.3
Gain on disposal of plantation land		**–**	554.9	**–**	–
Interest income	7	**32.5**	41.8	**124.5**	93.6
Other investment results	8	**(72.4)**	6.4	**(306.9)**	3.4
Finance cost	9	**(271.5)**	(254.4)	**(145.4)**	(114.3)
Share of results of associates		**115.5**	112.0	**–**	–
Share of results of joint ventures		**(82.0)**	(67.9)	**–**	–
(Loss)/profit before taxation		**(387.9)**	1,073.2	**(103.4)**	317.0
Taxation	10	**(100.2)**	(197.8)	**(9.6)**	(7.6)
(Loss)/profit for the year		**(488.1)**	875.4	**(113.0)**	309.4
Attributable to:					
Shareholders of the Company		**(469.2)**	436.2	**(186.9)**	235.7
Holders of Perpetual Sukuk		**73.9**	73.7	**73.9**	73.7
Non-controlling interests		**(92.8)**	365.5	**–**	–
(Loss)/profit for the year		**(488.1)**	875.4	**(113.0)**	309.4
(Loss)/earnings per share – sen					
Basic/diluted	11	**(23.15)**	21.52		

STATEMENTS OF **COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER 2018

	Group		Company	
	2018 RM Million	2017 RM Million	2018 RM Million	2017 RM Million
(Loss)/profit for the year	**(488.1)**	875.4	**(113.0)**	309.4
Other comprehensive (loss)/income:				
Items that may be reclassified to profit or loss in subsequent periods (net of tax)				
Net gain on available for sale investments				
– Fair value changes	**–**	4.4	**–**	0.7
– Transfer to profit or loss upon disposal	**–**	0.1	**–**	–
Foreign currency translation	**(2.5)**	(17.1)	**–**	–
Share of other comprehensive income of investments accounted for using equity method	**15.6**	12.6	**–**	–
	13.1	–	**–**	0.7
Items that will not be reclassified to profit or loss in subsequent periods (net of tax)				
Net loss on equity investment designated at fair value through other comprehensive income				
– Fair value changes	**(3.0)**	–	**(1.4)**	–
– Disposals	**(0.3)**	–	**–**	–
	(3.3)	–	**(1.4)**	–
Other comprehensive income/(loss) for the year, net of tax	**9.8**	–	**(1.4)**	0.7
Total comprehensive (loss)/income for the year, net of tax	**(478.3)**	875.4	**(114.4)**	310.1
Attributable to:				
Shareholders of the Company	**(457.8)**	446.4	**(188.3)**	236.4
Holders of Perpetual Sukuk	**73.9**	73.7	**73.9**	73.7
Non-controlling interests	**(94.4)**	355.3	**–**	–
Total comprehensive (loss)/income for the year, net of tax	**(478.3)**	875.4	**(114.4)**	310.1

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

STATEMENTS OF **FINANCIAL POSITION**

AS AT 31 DECEMBER 2018

		Group		
	Note	31 December 2018 RM Million	31 December 2017 RM Million	1 January 2017 RM Million
ASSETS				
Non-current assets				
Property, plant and equipment	13	**6,899.6**	6,664.8	6,807.8
Investment properties	14	**1,905.4**	1,804.8	1,641.1
Prepaid land lease payments	15	**49.6**	51.7	54.0
Long term prepayments	16	**207.1**	201.8	183.1
Deferred tax assets	17	**68.3**	52.5	46.3
Associates	19	**1,971.4**	2,051.5	1,973.7
Joint ventures	20	**531.8**	552.4	619.0
Investments	21	**18.7**	35.7	32.1
Intangible assets	22	**1,346.0**	1,391.0	1,435.2
Inventories	24	**759.9**	591.1	583.9
Receivables	26	**335.2**	–	–
Total non-current assets		**14,093.0**	13,397.3	13,376.2
Current assets				
Biological assets	23	**15.7**	23.0	30.3
Inventories	24	**1,115.1**	782.6	896.5
Contract assets	25	**994.7**	1,258.5	901.1
Receivables	26	**1,528.5**	2,156.0	1,548.3
Deposits, cash and bank balances	27	**753.3**	631.1	1,717.6
		4,407.3	4,851.2	5,093.8
Assets classified as held for sale	28	**330.3**	14.0	60.1
Total current assets		**4,737.6**	4,865.2	5,153.9
Total assets		**18,830.6**	18,262.5	18,530.1

	Note	Group 31 December 2018 RM Million	 31 December 2017 RM Million	 1 January 2017 RM Million
EQUITY AND LIABILITIES				
Equity attributable to shareholders of the Company				
Share capital	29	**2,735.7**	2,735.7	1,013.5
Reserves	30	**2,632.3**	3,446.0	4,971.4
Shareholders' equity		**5,368.0**	6,181.7	5,984.9
Perpetual Sukuk	31	**1,207.9**	1,207.7	1,207.7
Non-controlling interests		**1,601.7**	1,854.0	1,681.9
Total equity		**8,177.6**	9,243.4	8,874.5
Non-current liabilities				
Borrowings	32	**2,671.5**	1,456.5	1,440.6
Payables	33	**26.8**	35.7	34.8
Deferred tax liabilities	17	**431.2**	390.0	350.6
Total non-current liabilities		**3,129.5**	1,882.2	1,826.0
Current liabilities				
Borrowings	32	**4,861.4**	4,727.4	5,876.1
Payables	33	**2,506.0**	2,296.0	1,799.6
Contract liabilities	25	**111.2**	82.5	127.2
Taxation		**14.5**	31.0	26.7
Dividend payable		**30.4**	–	–
Total current liabilities		**7,523.5**	7,136.9	7,829.6
Total liabilities		**10,653.0**	9,019.1	9,655.6
Total equity and liabilities		**18,830.6**	18,262.5	18,530.1

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

STATEMENTS OF **FINANCIAL POSITION**
AS AT 31 DECEMBER 2018

		Company		
	Note	31 December 2018 RM Million	31 December 2017 RM Million	1 January 2017 RM Million
ASSETS				
Non-current assets				
Property, plant and equipment	13	**3.5**	3.5	3.8
Investment properties	14	**125.5**	121.1	107.0
Subsidiaries	18	**3,027.0**	3,228.3	3,229.3
Associates	19	**939.4**	939.4	939.4
Joint ventures	20	**140.2**	250.0	250.0
Investments	21	**4.7**	6.1	5.4
Receivables	26	**2,257.7**	1,178.6	738.9
Total non-current assets		**6,498.0**	5,727.0	5,273.8
Current assets				
Receivables	26	**199.1**	510.6	822.5
Deposits, cash and bank balances	27	**199.8**	32.5	141.4
Total current assets		**398.9**	543.1	963.9
Total assets		**6,896.9**	6,270.1	6,237.7

		Company		
	Note	31 December 2018 RM Million	31 December 2017 RM Million	1 January 2017 RM Million
EQUITY AND LIABILITIES				
Equity attributable to shareholders of the Company				
Share capital	29	**2,735.7**	2,735.7	1,013.5
Reserves	30	**(290.3)**	50.1	1,779.1
Shareholders' equity		**2,445.4**	2,785.8	2,792.6
Perpetual Sukuk	31	**1,207.9**	1,207.7	1,207.7
Total equity		**3,653.3**	3,993.5	4,000.3
Non-current liabilities				
Borrowings	32	**1,522.5**	992.5	–
Deferred tax liabilities	17	**5.4**	2.7	2.6
Total non-current liabilities		**1,527.9**	995.2	2.6
Current liabilities				
Borrowings	32	**1,643.6**	1,247.2	2,212.6
Payables	33	**41.7**	34.2	22.2
Dividend Payables		**30.4**	–	–
Total current liabilities		**1,715.7**	1,281.4	2,234.8
Total liabilities		**3,243.6**	2,276.6	2,237.4
Total equity and liabilities		**6,896.9**	6,270.1	6,237.7

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

STATEMENTS OF
CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	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
Group						
At 1 January 2018	**2,735.7**	**3,446.0**	**6,181.7**	**1,207.7**	**1,854.0**	**9,243.4**
Adjustment arising from adoption of MFRS 9 (Note 2.1(f))	**–**	**(43.6)**	**(43.6)**	**–**	**(5.3)**	**(48.9)**
(Loss)/profit for the year	**–**	**(469.2)**	**(469.2)**	**73.9**	**(92.8)**	**(488.1)**
Other comprehensive income/(loss) for the year	**–**	**11.4**	**11.4**	**–**	**(1.6)**	**9.8**
Total comprehensive (loss)/income for the year	**–**	**(457.8)**	**(457.8)**	**73.9**	**(94.4)**	**(478.3)**
Deferred tax arising from changes in tax rate in fair value surplus of freehold land, previously credited directly to retained earnings	**–**	**(16.6)**	**(16.6)**	**–**	**(12.4)**	**(29.0)**
Effects arising from group reorganisation by an associate	**–**	**(146.1)**	**(146.1)**	**–**	**–**	**(146.1)**
Perpetual Sukuk (Note 31) – Distribution	**–**	**–**	**–**	**(73.7)**	**–**	**(73.7)**
Share options granted during the year by an associate	**–**	**1.7**	**1.7**	**–**	**–**	**1.7**
Share of an associate's obligation to buy its subsidiaries shares	**–**	**(0.8)**	**(0.8)**	**–**	**–**	**(0.8)**
Share of effect on changes in group's structure of an associate on dilution of its subsidiary	**–**	**0.1**	**0.1**	**–**	**–**	**0.1**
Changes in ownership interest in subsidiaries						
– Issue of shares by a subsidiary	**–**	**(0.6)**	**(0.6)**	**–**	**1.0**	**0.4**
– Share options granted by a subsidiary	**–**	**2.1**	**2.1**	**–**	**2.3**	**4.4**
Dividends (Note 12 and Note 18)	**–**	**(152.1)**	**(152.1)**	**–**	**(143.5)**	**(295.6)**
At 31 December 2018	**2,735.7**	**2,632.3**	**5,368.0**	**1,207.9**	**1,601.7**	**8,177.6**

	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
Group						
At 1 January 2017	1,013.5	4,971.4	5,984.9	1,207.7	1,681.9	8,874.5
Effect of implementation of Companies Act 2016 (Note 29)	1,722.2	(1,722.2)	–	–	–	–
Profit for the year	–	436.2	436.2	73.7	365.5	875.4
Other comprehensive income/(loss) for the year	–	10.2	10.2	–	(10.2)	–
Total comprehensive income for the year	–	446.4	446.4	73.7	355.3	875.4
Perpetual Sukuk (Note 31) – 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 18)	–	(243.2)	(243.2)	–	(180.7)	(423.9)
At 31 December 2017	2,735.7	3,446.0	6,181.7	1,207.7	1,854.0	9,243.4

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Share Capital RM Million	Reserves RM Million	Total attributable to shareholders of the Company RM Million	Perpetual Sukuk RM Million	Total equity RM Million
Company					
1 January 2017	1,013.5	1,779.1	2,792.6	1,207.7	4,000.3
Effect of implementation of Companies Act 2016 (Note 29)	1,722.2	(1,722.2)	–	–	–
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
Perpetual Sukuk (Note 31) – Distribution	–	–	–	(73.7)	(73.7)
Dividends (Note 12)	–	(243.2)	(243.2)	–	(243.2)
At 31 December 2017 and 1 January 2018	**2,735.7**	**50.1**	**2,785.8**	**1,207.7**	**3,993.5**
(Loss)/profit for the year	**–**	**(186.9)**	**(186.9)**	**73.9**	**(113.0)**
Other comprehensive loss – Fair value changes	**–**	**(1.4)**	**(1.4)**	**–**	**(1.4)**
Total comprehensive (loss)/income for the year	**–**	**(188.3)**	**(188.3)**	**73.9**	**(114.4)**
Perpetual Sukuk (Note 31) – Distribution	**–**	**–**	**–**	**(73.7)**	**(73.7)**
Dividends (Note 12)	**–**	**(152.1)**	**(152.1)**	**–**	**(152.1)**
At 31 December 2018	**2,735.7**	**(290.3)**	**2,445.4**	**1,207.9**	**3,653.3**

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

STATEMENTS OF
CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Group		Company	
	2018 RM Million	**2017 RM Million**	**2018 RM Million**	**2017 RM Million**
Operating activities				
Cash receipts from customers	**10,947.4**	9,956.0	**7.8**	7.4
Cash paid to suppliers and employees	**(9,845.0)**	(8,870.4)	**(44.3)**	(24.4)
Cash generated from/(used in) operations	**1,102.4**	1,085.6	**(36.5)**	(17.0)
Tax paid	**(112.0)**	(161.8)	**(0.5)**	(6.0)
Net cash from/(used in) operating activities	**990.4**	923.8	**(37.0)**	(23.0)
Investing activities				
Additional investment in a joint venture and subsidiaries	**(50.0)**	(16.2)	**–**	–
Initial investment in a joint venture	**(11.1)**	(0.6)	**–**	–
Disposal of quoted shares	**13.7**	0.3	**–**	–
Property, plant and equipment				
– Purchases	**(940.1)**	(290.8)	**(1.0)**	(0.7)
– Disposals	**14.6**	621.4	**0.2**	0.1
Investment properties				
– Disposal	**9.7**	–	**–**	–
Purchase and development of property development	**(340.8)**	(122.9)	**–**	–
Subsequent expenditure on investment properties	**(44.5)**	(105.8)	**(0.2)**	(1.2)
Purchase of intangible assets	**(45.9)**	(27.4)	**–**	–
Advances to a joint venture for capital expenditure	**(109.3)**	(120.5)	**–**	–
Deposits paid on acquisition of plantation land	**(39.7)**	(75.0)	**–**	–
Deposits received on disposal of plantation land	**13.6**	–	**–**	–
Dividends received	**9.8**	46.7	**238.6**	331.8
Interest received	**32.5**	41.8	**124.3**	94.0
Net cash (used in)/from investing activities	**(1,487.5)**	(49.0)	**361.9**	424.0

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Group		Company	
	2018 RM Million	**2017 RM Million**	**2018 RM Million**	**2017 RM Million**
Financing activities				
Dividends paid				
– By the Company	**(121.7)**	(243.2)	**(121.7)**	(243.2)
– By subsidiaries	**(143.5)**	(180.7)	**–**	–
Perpetual Sukuk				
– Distribution	**(73.7)**	(73.7)	**(73.7)**	(73.7)
Proceeds from long term loans	**1,055.8**	1,032.1	**598.7**	992.1
Repayment of long term loans	**(1,004.5)**	(1,259.1)	**(10.0)**	(842.3)
Increase/(decrease) of revolving credits and bankers' acceptances	**1,285.8**	(896.1)	**325.0**	(135.0)
Net payments from Group companies	**–**	–	**(750.4)**	(118.4)
Interest paid	**(398.6)**	(352.2)	**(136.9)**	(103.0)
Net cash from/(used in) financing activities	**599.6**	(1,972.9)	**(169.0)**	(523.5)
Net increase/(decrease) in cash and cash equivalents	**102.5**	(1,098.1)	**155.9**	(122.5)
Foreign currency translation difference	**(0.5)**	(2.8)	**–**	–
Cash and cash equivalents at beginning of year	**592.0**	1,692.9	**10.3**	132.8
Cash and cash equivalents at end of year	**694.0**	592.0	**166.2**	10.3
Cash and cash equivalents at end of year				
Deposits, cash and bank balances (Note 27)	**753.3**	631.1	**199.8**	32.5
Overdrafts (Note 32)	**(59.3)**	(39.1)	**(33.6)**	(22.2)
	694.0	592.0	**166.2**	10.3

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 Malaysian Financial Reporting Standard (MFRS), International Financial Reporting Standards (IFRS) and the requirements of the Companies Act 2016.

The financial statements for the year ended 31 December 2018 are the Group's and Company's first financial statements prepared in accordance with MFRS. The Group and the Company have applied MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards and early adopted the Amendments to MFRS 3 Definition of a Business.

For periods up to and including the year ended 31 December 2017, the Group and the Company prepared their financial statements in accordance with Financial Reporting Standards (FRS).

In preparing their opening MFRS statements of financial position as at 1 January 2018 (which is also the date of transition), the Group and the Company have adjusted the amounts previously reported in the financial statements prepared in accordance with FRS. An explanation of how the transition from FRS to MFRS has affected the Group and Company's financial statements are disclosed in Note 2 to the financial statements.

The financial statements of the Group and the Company are prepared under the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the million (RM Million) except when otherwise indicated.

(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.

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

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.

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.

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). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

The accounting policy for goodwill is set out in Note E(a).

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 are 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.

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 and the Company measure 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 38.

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 and the Company.

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 and the Company use 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 and the Company determine 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 rights

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) 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.

(E) INTANGIBLE ASSETS (CONT'D.)

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

(iii) Research and development

Research expenditure is recognised as an expense when incurred. Costs incurred on development projects (relating to the design and testing of new and improved products) are recognised as intangible assets when the following criteria are fulfilled:

(i) it is technically feasible to complete the intangible asset so that it will be available for use or sale;
(ii) management intends to complete the intangible asset and use or sell it;
(iii) there is an ability to use or sell the intangible asset;
(iv) it can be demonstrated how the intangible asset will generate probable future economic benefits;
(v) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
(vi) the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in subsequent period.

Capitalised development costs recognised as intangible assets are amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding 15 years.

Development costs work in progress is tested for impairment annually, in accordance with MFRS 136 Impairment of Assets. See accounting policy Note (Q) on impairment of non-financial assets.

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

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.

Acquired software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. This cost is amortised over its estimated useful life of 10 to 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.

(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.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange rate at the reporting date.

(G) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are initially recorded at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs if the recognition criteria is met.

When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Oil palms are classified as bearer plants within property, plant and equipment. Expenditure that are directly related to the planting and upkeep of oil palms are capitalised until the palms reach maturity. Upon maturity, further maintenance and upkeep costs for oil palms are expensed to profit or loss. Bearer plants commence depreciation when oil palms reach maturity.

Freehold land is not amortised. Capital work in progress items are not available for use and thus not depreciated. Leasehold land classified as finance leases are amortised over the period of the leases ranging from 60 to 999 years (2017: 60 to 999 years).

Other assets are depreciated on a straight-line basis to write off the cost of the assets to their residual values, over the term of their estimated useful lives as follows:

Bearer plants	22 years from maturity
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 residual values, useful life and depreciation method of the property, plant and equipment are reviewed at each financial year 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.

(H) BIOLOGICAL ASSETS

Biological assets comprise the produce growing on oil palms (bearer plants). Biological assets are measured at fair value less cost to sell. Changes in fair value less cost to sell are recognised in profit and loss. Fair value is determined based on the present value of expected net cash flows from the biological assets. The expected net cash flows are estimated using the expected output (FFB harvest) and estimated market price at reporting date of crude palm oil and palm kernel adjusted for extraction rates less harvesting and transport costs.

(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) 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.

(K) REVENUE

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements (unless otherwise stated below) because it typically controls the goods or services before transferring them to the customer.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, non-cash consideration and consideration payable to the customer, if any). Depending on the terms of the contract, revenue is recognised when the performance obligation is satisfied, which may be at the point in time or over time.

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts relating to ship repair, ship building and property development allow for customers to deduct as liquidated damages from the consideration payable to the Group, in the event of delays in the supply of goods or services. Certain contracts relating to sale of building materials provide customers with a right of return. Liquidated damages and the right of return give rise to variable consideration.

Generally, the Group receives short-term advances from its customers. Using the practical expedient in MFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

The Group also provides warranties for defects that existed at the time of sale. Provisions related to these assurance-type warranties are recognised when the product is sold or the service is provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

The Group's revenue from contracts with customers are further described below:

(a) Sale of plantation produce

The Plantation Division is principally involved in the sales of plantation produce which is derived from sales of crude palm oil (CPO), palm kernel (PK) and fresh fruit bunches (FFB). Revenue from sale of plantation produce is recognised at the point in time when control of the goods is transferred to the customer. The sale of plantation produce is either on cash terms (immediate payment or advance payment not exceeding 30 days); or on credit terms of up to 30 days.

(K) REVENUE (CONT'D.)

The Group's revenue from contracts with customers are further described below: (cont'd.)

(b) Sale of petroleum products

The Trading and Industrial Division is mainly involved in the sale of petroleum products which are primarily sold to the retail and commercial sectors in Malaysia. Revenue from sale of petroleum products is recognised when the petroleum products are delivered and accepted by the customers at their premises. Payment for sales to the retail customers is on cash terms while a credit term of up to 60 days from the date of invoice is granted to the commercial customers.

(c) Sale of pharmaceutical products

The Pharmaceutical Division manufactures and sell a range of pharmaceutical products. Revenue from sale of pharmaceutical products is recognised at the point in time when the products have been shipped to the designated location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. The sale of pharmaceutical products is mainly on credit terms ranging from 30 days to 120 days.

(d) Sale of building materials

The Trading and Industrial Division is also in the business of manufacturing and distributing of building materials products. Revenue from sale of building materials products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the building products. The sale of building materials is either on cash terms or on credit terms of up to 90 days.

(e) Shipbuilding and ship repair

(i) Heavy engineering

Heavy engineering construction contracts comprise multiple deliverables that include a significant integration service or is a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer. It is therefore recognised as a single performance obligation.

The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced, as such, the Group recognises revenue over time using an input method, which is based on cost incurred to-date relative to the total expected cost to the satisfaction of that performance obligation.

(ii) Repair and maintenance and rendering of services

Revenue from repair and maintenance and rendering of services comprise multiple deliverables which represent a combined output for which the customer has contracted for or is a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer and are therefore recognised as a single performance obligation.

The Group recognises revenue from repair and maintenance and the rendering of services over time, using an input method, which is based on cost incurred to-date relative to the total expected cost to the satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group. For certain arrangements, revenue is recognised at a point in time when the customer obtains control of the asset or services.

(K) REVENUE (CONT'D.)

(e) Shipbuilding and ship repair (cont'd.)

(iii) Sale of goods

Revenue from sale of goods and services is recognised at a point in time when control of the assets is transferred to the customer, generally on the delivery of the goods.

The credit period in these activities are generally for a period of 30 days, extending up to 90 days for major customers.

(f) Revenue from property development

Property development contracts with customers may include multiple promises to customers and are accounted for as separate performance obligations. Transaction price will be allocated to each performance obligation based on the stand-alone selling prices. When these are not directly observable, they are estimated based on expected cost-plus margin.

Revenue from property development is recognised as and when the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to-date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by using an input method which is based on cost incurred to-date relative to the total expected cost to the satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The Group recognises sales at a point in time for the sale of completed properties, when the control of the properties has been transferred to the purchasers, being when the properties have been completed and delivered to the customers.

(g) Hotel operations

Revenue from rental of hotel rooms, spaces for events and other ancillary services is recognised when the services are rendered. Payment terms are either on cash terms or on credit terms of up to 90 days for corporate customers.

(h) Tuition fees

Tuition fees, non-refundable registration and enrolment fees are recognised over the period of instruction. Payment terms for tuition fees are on cash terms (immediate payment or advance payment not exceeding 30 days); or on credit terms of up to 90 days for sponsored students.

(i) Air transportation and flight services

Revenue from air transportation services comprises monthly standing charges and flying hour charge, and is recognised based on the contractual monthly charge and actual hours flown at contracted hourly rate respectively. Revenue from flight support, engineering and technical services rendered is recognised when the services are performed. The credit period is generally for a period of 30 days.

(K) REVENUE (CONT'D.)

(j) Others

Other revenues from contracts with customers are recognised at a point in time basis unless otherwise stated:

(i) Plantation agency services

The Group's plantation agency services involve the provision of management and consultancy services to estates and mills. The Group concluded that it is the agent as it typically controls the goods or services before transferring them to the customer. The Group recognises revenue from plantation agency services over time, using an input method to measure the progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

(ii) Sale of insurance policies

The Group is acting as an agent in these arrangements and records revenue at the net amount that it retains for its agency services.

(iii) Management fees

Management fee is recognised when the services are rendered.

(iv) Terminal operations

Revenue from terminal operations, parking fees and marine consulting and surveying services is recognised net of discounts as and when the services are rendered.

(v) Travel services

The Group is acting as an agent in these arrangements and records revenue at the net amount that it retains for its travel services.

Credit terms for the above is 30 days from the date of invoice unless otherwise stated.

Contract balances

Contract balances comprise of:

(a) Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

In the context of revenue recognised over time in shipbuilding, ship repair and property development activities, contract asset is the excess of cumulative revenue earned over the billings to date.

(b) Trade receivables

A trade receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

(K) REVENUE (CONT'D.)

Contract balances (cont'd.)

(c) Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier).

In the context of revenue recognised over time in shipbuilding, ship repair and property development activities, contract liability is the excess of billings to date over cumulative revenue earned.

Contract liabilities are recognised as revenue when the Group performs under the contract.

Cost to obtain a contract

In certain situations, the Group pays sales commission to its employees for each contract that they obtain. The Group has elected to apply the optional practical expedient for costs to obtain a contract which allows the Group to immediately expense sales commissions (included under employee benefits and part of cost of sales) because the amortisation period of the asset that the Group otherwise would have used is one year or less.

Revenue from other sources

Specific revenue recognition criteria for other revenue and income earned by the Group are as follows:

(a) Dividend income – recognised when the right to receive payment is established.
(b) Rental income – recognised on a straight-line basis over the term of the lease. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

Interest Income

Interest income is recognised on accrual basis using the effective interest method.

(L) 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.

(L) TAXATION (CONT'D.)

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; and

- 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.

(M) 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.

(N) INVENTORIES

Inventories are stated at the lower of cost or net realisable value, cost being determined on the weighted average basis.

(i) Raw materials and work in progress, estate produce, goods for resale and consumable stores

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.

As for in-house manufactured finished goods and work in progress, labour and appropriate production overheads (based on normal operating capacity) are also included.

(ii) Land held for property development

Land held for property development (classified within non-current assets) 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.

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

Land held for property development are transferred to property development in progress, within inventories (classified within current assets) at the point when property development activities have commenced and where it can be demonstrated that the activities can be completed within the normal operating cycle.

(iii) Property development costs

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.

The property development cost is subsequently recognised as an expense in profit or loss as and when the control of the inventory is transferred to the customer. Property development cost of unsold unit is transferred to completed properties once the development is completed.

(iv) Completed properties

Costs comprise costs of acquisition of land including all related costs incurred subsequent to the acquisition necessary to prepare the land for its intended use, related development costs to projects and direct building costs.

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.

(O) FINANCIAL ASSETS

Initial recognition and measurement - accounting policies applied from 1 January 2018

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15. (refer to the accounting policies in Note (K) Revenue from contracts with customers).

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and the Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group and the Company commit to purchase or sell the asset.

Subsequent measurement - accounting policies applied from 1 January 2018

For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments) - accounting policies applied from 1 January 2018

This category is the most relevant to the Group and the Company. The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's and the Company's financial assets at amortised cost include receivables (excluding prepayments and advances paid to the suppliers), deposits and cash and bank balances.

(O) FINANCIAL ASSETS (CONT'D.)

Subsequent measurement - accounting policies applied from 1 January 2018 (cont'd.)

Financial assets designated at fair value through OCI (equity instruments) - accounting policies applied from 1 January 2018

Upon initial recognition, the Group and the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under MFRS 132 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group and the Company benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group and the Company elected to classify irrevocably its investments as disclosed in Note 21 under this category.

Financial assets at fair value through profit or loss - accounting policies applied from 1 January 2018

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments.

Initial recognition and measurement - accounting policies applied up to 31 December 2017

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.

(O) FINANCIAL ASSETS (CONT'D.)

Subsequent measurement - accounting policies applied up to 31 December 2017

For purposes of subsequent measurement, financial assets are classified in three categories:

- Loans and receivables
- Financial assets at fair value through profit or loss
- Available for sale (AFS) financial assets

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.

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.

(O) FINANCIAL ASSETS (CONT'D.)

Subsequent measurement - accounting policies applied up to 31 December 2017 (cont'd.)

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.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group and the Company have transferred other rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset

When the Group and the Company have transferred its rights to receive cash flows from an asset or have entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

(P) IMPAIRMENT OF FINANCIAL ASSETS

Accounting policies applied from 1 January 2018

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions in Note 4
- Contract assets in Note 25
- Trade receivables in Note 26

Accounting policies applied up to 31 December 2017

All financial assets are assessed at each reporting date whether there is any objective evidence of impairment.

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.

(P) IMPAIRMENT OF FINANCIAL ASSETS (CONT'D.)

Accounting policies applied up to 31 December 2017 (cont'd.)

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.

(Q) 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.

(R) 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.

(S) FINANCIAL LIABILITIES

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's and the Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

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 are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by MFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group and the Company have not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Group and the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Notes 32 and 33.

(S) FINANCIAL LIABILITIES (CONT'D.)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(T) DERIVATIVE FINANCIAL INSTRUMENTS

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

(U) 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.

ACCOUNTING POLICIES

(V) 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.

(W) 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.

(X) 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.

(Y) 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.

(Z) 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.

(AA) PROVISIONS

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(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 246 to 253 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 18 March 2019.

2. CHANGES IN ACCOUNTING POLICIES

2.1 MFRS 1 First-time adoption of Malaysian Financial Reporting Standards (MFRS1)

The audited financial statements of the Group for the year ended 31 December 2017 were prepared in accordance with FRS. The significant accounting policies adopted in preparing these consolidated financial statements are consistent with those of the audited financial statements for the year ended 31 December 2017 except as discussed below:

(a) Business combinations

MFRS 1 provides the option to apply MFRS 3 Business Combinations, prospectively from the date of transition or from a specific date prior to the date of transition. This provides relief from full retrospective application of MFRS 3 which would require restatement of all business combinations prior to the date of transition.

The Group has elected to apply MFRS 3 prospectively from the date of transition. In respect of acquisitions prior to the date of transition:

(i) The classification of former business combinations under FRS is maintained;
(ii) There is no re-measurement of original fair values determined at the time of business combination (date of acquisition); and
(iii) The carrying amount of goodwill recognised under FRS is not adjusted.

2. CHANGES IN ACCOUNTING POLICIES (CONT'D.)

2.1 MFRS 1 First-time adoption of Malaysian Financial Reporting Standards (MFRS1) (cont'd.)

(b) Property, plant and equipment

The Group has previously adopted the transitional provisions available on the first application of the MASB Approved Standards IAS 16 (Revised) Property, Plant and Equipment which was effective for periods ending on or after 1 September 1998. By virtue of this transitional provision, the Group had recorded certain freehold land and buildings at revalued amounts but had not adopted a policy of revaluation and continued to carry those land and buildings on the basis of their previous revaluations subject to continuity in its depreciation policy and requirement to write down the assets to their recoverable amounts for impairment adjustments.

Upon transition to MFRS, the Group has elected to measure all its property, plant and equipment upon the cost model under MFRS 116 Property, Plant and Equipment. This included bearer plants (previously termed as biological assets). Previously, the expenditure on new planting and replanting of a different produce crop incurred up to the time of maturity is capitalised as biological assets and were not amortised. Replanting expenditures incurred in respect of the same crop was charged to profit or loss in the year in which it is incurred.

At the date of transition to MFRS, the Group:

(i) Elected to regard the revalued amounts of land and buildings as at 1 July 1997 as deemed cost at the date of the revaluation as these amounts were broadly comparable to fair value at that date. The revaluation surplus of RM41.6 million (31 December 2017: RM41.6 million) was transferred to retained earnings on date of transition to MFRS;

(ii) Elected to regard the fair value of certain freehold land, leasehold land and buildings and bearer plants at date of transition as its deemed cost at that date. The remaining bearer plants were stated at cost less accumulated depreciation and accumulated impairment losses. As at the date, the carrying amount of property, plant and equipment (including bearer plants) increased by RM568.3 million (31 December 2017: RM531.9 million) with a corresponding increase in deferred tax liabilities of RM218.9 million (31 December 2017: RM224.2 million) and a corresponding increase in non-controlling interests of RM63.6 million (31 December 2017: RM44.7 million). The resulting adjustments were recognised against retained earnings. Accordingly, for financial year ended 31 December 2017, depreciation and amortisation increased by RM73.6 million, replanting expenditure decreased by RM37.2 million and income tax increased by RM5.3 million.

The remaining bearer plants were stated at cost less accumulated depreciation and accumulated impairment losses.

2. CHANGES IN ACCOUNTING POLICIES (CONT'D.)

2.1 MFRS 1 First-time adoption of Malaysian Financial Reporting Standards (MFRS1) (cont'd.)

(b) Property, plant and equipment (cont'd.)

The effects on the financial statements arising from the elected exemptions and other transition restatements are as follows:

Statements of financial position

	Group	
	31 December 2017 RM Million	**1 January 2017 RM Million**
	Increase/(decrease)	
Property, plant and equipment	531.9	568.3
Deferred tax liabilities	224.2	218.9
Revaluation reserve	(41.6)	(41.6)
Other reserves	(0.1)	(0.1)
Retained earnings	304.7	327.5
Non-controlling interests	44.7	63.6

Statements of profit or loss

	Group RM Million
	Increase
2017	
Operating expenses	36.4
Tax expense	5.3
Non-controlling interests	18.9

2. CHANGES IN ACCOUNTING POLICIES (CONT'D.)

2.1 MFRS 1 First-time adoption of Malaysian Financial Reporting Standards (MFRS1) (cont'd.)

(c) Biological assets

Prior to the adoption of MFRS 141 Agriculture, biological assets were not recognised. With the adoption of MFRS 141, biological assets fall within the scope of MFRS 141 and are measured at fair value less costs to sell.

As at the date of transition, a sum of RM30.3 million (31 December 2017: RM23.0 million) was recognised in biological assets with a corresponding increase in deferred tax liabilities of RM6.1 million (31 December 2017: RM5.0 million) and a corresponding increase in non-controlling interests of RM11.4 million (31 December 2017: RM8.2 million). The resulting adjustments were recognised against retained earnings. Accordingly, a decrease in fair value of RM7.4 million and income tax expense of RM1.2 million was recognised in statement of profit and loss in financial year ended 31 December 2017.

The effects of the adoption of MFRS 141 on the financial statements are as follows:

Statements of financial position

	Group	
	31 December 2017 RM Million	**1 January 2017 RM Million**
	Increase	
Biological assets	23.0	30.3
Deferred tax liabilities	5.0	6.1
Retained earnings	9.8	12.8
Non-controlling interests	8.2	11.4

Statements of profit or loss

	Group RM Million
	Increase/(decrease)
2017	
Operating expenses	7.4
Tax expense	(1.2)
Non-controlling interests	3.2

2. CHANGES IN ACCOUNTING POLICIES (CONT'D.)

2.1 MFRS 1 First-time adoption of Malaysian Financial Reporting Standards (MFRS1) (cont'd.)

(d) Borrowing costs

MFRS 1 provides the option to apply MFRS 123 Borrowing Costs, prospectively from the date of transition or from a specified date prior to the date of transition. This provides relief from full retrospective application of MFRS 123 which would require restatement of borrowing costs component capitalised prior to the date of transition.

The Group has elected to apply MFRS 123 prospectively from the date of transition.

(e) Revenue from contracts with customers

Under FRS, the Group applies FRS 111 Construction Contracts, FRS 118 Revenue and related Interpretations. MFRS 15 Revenue from contracts with customers establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. MFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

In applying MFRS 15 retrospectively, the Group applied the following practical expedients:

(i) For completed contracts, contracts that begin and end within the same annual reporting period were not restated;

(ii) For completed contracts that have variable consideration, rather than estimating variable consideration amounts in the comparative reporting periods, transaction price at the date the contract was completed was used;

(iii) For contracts that were modified before the beginning of the earliest period presented, an entity need not retrospectively restate the contract for those contract modifications. Instead, an entity shall reflect the aggregate effect of all of the modifications that occur before the beginning of the earliest period presented when identifying the satisfied and unsatisfied performance obligations; determining the transaction price; and allocating the transaction price to the satisfied and unsatisfied performance obligations; and

(iv) For all reporting period presented before the date of initial application, the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the revenue is expected to be recognised are not disclosed.

2. CHANGES IN ACCOUNTING POLICIES (CONT'D.)

2.1 MFRS 1 First-time adoption of Malaysian Financial Reporting Standards (MFRS1) (cont'd.)

(e) Revenue from contracts with customers (cont'd.)

At the date of transition to MFRS, MFRS 15 has been applied retrospectively to the following:

(i) For the financial year ended 31 December 2017, dealers' commission of RM218.2 million was recognised, at gross, on the basis that the Group is able to direct the use and the benefits received from the operation of petrol station. This has the effect of increasing revenue and administrative expenses in the statement of profit or loss and other comprehensive income for the financial year ended 31 December 2017;

(ii) At the date of transition to MFRS, the carrying amount of development properties was reduced by RM636.6 million (31 December 2017: RM643.8 million) and the carrying amounts of property, plant and equipment and inventories were increased by RM52.7 million (31 December 2017: RM52.7 million) and RM583.9 million (31 December 2017: RM591.1 million) respectively;

(iii) At the date of transition to MFRS, the carrying amount of property development in progress was reduced by RM32.6 million (31 December 2017: RM38.8 million) with a corresponding increase of RM32.6 million (31 December 2017: RM38.8 million) to inventories;

(iv) At the date of transition to MFRS, the carrying amounts of trade receivables and amount due from customers on contracts were reduced by RM69.3 million (31 December 2017: RM91.9 million) and RM831.8 million (31 December 2017: RM1,166.6 million) respectively with a corresponding increase of RM901.1 million (31 December 2017: RM1,258.5 million) to contract assets; and

(v) At the date of transition to MFRS, the carrying amounts of trade payables and amount due to customers on contracts were reduced by RM0.1 million (31 December 2017: RM0.4 million) and RM127.1 million (31 December 2017: RM82.1 million) respectively with a corresponding increase of RM127.2 million (31 December 2017: RM82.5 million) to contract liabilities.

NOTES TO THE FINANCIAL STATEMENTS

2. CHANGES IN ACCOUNTING POLICIES (CONT'D.)

2.1 MFRS 1 First-time adoption of Malaysian Financial Reporting Standards (MFRS1) (cont'd.)

(e) Revenue from contracts with customers (cont'd.)

The effects of the adoption of MFRS 15 on the financial statements are as follows:

Statement on financial position

	Group	
	31 December 2017 RM Million	**1 January 2017 RM Million**
	Increase/(decrease)	
Property, plant and equipment	52.7	52.7
Inventories	629.9	616.5
Development properties	(643.8)	(636.6)
Property development in progress	(38.8)	(32.6)
Contract assets	1,258.5	901.1
Due from customers on contracts	(1,166.6)	(831.8)
Receivables	(91.9)	(69.3)
Payables	(0.4)	(0.1)
Contract liabilities	82.5	127.2
Due to customers on contracts	(82.1)	(127.1)

Statements of profit or loss

	Group RM Million
	Increase
2017	
Revenue	218.2
Administrative expenses	218.2

2. CHANGES IN ACCOUNTING POLICIES (CONT'D.)

2.1 MFRS 1 First-time adoption of Malaysian Financial Reporting Standards (MFRS1) (cont'd.)

(f) Financial instruments

MFRS 1 allows for the exemption from the requirements to restate comparative information for MFRS 9 Financial Instruments. Accordingly, the Group and the Company have applied the requirements of FRS in place of the requirements of MFRS 9 to comparative information about items within the scope of MFRS 9.

(i) Classification and measurement

The classification and measurement requirements of MFRS 9 did not have a significant impact on the Group and the Company. The Group and the Company continued measuring at fair value all financial assets previously held at fair value under MFRS 139, with the exception of the below:

- Trade and other receivables previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as debt instruments at amortised cost.

- Quoted equity instruments previously classified as available for sale (AFS) financial assets are now classified and measured as equity instruments designated at fair value through other comprehensive income (FVOCI). The Group and the Company elected to classify irrevocably its quoted equity investments under this category as it intends to hold these investments for the foreseeable future. There were impairment losses recognised in profit or loss for these investments in prior periods.

  As a result of the change in classification of the quoted equity investments, the Group's and the Company's AFS fair value reserves of RM29.3 million and RM2.2 million respectively, related to those investments were reclassified to fair value reserves of financial assets at FVOCI as at 1 January 2018. The Group's impairment losses recognised in profit or loss for these investments in prior periods of RM9.6 million was then reclassified to fair value reserve of financial assets at FVOCI as at 1 January 2018.

In summary, upon the adoption of MFRS 9, the Group and the Company had the following required or elected reclassifications:

Group

	MFRS 9 measurement category		
As at 1 January 2018	**Fair value through profit and loss RM Million**	**Amortised Cost RM Million**	**Fair value through OCI RM Million**
MFRS 139 measurement category			
Loans and receivables			
Receivables	–	2,075.8	–
Deposit, cash and bank balances	–	631.1	–
Available for sale			
Quoted equity investment	–	–	35.7

2. CHANGES IN ACCOUNTING POLICIES (CONT'D.)

2.1 MFRS 1 First-time adoption of Malaysian Financial Reporting Standards (MFRS1) (cont'd.)

(f) Financial instruments (cont'd.)

(i) Classification and measurement (cont'd.)

Company

As at 1 January 2018	MFRS 9 measurement category Fair value through profit and loss RM Million	Amortised Cost RM Million	Fair value through OCI RM Million
MFRS 139 measurement category			
Loans and receivables			
Receivables	–	1,679.4	–
Deposit, cash and bank balances	–	32.5	–
Available for sale			
Quoted equity investment	–	–	6.1

(ii) Impairment

The Group has applied the simplified approach and record lifetime expected losses on its receivables. An increase in loss allowance of trade and other receivables of RM14.6 million was recognised with a corresponding decrease in deferred tax liabilities of RM2.8 million. The resulting adjustments were recognised against opening retained earnings of RM6.5 million and non-controlling interests of RM5.3 million in the current period.

(iii) Other adjustments

Upon adoption of MFRS 9, other items of the primary financial statements such as investments in the associates (arising from the financial instruments held by these entities), non-distributable reserves and retained earnings were adjusted as necessary.

A decrease of RM37.1 million was recognised in investment in associates. The resulting adjustments were recognised against retained earnings of RM26.4 million and non-distributable reserves of RM63.5 million.

The adjustments were mainly arising from share of decrease in net assets of an associate, Affin Bank Berhad which resulted from the adoption of MFRS 9. The effect arising from this standard has been accounted for by adjusting the opening balance of retained earnings as at 1 January 2018. Comparatives are not restated.

2. CHANGES IN ACCOUNTING POLICIES (CONT'D.)

2.1 MFRS 1 First-time adoption of Malaysian Financial Reporting Standards (MFRS1) (cont'd.)

(f) Financial instruments (cont'd.)

The effects of the adoption of MFRS 9 on the financial statements are as follows:

Statement on financial position

	Group	Company
	Increase/(decrease)	
1 January 2018	**RM Million**	**RM Million**
Associates	(37.1)	–
Receivables	(14.6)	–
Deferred tax liabilities	(2.8)	–
Fair value reserve	(29.3)	(2.2)
Fair value reserve of financial assets at FVOCI	8.5	2.2
Regulatory reserve	(52.3)	–
Retained earnings	29.5	–
Non-controlling interests	(5.3)	–

(g) Estimates

The estimates at 1 January 2018 and at 31 December 2017 were consistent with those made for the same dates in accordance with FRS. The estimates used by the Group to present these amounts in accordance with MFRS reflect conditions at 1 January 2017, the date of transition to MFRS and as of 31 December 2017.

2. CHANGES IN ACCOUNTING POLICIES (CONT'D.)

2.2 Explanation of Transition from FRS to MFRS and Adoption of New Standards Effective on 1 January 2018

The reconciliations of financial position and equity, total comprehensive income and cash flows for comparative periods and of financial position and equity at the date of transition under FRS to those reported for those periods and as at the date of transition under MFRS are provided below:

(a) Reconciliation of financial position and equity as at 1 January 2017

Group	FRS as at 1 January 2017 RM Million	Effect of transition to MFRS Note 2.1 (b) (i) RM Million	Note 2.1 (b) (ii) and (c) RM Million	Note 2.1 (e) RM Million	MFRS as at 1 January 2017 RM Million
ASSETS					
Non-current assets					
Property, plant and equipment	4,938.2	–	1,816.9	52.7	6,807.8
Biological assets	1,248.6	–	(1,248.6)	–	–
Investment properties	1,641.1	–	–	–	1,641.1
Development properties	636.6	–	–	(636.6)	–
Prepaid land lease payments	54.0	–	–	–	54.0
Long term prepayment	183.1	–	–	–	183.1
Deferred tax assets	46.3	–	–	–	46.3
Associates	1,973.7	–	–	–	1,973.7
Joint ventures	619.0	–	–	–	619.0
Investments	32.1	–	–	–	32.1
Intangible assets	1,435.2	–	–	–	1,435.2
Inventories	–	–	–	583.9	583.9
Total non-current assets	12,807.9	–	568.3	–	13,376.2
Current assets					
Biological assets	–	–	30.3	–	30.3
Inventories	863.9	–	–	32.6	896.5
Property development in progress	32.6	–	–	(32.6)	–
Contract assets	–	–	–	901.1	901.1
Due from customers on contracts	831.8	–	–	(831.8)	–
Receivables	1,617.6	–	–	(69.3)	1,548.3
Deposits, cash and bank balance	1,717.6	–	–	–	1,717.6
Assets classified as held for sale	60.1	–	–	–	60.1
Total current assets	5,123.6	–	30.3	–	5,153.9
Total assets	17,931.5	–	598.6	–	18,530.1

2. CHANGES IN ACCOUNTING POLICIES (CONT'D.)

2.2 Explanation of Transition from FRS to MFRS and Adoption of New Standards Effective on 1 January 2018 (cont'd.)

(a) Reconciliation of financial position and equity as at 1 January 2017 (cont'd.)

Group	FRS as at 1 January 2017 RM Million	Effect of transition to MFRS Note 2.1 (b) (i) RM Million	Note 2.1 (b) (ii) and (c) RM Million	Note 2.1 (e) RM Million	MFRS as at 1 January 2017 RM Million
EQUITY AND LIABILITIES					
Equity attributable to shareholders of the Company					
Share capital	1,013.5	–	–	–	1,013.5
Reserves					
– Share Premium	1,722.2	–	–	–	1,722.2
– Revaluation and fair value reserves	54.3	(41.6)	–	–	12.7
– Regulatory reserve	425.8	–	–	–	425.8
– Other reserves	439.5	–	(0.1)	–	439.4
– Retained earnings	2,031.0	41.6	298.7	–	2,371.3
Shareholders' equity	5,686.3	–	298.6	–	5,984.9
Perpetual Sukuk	1,207.7	–	–	–	1,207.7
Non–controlling interests	1,606.9	–	75.0	–	1,681.9
Total equity	8,500.9	–	373.6	–	8,874.5
Non-current liabilities					
Borrowings	1,440.6	–	–	–	1,440.6
Payables	34.8	–	–	–	34.8
Deferred tax liabilities	125.6	–	225.0	–	350.6
Total non-current liabilities	1,601.0	–	225.0	–	1,826.0
Current liabilities					
Borrowings	5,876.1	–	–	–	5,876.1
Payables	1,799.7	–	–	(0.1)	1,799.6
Contract liabilities	–	–	–	127.2	127.2
Due to customers on contracts	127.1	–	–	(127.1)	–
Taxation	26.7	–	–	–	26.7
Total current liabilities	7,829.6	–	–	–	7,829.6
Total liabilities	9,430.6	–	225.0	–	9,655.6
Total equity and liabilities	17,931.5	–	598.6	–	18,530.1

2. CHANGES IN ACCOUNTING POLICIES (CONT'D.)

2.2 Explanation of Transition from FRS to MFRS and Adoption of New Standards Effective on 1 January 2018 (cont'd.)

(b) Reconciliation of financial position and equity as at 31 December 2017

Group	FRS as at 31 December 2017 RM Million	Effect of transition to MFRS Note 2.1 (b) (i) RM Million	Note 2.1 (b) (ii) and (c) RM Million	Note 2.1 (e) RM Million	MFRS as at 31 December 2017 RM Million
ASSETS					
Non-current assets					
Property, plant and equipment	4,845.3	–	1,766.8	52.7	6,664.8
Biological assets	1,234.9	–	(1,234.9)	–	–
Investment properties	1,804.8	–	–	–	1,804.8
Development properties	643.8	–	–	(643.8)	–
Prepaid land lease payments	51.7	–	–	–	51.7
Long term prepayment	201.8	–	–	–	201.8
Deferred tax assets	52.5	–	–	–	52.5
Associates	2,051.5	–	–	–	2,051.5
Joint ventures	552.4	–	–	–	552.4
Investments	35.7	–	–	–	35.7
Intangible assets	1,391.0	–	–	–	1,391.0
Inventories	–	–	–	591.1	591.1
Total non-current assets	12,865.4	–	531.9	–	13,397.3
Current assets					
Biological assets	–	–	23.0	–	23.0
Inventories	743.8	–	–	38.8	782.6
Property development in progress	38.8	–	–	(38.8)	–
Contract assets	–	–	–	1,258.5	1,258.5
Due from customers on contracts	1,166.6	–	–	(1,166.6)	–
Receivables	2,247.9	–	–	(91.9)	2,156.0
Deposits, cash and bank balance	631.1	–	–	–	631.1
Assets classified as held for sale	14.0	–	–	–	14.0
Total current assets	4,842.2	–	23.0	–	4,865.2
Total assets	17,707.6	–	554.9	–	18,262.5

2. CHANGES IN ACCOUNTING POLICIES (CONT'D.)

2.2 Explanation of Transition from FRS to MFRS and Adoption of New Standards Effective on 1 January 2018 (cont'd.)

(b) Reconciliation of financial position and equity as at 31 December 2017 (cont'd.)

Group	FRS as at 31 December 2017 RM Million	Effect of transition to MFRS: Note 2.1 (b) (i) RM Million	Effect of transition to MFRS: Note 2.1 (b) (ii) and (c) RM Million	Effect of transition to MFRS: Note 2.1 (e) RM Million	MFRS as at 31 December 2017 RM Million
EQUITY AND LIABILITIES					
Equity attributable to shareholders of the Company					
Share capital	2,735.7	–	–	–	2,735.7
Reserves					
– Revaluation and fair value reserves	70.9	(41.6)	–	–	29.3
– Regulatory reserve	156.6	–	–	–	156.6
– Other reserves	433.1	–	(0.1)	–	433.0
– Retained earnings	2,512.6	41.6	272.9	–	2,827.1
Shareholders' equity	5,908.9	–	272.8	–	6,181.7
Perpetual Sukuk	1,207.7	–	–	–	1,207.7
Non-controlling interests	1,801.1	–	52.9	–	1,854.0
Total equity	8,917.7	–	325.7	–	9,243.4
Non-current liabilities					
Borrowings	1,456.5	–	–	–	1,456.5
Payables	35.7	–	–	–	35.7
Deferred tax liabilities	160.8	–	229.2	–	390.0
Total non-current liabilities	1,653.0	–	229.2	–	1,882.2
Current liabilities					
Borrowings	4,727.4	–	–	–	4,727.4
Payables	2,296.4	–	–	(0.4)	2,296.0
Contracts liabilities	–	–	–	82.5	82.5
Due to customers on contracts	82.1	–	–	(82.1)	–
Taxation	31.0	–	–	–	31.0
Total current liabilities	7,136.9	–	–	–	7,136.9
Total liabilities	8,789.9	–	229.2	–	9,019.1
Total equity and liabilities	17,707.6	–	554.9	–	18,262.5

2. CHANGES IN ACCOUNTING POLICIES (CONT'D.)

2.2 Explanation of Transition from FRS to MFRS and Adoption of New Standards Effective on 1 January 2018 (cont'd.)

(c) Reconciliation of total comprehensive income for the year ended 31 December 2017

Group	FRS 31 December 2017 RM Million	Effect of transition to MFRS: Note 2.1 (b) (ii) and (c) RM Million	Effect of transition to MFRS: Note 2.1 (e) RM Million	MFRS 31 December 2017 RM Million
Revenue	10,020.1	–	218.2	10,238.3
Operating cost	(9,295.9)	(43.8)	(218.2)	(9,557.9)
Profit from operations	724.2	(43.8)	–	680.4
Gain on disposal of plantation land	554.9	–	–	554.9
Interest income	41.8	–	–	41.8
Other investment results	6.4	–	–	6.4
Finance cost	(254.4)	–	–	(254.4)
Share of results of associates	112.0	–	–	112.0
Share of results of joint ventures	(67.9)	–	–	(67.9)
Profit before taxation	1,117.0	(43.8)	–	1,073.2
Taxation	(193.7)	(4.1)	–	(197.8)
Profit for the year	923.3	(47.9)	–	875.4
Other comprehensive (loss)/income				
Foreign currency translation	(17.1)	–	–	(17.1)
Net gain on available for sale investments				
– Fair value changes	4.4	–	–	4.4
– Transfer to profit or loss on disposal	0.1	–	–	0.1
Share of other comprehensive income of investments accounted for using the equity method	12.6	–	–	12.6
Total comprehensive income for the year	923.3	(47.9)	–	875.4

2. CHANGES IN ACCOUNTING POLICIES (CONT'D.)

2.2 Explanation of Transition from FRS to MFRS and Adoption of New Standards Effective on 1 January 2018 (cont'd.)

(c) Reconciliation of total comprehensive income for the year ended 31 December 2017 (cont'd.)

Group	FRS 31 December 2017 RM Million	Effect of transition to MFRS: Note 2.1 (b) (ii) and (c) RM Million	Effect of transition to MFRS: Note 2.1 (e) RM Million	MFRS 31 December 2017 RM Million
Profit for the year attributable to:-				
Shareholders of the Company	462.0	(25.8)	–	436.2
Holders of Perpetual Sukuk	73.7	–	–	73.7
Non-controlling interests	387.6	(22.1)	–	365.5
Profit for the year	923.3	(47.9)	–	875.4
Total comprehensive income attributable to:				
Shareholders of the Company	472.2	(25.8)	–	446.4
Holders of Perpetual Sukuk	73.7	–	–	73.7
Non-controlling interests	377.4	(22.1)	–	355.3
Total comprehensive income for the year	923.3	(47.9)	–	875.4
Earnings per share – sen				
Basic/diluted	22.79	(1.27)	–	21.52

(d) Reconciliation of cash flows for the year ended 31 December 2017

Group	FRS 31 December 2017 RM Million	Effect of transition to MFRS: Note 2.1 (b) (ii) RM Million	Effect of transition to MFRS: Note 2.1 (e) RM Million	MFRS 31 December 2017 RM Million
Operating activities				
Cash receipts from customers	9,737.5	-	218.5	9,956.0
Cash paid to suppliers and employees	(8,689.1)	37.2	(218.5)	(8,870.4)
Investing activities				
Property, plant and equipment				
– Purchases	(253.7)	(37.1)	-	(290.8)
– Disposals	621.5	(0.1)	-	621.4

2. CHANGES IN ACCOUNTING POLICIES (CONT'D.)

2.3 Early Adoption of Amendments to MFRS 3 Definition of a Business

The Group and the Company have early adopted the amendments to MFRS 3 on the definition of a business and applied it on asset acquisitions that occur on or after the beginning 1 January 2018. The amendments clarify the following:

- Minimum requirements to be a business;
- Market participants' ability to replace missing elements;
- Assessing whether an acquired process is substantive;
- Narrowed the definitions of outputs; and
- Introduced an optional concentration test.

Amendments to MFRS 3 set out an optional test (the concentration test) to permit a simplified assessment of whether an acquired set of activities and assets is not a business. An entity may elect to apply, or not apply, the test. An entity may make such an election separately for each transaction or other event. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Group has not early adopted the following MFRS that are not yet effective:

	Effective Date
• Amendments to MFRS 3 Annual Improvements to MFRS Standards 2015-2017 Cycle	1 January 2019
• Amendments to MFRS 9 Prepayment Features with Negative Compensation	1 January 2019
• Amendments to MFRS 11 Annual Improvements to MFRS Standards 2015-2017 Cycle	1 January 2019
• MFRS 16 Leases	1 January 2019
• Amendments to MFRS 112 Annual Improvements to MFRS Standards 2015-2017 Cycle	1 January 2019
• Amendments to MFRS 119 Plan Amendment, Curtailment or Settlement	1 January 2019
• Amendments to MFRS 123 Annual Improvements to MFRS Standards 2015-2017 Cycle	1 January 2019
• Amendments to MFRS 128 Long-term interests in Associates and Joint Ventures	1 January 2019
• IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
• Amendments to MFRS 101 Presentation of Financial Statements (Definition of Material)	1 January 2020
• Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Material)	1 January 2020
• MFRS 17 Insurance Contracts	1 January 2021
• Amendments to MFRS 10 and MFRS128 Sale or Contribution of Assets between an Investor and its Associate or Joint-Venture	Deferred

Except for the MFRS 16 Leases, there are no other standards issued but not yet effective that would be expected to have a material impact on the Group in the current or future reporting periods.

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONT'D.)

MFRS 16 Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The standard will affect primarily the accounting for the Group's operating leases. As at 31 December 2018, the Group has non-cancellable operating lease commitments of RM68.3 million. MFRS 117 does not require the recognition of any right-of-use asset or liability for future payments for these non-cancellable operating leases. Instead, certain disclosures are made in Note 34. The new requirements to recognise a right-of-use asset and a related lease liability is not expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements and the Group is currently assessing its potential impact.

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 22.

(b) Impairment of property, plant and equipment, prepaid land lease payments and investment in subsidiaries and a joint venture

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.

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, prepaid land lease and investment in subsidiaries and a joint venture are disclosed in Notes 13, 15, 18 and 20 respectively.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D.)

(c) Provision of expected credit loss of trade receivables, other receivables and contract assets

The Group and the Company assess the credit risk at each reporting date, whether there have been significant increases in credit risk since initial recognition on an individual basis. To determine whether there is a significant increase in credit risks, 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 a significant increase in credit risk, the Group and the Company determine the lifetime expected credit loss by considering the loss given default and the probability of default assigned to each counterparty customer. The financial assets are written off either partially or full when there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amount subject to the write-offs.

The carrying amounts of the contract assets and receivables are disclosed in Notes 25 and 26 respectively.

(d) Fair value biological assets

Biological assets represent the produce growing on oil palms. Fresh fruit bunches (FFB) are harvested from the oil palms for use in the production of crude palm oil (CPO) and palm kernel (PK). The growing produce are essentially FFB prior to harvest.

An oil palm fruit typically starts to develop oil from about 14 to 15 weeks after pollination. The oil content in the fruit increases exponentially over the next 5 weeks and reaches its maximum at about 22 weeks.

Management considered the maturity stages of FFB and concluded that unripe FFB of up to 3 weeks prior to the harvest would be used to determine the fair value of the biological assets.

The fair value of the growing produce is determined on the basis of present value of expected future cash flows which takes into consideration of the production and estimated selling prices of CPO and PK adjusted for extraction rates, processing, harvesting and transport costs.

If the tonnage of unharvested FFB vary by 10%, the fair value of the Group's biological assets would increase or decrease by RM1.6 million (2017: RM2.3 million).

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D.)

(e) Property development

The Group recognises property development revenue and expenses in profit or loss by using an input method which is based on cost incurred to-date relative to the total expected cost to the satisfaction of that performance obligation.

Significant judgement is required in determining the measure of progress, 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 land held for property development and property development in progress are disclosed in Note 24.

(f) Shipbuilding and ship repair

Where the performance obligations are satisfied over time, the Group recognises contract revenue and costs in the income statement by using the input method which is based on cost incurred to-date relative to the total expected cost to the satisfaction of that performance obligation.

Significant judgement is required in determining the extent of the contract costs incurred, the estimated total contract revenue and costs, the recoverability of the contract costs as well as assessing potential deductions to revenue due to delays in delivery or other contractual penalties. In making these judgements, the Group evaluates by relying on past experience and the work of internal specialists. Information on the Group's shipbuilding and ship repair contract assets and liabilities are presented in Note 25.

(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 17.

5. REVENUE

	Group		Company	
	2018 RM Million	**2017 RM Million**	**2018 RM Million**	**2017 RM Million**
Sale of produce	**582.9**	758.5	**–**	–
Sale of petroleum products	**4,969.0**	4,325.2	**–**	–
Sale of pharmaceutical products	**2,385.0**	2,324.0	**–**	–
Sale of building materials	**362.8**	357.7	**–**	–
Shipbuilding	**980.2**	1,112.6	**–**	–
Ship repair	**149.9**	434.6	**–**	–
Property development	**266.9**	319.2	**–**	–
Hotel operations	**153.2**	162.6	**–**	–
Tuition fees	**152.2**	135.0	**–**	–
Air transportation and flight services	**0.4**	128.7	**–**	–
Others	**58.1**	54.4	**8.5**	8.4
Revenue from contracts with customers	**10,060.6**	10,112.5	**8.5**	8.4
Rental income	**125.8**	125.8	**7.9**	7.5
Gross dividends from quoted shares in Malaysia				
- Subsidiaries	**–**	–	**158.4**	205.9
- Associates	**–**	–	**20.1**	36.2
- Others	**–**	–	**0.2**	0.2
Gross dividends from unquoted shares in Malaysia				
- Subsidiaries	**–**	–	**98.7**	99.6
- Associates	**–**	–	**3.1**	1.1
	10,186.4	10,238.3	**296.9**	358.9

5. REVENUE (CONT'D.)

Segment information of the Group's revenue:

2018	Plantation RM Million	Heavy Industries RM Million	Property RM Million	Finance & Investment RM Million	Pharma-ceutical RM Million	Trading & Industrial RM Million	Total RM Million
Sale of produce	582.9	–	–	–	–	–	582.9
Sale of petroleum products	–	–	–	–	–	4,969.0	4,969.0
Sale of pharmaceutical products	–	–	–	–	2,385.0	–	2,385.0
Sale of building materials	–	–	–	–	–	362.8	362.8
Shipbuilding	–	980.2	–	–	–	–	980.2
Ship repair	–	149.9	–	–	–	–	149.9
Property development	–	–	266.9	–	–	–	266.9
Hotel operations	–	–	153.2	–	–	–	153.2
Tuition fees	–	–	–	152.2	–	–	152.2
Air transportation and flight services	–	0.4	–	–	–	–	0.4
Others	1.1	1.2	0.2	51.1	–	4.5	58.1
Revenue from contracts with customers	584.0	1,131.7	420.3	203.3	2,385.0	5,336.3	10,060.6
Rental income	–	3.3	113.8	1.2	–	7.5	125.8
	584.0	1,135.0	534.1	204.5	2,385.0	5,343.8	10,186.4
Timing of Revenue Recognition							
Goods/services transferred:							
- At a point in time	582.9	102.3	267.2	51.9	2,334.5	5,329.0	8,667.8
- Over time	1.1	1,032.7	266.9	152.6	50.5	14.8	1,518.6
	584.0	1,135.0	534.1	204.5	2,385.0	5,343.8	10,186.4

NOTES TO THE FINANCIAL STATEMENTS

5. REVENUE (CONT'D.)

Segment information of the Group's revenue: (cont'd.)

2017	Plantation RM Million	Heavy Industries RM Million	Property RM Million	Finance & Investment RM Million	Pharma-ceutical RM Million	Trading & Industrial RM Million	Total RM Million
Sale of produce	758.5	–	–	–	–	–	758.5
Sale of petroleum products	–	–	–	–	–	4,325.2	4,325.2
Sale of pharmaceutical products	–	–	–	–	2,324.0	–	2,324.0
Sale of building materials	–	–	–	–	–	357.7	357.7
Shipbuilding	–	1,112.6	–	–	–	–	1,112.6
Ship repair	–	434.6	–	–	–	–	434.6
Property development	–	–	319.2	–	–	–	319.2
Hotel operations	–	–	162.6	–	–	–	162.6
Tuition fees	–	–	–	135.0	–	–	135.0
Air transportation and flight services	–	128.7	–	–	–	–	128.7
Others	1.6	2.8	0.1	45.4	–	4.5	54.4
Revenue from contracts with customers	760.1	1,678.7	481.9	180.4	2,324.0	4,687.4	10,112.5
Rental income	–	3.3	113.9	0.9	–	7.7	125.8
	760.1	1,682.0	595.8	181.3	2,324.0	4,695.1	10,238.3
Timing of Revenue Recognition							
Goods/services transferred:							
- At a point in time	758.5	222.7	276.6	46.0	2,295.7	4,667.1	8,266.6
- Over time	1.6	1,459.3	319.2	135.3	28.3	28.0	1,971.7
	760.1	1,682.0	595.8	181.3	2,324.0	4,695.1	10,238.3

6. OPERATING COST

	Group		Company	
	2018 RM Million	2017 RM Million	**2018 RM Million**	2017 RM Million
Changes in inventories of finished goods and work in progress	**(2.6)**	(7.1)	**–**	–
Finished goods and work in progress purchases	**6,456.4**	5,858.2	**–**	–
Raw materials and consumables used	**1,718.4**	1,809.0	**–**	–
Staff costs	**616.6**	673.7	**18.5**	20.6
Defined contribution plans	**85.7**	86.5	**2.4**	3.1
Fair value loss on biological assets (Note 23)	**7.3**	7.3	**–**	–
Depreciation and amortisation				
– Property, plant and equipment (Note 13)	**324.8**	328.7	**0.8**	0.9
– Prepaid land lease payments (Note 15)	**2.1**	2.1	**–**	–
– Long term prepayments (Note 16)	**13.0**	11.4	**–**	–
– Intangible assets (Note 22)	**29.6**	26.3	**–**	–
Auditors' remuneration paid to Ernst & Young				
– Statutory audit	**4.2**	3.4	**0.4**	0.3
– Others	**0.6**	0.2	**0.2**	0.1
Auditors' remuneration paid to other firm				
– Statutory audit	**0.9**	1.0	**–**	–
Directors' fees – current year	**1.8**	1.5	**0.8**	0.5
Directors' remuneration				
– Emoluments	**6.6**	6.1	**4.5**	4.0
– Benefits	**0.2**	0.3	**0.1**	0.2
Property, plant and equipment				
– Gain on disposal	**(12.5)**	(0.9)	**–**	–
– Impairment losses (Note 13)	**77.9**	56.9	**–**	–
– Written off (Note 13)	**3.7**	2.3	**–**	–
Investment properties				
– Gain on disposal	**(3.1)**	–	**–**	–
Trade receivables (Note 26)				
– Provision of expected credit loss	**13.8**	11.2	**–**	–
– Reversal of provision of expected credit loss	**(7.5)**	(10.3)	**–**	–
Other operating cost	**958.5**	690.1	**44.8**	(5.1)
	10,296.4	9,557.9	**72.5**	24.6

6. OPERATING COST (CONT'D.)

	Group		Company	
	2018 RM Million	**2017 RM Million**	**2018 RM Million**	**2017 RM Million**
Other operating cost includes:				
Rent paid	**25.5**	26.1	**2.9**	2.9
Investment properties				
– Direct operating expenses	**45.9**	42.2	**3.5**	3.4
Hire of equipment	**3.8**	3.8	**–**	–
Research and development	**19.8**	17.3	**–**	–
Net fair value (gain)/loss on derivatives (Note 38)	**(6.4)**	22.5	**–**	–
Net foreign exchange loss/(gain)				
– Realised	**4.9**	(28.9)	**–**	–
– Unrealised	**5.0**	(2.2)	**–**	–
Inventories (Note 24)				
– Writedown	**32.9**	6.0	**–**	–
– Writeback	**(0.1)**	–	**–**	–
Provision of expected credit loss:				
– Other receivables (Note 26)	**5.0**	12.7	**2.5**	–
– Amount due from subsidiaries (Note 26)	**–**	–	**24.4**	–
– Amount due from joint venture (Note 26)	**22.3**	–	**–**	–
– Contract assets (Note 25)	**12.3**	–	**–**	–
Reversal of provision of expected credit loss				
– Amount due from subsidiaries (Note 26)	**–**	–	**–**	(17.2)

7. INTEREST INCOME

	Group		Company	
	2018 RM Million	2017 RM Million	**2018 RM Million**	2017 RM Million
Interest income				
– Subsidiaries	**–**	–	**113.3**	85.3
– Associates and joint ventures	**19.9**	14.0	**8.4**	3.6
– Others	**12.6**	27.8	**2.8**	4.7
	32.5	41.8	**124.5**	93.6

8. OTHER INVESTMENT RESULTS

	Group		Company	
	2018 RM Million	2017 RM Million	**2018 RM Million**	2017 RM Million
Gross dividends of Quoted shares in Malaysia	**1.2**	1.1	**–**	–
Profit on disposal of Quoted shares	**–**	0.1	**–**	–
Net fair value gain on investment properties (Note 14)	**32.6**	43.9	**4.2**	3.4
Impairment losses				
– Goodwill (Note 22)	**(106.2)**	(38.0)	**–**	–
– Quoted shares in Malaysia (Note 21)	**–**	(0.7)	**–**	–
– Subsidiaries (Note 18)	**–**	–	**(201.3)**	–
– Joint venture (Note 20)	**–**	–	**(109.8)**	–
	(72.4)	6.4	**(306.9)**	3.4

9. FINANCE COST

	Group		Company	
	2018 RM Million	**2017 RM Million**	**2018 RM Million**	**2017 RM Million**
Interest expense on				
– Asset-backed bonds	**15.0**	42.1	**–**	–
– Bank borrowings	**280.3**	259.8	**73.5**	64.4
– Islamic medium term notes	**71.0**	16.6	**71.0**	16.6
– Bank guaranteed medium term notes	**–**	33.0	**–**	33.0
– Loans from subsidiaries	**–**	–	**0.9**	0.3
	366.3	351.5	**145.4**	114.3
Capitalised in qualifying assets				
– Property, plant and equipment (Note 13)	**(1.2)**	–	**–**	–
– Investment properties (Note 14)	**(4.1)**	(4.5)	**–**	–
– Inventories (Note 24)				
- Land held for property development	**(24.6)**	(16.0)	**–**	–
- Property development in progress	**(5.2)**	(5.6)	**–**	–
– Construction contracts	**(59.7)**	(71.0)	**–**	–
	(94.8)	(97.1)	**–**	–
	271.5	254.4	**145.4**	114.3

10. TAXATION

	Group		Company	
	2018 RM Million	**2017 RM Million**	**2018 RM Million**	**2017 RM Million**
Taxation on profit for the year				
– Malaysian	**93.8**	158.8	**6.0**	6.8
– Foreign	**3.5**	2.7	**–**	–
Deferred tax relating to (Note 17):				
– Origination and reversal of temporary differences	**(46.0)**	28.2	**0.4**	0.1
– Effect of changes in legislation	**10.7**	–	**–**	–
– Effect of changes in real property gains tax (RPGT) rate	**27.1**	–	**2.4**	–
	89.1	189.7	**8.8**	6.9
Under/(over) provision in prior year				
– Current income tax	**2.6**	1.1	**0.9**	0.7
– Deferred tax (Note 17)	**8.5**	7.0	**(0.1)**	–
	100.2	197.8	**9.6**	7.6

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	
	2018 RM Million	**2017 RM Million**	**2018 RM Million**	**2017 RM Million**
(Loss)/profit before taxation	**(387.9)**	1,073.2	**(103.4)**	317.0
Taxation at Malaysian statutory rate of 24%	**(93.1)**	257.6	**(24.8)**	76.1
Income not subject to tax	**(11.6)**	(13.2)	**(67.4)**	(86.5)
Income subject to different tax rates	**(5.7)**	(119.8)	**(0.6)**	(0.6)
Share of results in associates and joint ventures	**(8.1)**	(10.6)	**–**	–
Non-deductible expenses	**107.7**	99.8	**99.2**	17.9
Expenses subject to double deduction	**(4.2)**	(4.5)	**–**	–
Effect of changes in legislation	**10.7**	–	**–**	–
Effect of changes in real property gains tax (RPGT) rate	**27.1**	–	**2.4**	–
Tax incentives	**(3.6)**	(3.3)	**–**	–
Deferred tax assets not recognised	**71.4**	44.4	**–**	–
Benefit from previously unrecognised tax losses and unabsorbed capital allowances and agricultural allowances	**(1.5)**	(60.7)	**–**	–
	89.1	189.7	**8.8**	6.9
Under provision in prior year	**11.1**	8.1	**0.8**	0.7
Taxation recognised in profit or loss	**100.2**	197.8	**9.6**	7.6

11. EARNINGS PER SHARE

Basic and diluted (loss)/earnings per share of the Group is calculated by dividing the consolidated loss for the year attributable to shareholders of the Company of RM469.2 million (2017: consolidated net profit attributable to shareholders of the Company of RM436.2 million) by the weighted average number of ordinary shares in issue during the year of 2,027.0 million (2017: 2,027.0 million).

12. DIVIDENDS

	Dividend amount		Dividend per share	
	2018 RM Million	**2017 RM Million**	**2018 Sen**	**2017 Sen**
Dividends on ordinary shares in respect of financial year ended 31 December				
– First interim	**50.7**	50.7	**2.5**	2.5
– Second interim	**20.3**	60.8	**1.0**	3.0
– Third interim	**30.4**	60.8	**1.5**	3.0
	101.4	172.3	**5.0**	8.5
Fourth interim dividend paid in respect of the previous financial year	**50.7**	70.9	**2.5**	3.5
	152.1	243.2	**7.5**	12.0

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RM Million	Bearer Plants RM Million	Aircraft and vessels RM Million	Plant and machinery RM Million	Others RM Million	Total RM Million
Group – 2018						
Cost						
At 1 January	5,001.5	740.6	716.4	999.9	1,308.6	8,767.0
Additions	690.7	177.2	–	24.4	124.0	1,016.3
Disposals	(2.8)	(0.2)	(56.1)	(11.6)	(8.2)	(78.9)
Written off (Note 6)	(0.9)	(16.3)	–	(4.6)	(14.4)	(36.2)
Transfer to:						
– Assets held for sale (Note 28)	(333.6)	–	–	–	(22.7)	(356.3)
– Investment property (Note 14)	(35.0)	–	–	–	–	(35.0)
Reclassification	57.4	–	–	41.3	(98.7)	–
Exchange adjustment	(5.8)	–	–	(2.2)	1.4	(6.6)
At 31 December	5,371.5	901.3	660.3	1,047.2	1,290.0	9,270.3
Accumulated depreciation and impairment losses						
At 1 January	444.0	217.8	395.6	468.7	576.1	2,102.2
Depreciation charge for the year						
– Recognised in profit or loss (Note 6)	92.3	67.0	27.6	73.7	64.2	324.8
– Capitalised in contract cost	0.7	–	–	3.9	10.7	15.3
Transfer to assets held for sale (Note 28)	(20.0)	–	–	–	(20.0)	(40.0)
Impairment losses (Note 6)	1.8	–	76.1	–	–	77.9
Disposals	(1.3)	(0.1)	(56.1)	(11.3)	(8.0)	(76.8)
Written off (Note 6)						
– Accumulated depreciation	(0.3)	(16.1)	–	(1.9)	(14.0)	(32.3)
– Impairment loss	–	(0.2)	–	–	–	(0.2)
Reclassification	–	–	–	(0.1)	0.1	–
Exchange adjustment	(0.3)	–	–	(0.3)	0.4	(0.2)
At 31 December	516.9	268.4	443.2	532.7	609.5	2,370.7
Net book value						
At 31 December 2018	4,854.6	632.9	217.1	514.5	680.5	6,899.6
Accumulated impairment losses						
At 31 December 2018	5.8	9.8	119.0	–	32.6	167.2

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Land and buildings RM Million	Bearer Plants RM Million	Aircraft and vessels RM Million	Plant and machinery RM Million	Others RM Million	Total RM Million
Group – 2017						
Cost						
At 1 January	4,898.7	713.1	716.4	914.0	1,325.4	8,567.6
Additions	63.8	37.2	–	42.0	147.8	290.8
Disposals	(16.2)	–	–	(19.9)	(11.0)	(47.1)
Written off (Note 6)	(0.4)	(6.0)	–	(0.8)	(17.7)	(24.9)
Transfer to assets held for sale (Note 28)	(10.4)	(3.7)	–	(0.1)	–	(14.2)
Reclassification	68.1	–	–	66.0	(134.1)	–
Exchange adjustment	(2.1)	–	–	(1.3)	(1.8)	(5.2)
At 31 December	5,001.5	740.6	716.4	999.9	1,308.6	8,767.0
Accumulated depreciation and impairment losses						
At 1 January	369.9	152.3	301.9	413.6	522.1	1,759.8
Depreciation charge for the year						
– Recognised in profit or loss (Note 6)	74.3	61.5	50.8	68.1	74.0	328.7
– Capitalised in contract cost	0.7	–	–	3.8	6.2	10.7
Transfer to assets held for sale (Note 28)	(0.1)	–	–	(0.1)	–	(0.2)
Impairment losses (Note 6)	4.0	10.0	42.9	–	–	56.9
Disposals	(3.6)	–	–	(15.8)	(9.8)	(29.2)
Written off (Note 6)	(0.4)	(6.0)	–	(0.7)	(15.5)	(22.6)
Exchange adjustment	(0.8)	–	–	(0.2)	(0.9)	(1.9)
At 31 December	444.0	217.8	395.6	468.7	576.1	2,102.2
Net book value						
At 31 December 2017	4,557.5	522.8	320.8	531.2	732.5	6,664.8
Accumulated impairment losses						
At 31 December 2017	4.0	10.0	42.9	–	32.6	89.5

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Others RM Million	Total RM Million
Company – 2018		
Cost		
At 1 January 2018	**12.2**	**12.2**
Additions	**1.0**	**1.0**
Disposal	**(1.0)**	**(1.0)**
At 31 December 2018	**12.2**	**12.2**
Accumulated depreciation		
At 1 January 2018	**8.7**	**8.7**
Charge for the year (Note 6)	**0.8**	**0.8**
Disposal	**(0.8)**	**(0.8)**
At 31 December 2018	**8.7**	**8.7**
Net book value		
At 31 December 2018	**3.5**	**3.5**
Company – 2017		
Cost		
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
Accumulated depreciation		
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
Net book value		
At 31 December 2017	3.5	3.5

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Group		Company	
	2018 RM Million	**2017 RM Million**	**2018 RM Million**	**2017 RM Million**
Analysis of net book value of land and buildings:				
Freehold property				
– Land	**1,311.1**	1,526.7	**–**	–
– Building	**1,015.6**	1,096.2	**–**	–
	2,326.7	2,622.9	**–**	–
Leasehold property				
Long leasehold				
– Land	**2,046.9**	1,493.1	**–**	–
– Building	**296.7**	268.2	**–**	–
Short leasehold				
– Land	**3.0**	5.5	**–**	–
– Building	**181.3**	167.8	**–**	–
	2,527.9	1,934.6	**–**	–
	4,854.6	4,557.5	**–**	–

Included in the Group's other property, plant and equipment is capital work in progress costing RM158.9 million (2017: RM203.9 million).

The other assets included under this category are motor vehicles and furniture and equipment.

Additions to the Group's property, plant and equipment during the financial year include the capitalisation of interest cost as disclosed in Note 9 is RM1.2 million (2017: RM Nil).

The net carrying amount of property, plant and equipment pledged as securities for borrowings as disclosed in Note 32 is RM101.2 million (2017: RM149.3 million).

The freehold land and leasehold land of a subsidiary with carrying book values of RM716.9 million (2017: RM718.1 million) and RM187.9 million (2017: RM189.3 million) respectively are held by CIMB Islamic Trustee Berhad, acting as trustee for the subsidiary.

The leasehold land of a subsidiary with carrying book value of RM39.2 million (2017: RM39.7 million) is held in trust by a nominee acting for the subsidiary.

During the year, impairment losses on aircraft of RM76.1 million (2017: RM42.9 million) and buildings of RM1.8 million (2017: RM4.0 million) under Heavy Industries Division represent the write down of aircraft and buildings to their recoverable amount of RM203.8 million (2017: RM290.5 million) and RM Nil (2017: RM Nil) respectively as these assets were not in use upon termination of contract by the counter parties, as disclosed in Note 42(e) to the financial statements.

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

The recoverable amount of the aircraft was determined based on fair value less cost of disposal which was derived from a valuation report by an independent professional valuer, estimated based on comparisons with recent transactions involving other similar assets (Level 3 of the fair value hierarchy).

Movement of bearer plants are as follows:-

	Mature RM Million	Immature RM Million	Total RM Million
Group – 2018			
Cost			
At 1 January 2018	682.7	57.9	740.6
Additions	133.2	44.0	177.2
Disposals	(0.2)	–	(0.2)
Reclassification	22.4	(22.4)	–
Write off	(16.3)	-	(16.3)
At 31 December 2018	821.8	79.5	901.3
Accumulated depreciation and impairment losses			
At 1 January 2018	217.8	–	217.8
Charge for year	67.0	–	67.0
Disposals	(0.1)	–	(0.1)
Write off			
– Accumulated depreciation	(16.1)	–	(16.1)
– Impairment loss	(0.2)	–	(0.2)
At 31 December 2018	268.4	–	268.4
Net carrying amount			
At 31 December 2018	553.4	79.5	632.9
Accumulated impairment losses			
At 31 December 2018	9.8	–	9.8

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Movement of bearer plants are as follows:- (cont'd.)

	Mature RM Million	Immature RM Million	Total RM Million
Group – 2017			
Cost			
At 1 January 2017	659.4	53.7	713.1
Additions	-	37.2	37.2
Reclassification	33.0	(33.0)	-
Write off	(6.0)	-	(6.0)
Transfer to assets held for sale (Note 28)	(3.7)	-	(3.7)
At 31 December 2017	682.7	57.9	740.6
Accumulated depreciation and impairment losses			
At 1 January 2017	152.3	-	152.3
Charge for year	61.5	-	61.5
Write off	(6.0)	-	(6.0)
Impairment loss	10.0	-	10.0
At 31 December 2017	217.8	-	217.8
Net carrying amount			
At 31 December 2017	464.9	57.9	522.8
Accumulated impairment losses			
At 31 December 2017	10.0	–	10.0

14. INVESTMENT PROPERTIES

	Completed investment properties RM Million	Investment properties under construction at cost RM Million	Total RM Million
Group			
At 1 January 2017	1,513.6	127.5	1,641.1
Net fair value gain (Note 8)	43.9	–	43.9
Additions	9.5	102.2	111.7
Additions from subsequent expenditure	8.1	–	8.1
At 31 December 2017 and 1 January 2018	**1,575.1**	**229.7**	**1,804.8**
Net fair value gain (Note 8)	**32.6**	**–**	**32.6**
Additions from subsequent expenditure	**48.6**	**–**	**48.6**
Disposal	**(6.6)**	**–**	**(6.6)**
Reclassification	**222.8**	**(222.8)**	**–**
Reversal of accrued expenses	**(9.0)**	**–**	**(9.0)**
Transfer from property, plant and equipment (Note 13)	**35.0**	**–**	**35.0**
At 31 December 2018	**1,898.5**	**6.9**	**1,905.4**
Company			
At 1 January 2017	107.0	–	107.0
Net fair value gain (Note 8)	3.4	–	3.4
Additions	9.5	–	9.5
Additions from subsequent expenditure	1.2	–	1.2
At 31 December 2017 and 1 January 2018	**121.1**	**–**	**121.1**
Net fair value gain (Note 8)	**4.2**	**–**	**4.2**
Additions	**–**	**–**	**–**
Additions from subsequent expenditure	**0.2**	**–**	**0.2**
At 31 December 2018	**125.5**	**–**	**125.5**

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 RM4.1 million (2017: RM4.5 million) as disclosed in Note 9.

15. PREPAID LAND LEASE PAYMENTS

	Group	
	2018 RM Million	**2017 RM Million**
Cost		
At 1 January	**66.4**	66.6
Exchange adjustment	**–**	(0.2)
At 31 December	**66.4**	66.4
Accumulated amortisation		
At 1 January	**14.7**	12.6
Charge for the year (Note 6)	**2.1**	2.1
At 31 December	**16.8**	14.7
Net book value		
At 31 December	**49.6**	51.7
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	**39.1**	41.2
	49.6	51.7

16. LONG TERM PREPAYMENTS

	Group	
	2018 RM Million	**2017 RM Million**
At 1 January	**201.8**	183.1
Additions	**20.8**	30.4
Charge for the year (Note 6)	**(13.0)**	(11.4)
Disposal	**(2.5)**	(0.3)
At 31 December	**207.1**	201.8

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.

17. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Company	
	2018 RM Million	**2017 RM Million**	**2018 RM Million**	**2017 RM Million**
At 1 January	**(337.5)**	(304.3)	**(2.7)**	(2.6)
Adjustment arising from adoption of MFRS 9 (Note 2.1(f))	**2.8**	–	**–**	–
Recognised in profit or loss (Note 10)	**(0.3)**	(35.2)	**(2.7)**	(0.1)
Recognised in equity	**(29.0)**	–	**–**	–
Exchange adjustment	**1.1**	2.0	**–**	–
At 31 December	**(362.9)**	(337.5)	**(5.4)**	(2.7)
Presented after appropriate offsetting as follows:				
Deferred tax assets	**68.3**	52.5	**–**	–
Deferred tax liabilities	**(431.2)**	(390.0)	**(5.4)**	(2.7)
	(362.9)	(337.5)	**(5.4)**	(2.7)

Deferred tax liabilities of the Company comprise mainly the taxable temporary differences on the Company's investment property.

17. DEFERRED TAX ASSETS/(LIABILITIES) (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
Deferred tax assets – Group				
At 1 January 2017	49.3	122.0	46.4	217.7
Recognised in profit or loss	17.1	(49.6)	(2.2)	(34.7)
Exchange adjustment	–	–	2.0	2.0
At 31 December 2017 and 1 January 2018	**66.4**	**72.4**	**46.2**	**185.0**
Recognised in profit or loss	**(12.5)**	**11.4**	**13.6**	**12.5**
At 31 December 2018	**53.9**	**83.8**	**59.8**	**197.5**

	Fair value gain on investment properties RM Million	Accelerated depreciation RM Million	Others RM Million	Total RM Million
Deferred tax liabilities – Group				
At 1 January 2017	(25.0)	(440.8)	(56.2)	(522.0)
Recognised in profit or loss	(2.1)	3.0	(1.4)	(0.5)
At 31 December 2017 and 1 January 2018	**(27.1)**	**(437.8)**	**(57.6)**	**(522.5)**
Adjustment arising from adoption of MFRS 9 (Note 2.1(f))	**–**	**–**	**2.8**	**2.8**
Recognised in profit or loss	**(31.7)**	**36.0**	**(17.1)**	**(12.8)**
Recognised in equity	**–**	**(29.0)**	**–**	**(29.0)**
Exchange adjustment	**–**	**0.2**	**0.9**	**1.1**
At 31 December 2018	**(58.8)**	**(430.6)**	**(71.0)**	**(560.4)**

17. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D.)

Deferred tax assets which have not been recognised are as follows:

	Group		Company	
	2018 RM Million	**2017 RM Million**	**2018 RM Million**	**2017 RM Million**
Unused tax losses	**1,330.9**	1,032.4	**–**	–
Unabsorbed capital allowances and agricultural allowances	**369.4**	332.1	**–**	–
Unabsorbed investment tax allowances	**33.8**	33.8	**–**	–
	1,734.1	1,398.3	**–**	–

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.

The Ministry of Finance via the Budget 2019 announced that with effect of year of assessment 2019, the Government will limit the carrying forward of unutilised business losses and unabsorbed investment tax allowances up to a maximum of seven consecutive years of assessment.

Deferred tax assets have not been recognised in respect of these items as it is not probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised.

18. SUBSIDIARIES

	Company	
	2018 RM Million	**2017 RM Million**
At cost		
Shares quoted in Malaysia	**1,117.4**	1,117.4
Unquoted shares	**2,126.5**	2,126.5
	3,243.9	3,243.9
Accumulated impairment losses		
At 1 January	**(15.6)**	(15.6)
Impairment losses (Note 8)	**(201.3)**	–
At 31 December	**(216.9)**	(15.6)
	3,027.0	3,228.3
Market value of quoted shares	**1,582.4**	2,483.5

As at 31 December 2018, the market value of the Company's investment in Boustead Heavy Industries Corporation Berhad (BHIC) is lower than its carrying amount. Certain subsidiaries of the Company including MHS Aviation Berhad (MHSA) have also reported continuing operating losses and depleting shareholders' funds. BHIC and MHSA operate within the Heavy Industries Division.

Management had estimated the recoverable amount of the investments at the higher of fair value less cost of disposal (FVLCD) or value in use (VIU) and recognised the following impairment losses:

(a) In respect of BHIC, the recoverable amount estimated by management is RM288.1 million and the impairment losses recognised is RM126.8 million. This was based on its VIU derived from cash flow projections approved by 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, discounted using a pre-tax discount rate of 11% (growth rate was assumed to be nil); and

(b) In respect of MHSA, the recoverable amount estimated by management is RM25.5 million and the impairment losses recognised is RM74.5 million. This was based on the shareholders' funds of MHSA adjusted for the FVLCD of the aircraft of MHSA. The FVLCD of the aircraft was derived from valuation report by an independent professional valuer, estimated based on comparisons with recent transactions involving other similar assets (Level 3 of fair value hierarchy).

18. 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
Group - 2018					
NCI percentage of ownership interest and voting interest	40%	43%	44%		
Carrying amount of NCI	268.2	1,041.1	280.3	12.1	1,601.7
Profit/(loss) allocated to NCI	43.1	(34.2)	15.8	(117.5)	(92.8)
Dividends paid to NCI	43.2	75.0	17.3	8.0	143.5

The summarised financial information before inter-company eliminations are as follows:

	BPSB Group RM Million	BPlant Group RM Million	Pharmaniaga Group RM Million
As at 31 December 2018			
Non-current assets	985.6	3,689.0	849.2
Current assets	541.4	476.3	1,058.5
Non-current liabilities	(29.0)	(660.6)	(72.2)
Current liabilities	(952.3)	(873.6)	(1,306.8)
Net assets	545.7	2,631.1	528.7
Year ended 31 December 2018			
Revenue	4,969.0	584.0	2,385.0
Profit/(loss) for the year	72.7	(63.9)	43.2
Other comprehensive loss	–	(0.4)	(2.0)
Total comprehensive income/(loss)	72.7	(64.3)	41.2
Cash flows from/(used in)			
Operating activities	16.5	76.0	(81.8)
Investing activities	(65.1)	(795.7)	(76.6)
Financing activities	84.3	756.6	161.9
Net increase in cash and cash equivalents	35.7	36.9	3.5

18. 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
Group - 2017					
NCI percentage of ownership interest and voting interest	40%	43%	44%		
Carrying amount of NCI	268.2	1,162.7	285.2	137.9	1,854.0
Profit allocated to NCI	45.0	257.9	21.0	41.6	365.5
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
As at 31 December 2017			
Non-current assets	965.1	3,200.0	829.1
Current assets	428.0	250.8	778.6
Non-current liabilities	(29.5)	(260.3)	(67.7)
Current liabilities	(819.1)	(245.2)	(992.9)
Net assets	544.5	2,945.3	547.1
Year ended 31 December 2017			
Revenue	4,325.2	760.1	2,324.0
Profit for the year	75.5	614.1	55.1
Other comprehensive income/(loss)	–	0.2	(17.1)
Total comprehensive income	75.5	614.3	38.0
Cash flows from/(used in)			
Operating activities	113.2	193.7	239.4
Investing activities	(81.9)	488.7	(62.4)
Financing activities	(24.8)	(1,087.0)	(216.7)
Net increase/(decrease) in cash and cash equivalents	6.5	(404.6)	(39.7)

19. ASSOCIATES

	Group		Company	
	2018 RM Million	**2017 RM Million**	**2018 RM Million**	**2017 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	**999.3**	1,079.4	**–**	–
	1,971.4	2,051.5	**939.4**	939.4
Market value of quoted shares	**896.5**	928.7	**896.5**	928.7

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
Group - 2018	
Percentage of ownership interest	**20.7%**
As at 31 December 2018	
Total assets	**75,976.5**
Total liabilities and non-controlling interest	**(67,304.8)**
Net assets	**8,671.7**
Year ended 31 December 2018	
Revenue	**3,658.6**
Profit for the year	**503.1**
Other comprehensive income	**67.1**
Total comprehensive income	**570.2**

19. ASSOCIATES (CONT'D.)

	Affin RM Million	Associates that are not individually material RM Million	Total RM Million
Reconciliation of net assets to carrying amount as at 31 December 2018			
Group's share of net assets	**1,795.0**	**156.9**	**1,951.9**
Goodwill	**15.2**	**4.3**	**19.5**
Carrying amount in the statement of financial position	**1,810.2**	**161.2**	**1,971.4**
Group's share of results for the year ended 31 December 2018			
Group's share of profit	**104.1**	**11.4**	**115.5**
Group's share of other comprehensive income/(loss)	**13.9**	**(0.2)**	**13.7**
Group's share of total comprehensive income	**118.0**	**11.2**	**129.2**
Other information			
Dividends received by the Group	**20.0**	**7.1**	**27.1**

	Affin RM Million
Group - 2017	
Percentage of ownership interest	20.7%
As at 31 December 2017	
Total assets	70,805.0
Total liabilities and non-controlling interest	(61,726.5)
Net assets	9,078.5
Year ended 31 December 2017	
Revenue	3,818.0
Profit for the year	514.7
Other comprehensive income	58.4
Total comprehensive income	573.1

19. ASSOCIATES (CONT'D.)

	Affin RM Million	Associates that are not individually material RM Million	Total RM Million
Reconciliation of net assets to carrying amount as at 31 December 2017			
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
Group's share of results for the year ended 31 December 2017			
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
Other information			
Dividends received by the Group	36.2	7.9	44.1

20. JOINT VENTURES

	Group		Company	
	2018 RM Million	**2017 RM Million**	**2018 RM Million**	**2017 RM Million**
At cost				
Unquoted shares	**545.6**	484.5	**250.0**	250.0
Share of post acquisition reserves	**(13.8)**	67.9	**–**	–
	531.8	552.4	**250.0**	250.0
Impairment losses (Note 8)	**–**	–	**(109.8)**	–
	531.8	552.4	**140.2**	250.0

Impairment loss recognised in profit or loss for the year of RM109.8 million as disclosed in Note 8 relates to investment in Irat Properties Sdn Bhd (Irat) due to continuing operating losses and depleting shareholders' funds.

The recoverable amount estimated by management based on VIU is RM140.2 million. This was based on shareholders' funds of Irat after adjusting for compensation expected to be received.

20. 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
Group - 2018		
Percentage of ownership interest	**50%**	**50%**
As at 31 December 2018		
Non-current assets	**1,116.3**	**1,817.6**
Cash and cash equivalents	**6.1**	**36.1**
Other current assets	**48.2**	**33.2**
Total current assets	**54.3**	**69.3**
Total assets	**1,170.6**	**1,886.9**
Trade and other payables and provisions	**40.2**	**–**
Non-current financial liabilities	**435.3**	**845.2**
Total non-current liabilities	**475.5**	**845.2**
Trade and other payables and provisions	**187.3**	**9.8**
Current financial liabilities	**169.1**	**436.9**
Total current liabilities	**356.4**	**446.7**
Non-controlling interests	**57.2**	**–**
Total liabilities and non-controlling interests	**889.1**	**1,291.9**
Net assets	**281.5**	**595.0**

20. JOINT VENTURES (CONT'D.)

Material joint ventures (cont'd.)

	Irat RM Million	BISB RM Million
Group - 2018 (cont'd.)		
Year ended 31 December 2018		
Revenue	51.6	94.9
Loss for the year	(75.1)	(73.9)
Other comprehensive income	–	3.9
Total comprehensive loss	(75.1)	(70.0)

The following expenses/(income) have been charged/(credited) in arriving at profit or loss for the year:

	Irat RM Million	BISB RM Million
Depreciation	3.1	6.2
Interest income	(0.4)	(0.4)
Interest expense	48.1	45.4
Taxation	10.9	(0.6)

	Irat RM Million	BISB RM Million	JV that are not individually material RM Million	Total RM Million
Reconciliation of net assets to carrying amount as at 31 December 2018				
Group's share of net assets	140.7	297.5	89.0	527.2
Goodwill	0.2	–	4.4	4.6
Carrying amount in the statement of financial position	140.9	297.5	93.4	531.8
Group's share of results for the year ended 31 December 2018				
Group's share of loss	(37.6)	(36.9)	(7.5)	(82.0)
Group's share of other comprehensive income	–	1.9	–	1.9
Group's share of total comprehensive loss	(37.6)	(35.0)	(7.5)	(80.1)
Other information				
Dividends received by the Group	–	–	1.6	1.6

20. JOINT VENTURES (CONT'D.)

Material joint ventures (cont'd.)

	Irat RM Million	BISB RM Million
Group - 2017		
Percentage of ownership interest	50%	50%
As at 31 December 2017		
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
Year ended 31 December 2017		
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:

	Irat RM Million	BISB RM Million
Depreciation	17.0	4.1
Interest income	(0.5)	(0.2)
Interest expense	45.7	44.4
Taxation	0.1	15.8

20. 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
Reconciliation of net assets to carrying amount as at 31 December 2017				
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
Group's share of results for the year ended 31 December 2017				
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)
Other information				
Dividends received by the Group	–	–	1.5	1.5

21. INVESTMENTS

	Group		Company	
	2018 RM Million	**2017 RM Million**	**2018 RM Million**	**2017 RM Million**
At 1 January	**35.7**	32.1	**6.1**	5.4
Fair value (loss)/gain	**(3.0)**	4.4	**(1.4)**	0.7
Impairment losses (Note 8)	**–**	(0.7)	**–**	–
Disposals	**(14.0)**	(0.1)	**–**	–
At 31 December	**18.7**	35.7	**4.7**	6.1

The investments in quoted shares are stated at market value.

22. INTANGIBLE ASSETS

	Goodwill RM Million	Concession rights RM Million	Rights to supply RM Million	Others RM Million	Total RM Million
Group					
Cost					
At 1 January 2017	1,233.9	75.0	234.7	23.9	1,567.5
Additions	–	–	24.3	3.1	27.4
Adjustments on finalisation of purchase price allocation of a subsidiary	(0.7)	–	–	0.6	(0.1)
Exchange adjustment	(6.5)	–	–	(3.2)	(9.7)
At 31 December 2017 and 1 January 2018	**1,226.7**	**75.0**	**259.0**	**24.4**	**1,585.1**
Additions	**–**	**–**	**45.8**	**45.8**	**91.6**
Exchange adjustment	**(1.9)**	**–**	**–**	**(0.7)**	**(2.6)**
At 31 December 2018	**1,224.8**	**75.0**	**304.8**	**69.5**	**1,674.1**
Accumulated amortisation and impairment losses					
At 1 January 2017	11.9	50.0	62.1	8.3	132.3
Amortisation for the year (Note 6)	–	8.7	14.9	2.7	26.3
Impairment losses (Note 8)	38.0	–	–	–	38.0
Exchange adjustment	–	–	–	(2.5)	(2.5)
At 31 December 2017 and 1 January 2018	**49.9**	**58.7**	**77.0**	**8.5**	**194.1**
Amortisation for the year (Note 6)	**–**	**8.6**	**18.5**	**2.5**	**29.6**
Impairment losses (Note 8)	**106.2**	**–**	**–**	**–**	**106.2**
Exchange adjustment	**–**	**–**	**–**	**(1.8)**	**(1.8)**
At 31 December 2018	**156.1**	**67.3**	**95.5**	**9.2**	**328.1**
Net carrying amount					
At 31 December 2018	**1,068.7**	**7.7**	**209.3**	**60.3**	**1,346.0**
At 31 December 2017	1,176.8	16.3	182.0	15.9	1,391.0

Included in the Group's other intangible assets are pharmacy manufacturing license, trade name, intellectual properties, software and capitalised development cost of work in progress.

22. INTANGIBLE ASSETS (CONT'D.)

Goodwill

The carrying amount of goodwill allocated to the Heavy Industries Division is RM829.1 million (2017: RM935.3 million) of which RM725.2 million (2017: RM822.2 million) is allocated to Boustead Naval Shipyard Sdn Bhd (BNS) and RM38.1 million (2017: RM47.3 million) is allocated to MHS Aviation Berhad (MHSA), partially owned subsidiaries of the Group. The remaining goodwill of RM239.6 million (2017: RM241.5 million) are allocated to other Divisions. Goodwill is allocated for impairment testing purpose to the individual entity which is also the CGU.

During the financial year, the Group had recognised impairment losses of goodwill of RM106.2 million (2017: RM38.0 million) as disclosed in Note 8, of which RM97.0 million and RM9.2 million (2017: RM38.0 million) relate to impairment of goodwill allocated to BNS and MHSA respectively. BNS had experienced declining project margins, while aircraft owned by MHSA, were not in use upon the termination of contract by the counterparties, as disclosed in Note 42(e) to the financial statements. Both, BNS and MHSA are within the Heavy Industries Division.

In relation to the impairment of goodwill allocated to MHSA, the recoverable amount of RM25.5 million is based on fair value less cost of disposal (FVLCD), which was derived from a valuation report by an independent professional valuer, estimated based on comparisons with recent transactions involving other similar assets (Level 3 of the fair value hierarchy).

For goodwill allocated to the Heavy Industries Division (other than MHSA), the recoverable amounts are determined using VIU based on cash flow projections approved by the 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. Pre-tax discount rates ranging from 11% to 12% (2017: 11% to 14%) and terminal growth rates of nil (2017: 0% to 1%) have been applied in the VIU calculations. The recoverable amount of the BNS CGU, determined via VIU is RM451.5 million.

For goodwill allocated to Divisions other than the Heavy Industries Division, the recoverable amounts are determined based on fair value less cost of disposal (quoted price, Level 1 of the fair value hierarchy) or value in use calculations using budgeted cash flows 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 CGU.

Based on sensitivity analysis performed (other than BNS and MHSA, of which impairment losses were recognised), management believes that no reasonably possible change in the key assumptions would cause the carrying value of CGU to exceed its recoverable amount.

23. BIOLOGICAL ASSETS

	Group	
	2018 RM Million	**2017 RM Million**
At fair value less cost to sell:		
At 1 January	**23.0**	30.3
Fair value loss (Note 6)	**(7.3)**	(7.3)
At 31 December	**15.7**	23.0

The biological assets of the Group represents fresh fruit bunches (FFB) of 3 weeks prior to harvesting. The quantity of the unharvested FFB included in the valuation for the Group is 61,760 (2017: 54,633) metric tonnes. The expected net cash flows are estimated using the expected output (FFB harvest) and market price at reporting date of crude palm oil and palm kernel adjusted for extraction rates less processing, harvesting and transportation costs.

The fair valuation of biological assets correspond with Level 3 of the fair value hierarchy.

24. INVENTORIES

	Group	
	2018 RM Million	**2017 RM Million**
Non-current		
Land held for property development	**759.9**	591.1
Current		
Raw materials and work in progress	**128.1**	123.4
Goods for resale	**776.2**	538.0
Estate produce	**15.8**	13.8
Completed properties	**19.4**	32.0
Consumable stores	**38.0**	36.6
Property development in progress	**137.6**	38.8
	1,115.1	782.6

During the financial year, there was a net write down of inventories of RM32.8 million (2017: write down of inventories of RM6.0 million) as disclosed in Note 6. The amount of inventories recognised as an expense of the Group amounted to RM6,920.1 million (2017: RM6,365.0 million).

24. INVENTORIES (CONT'D.)

Land held for property development

	Group 2018 RM Million	Group 2017 RM Million
At 1 January		
– Freehold land, at cost	**242.1**	242.5
– Long leasehold land, at cost	**3.1**	3.6
– Development costs	**345.9**	337.8
	591.1	583.9
Transfer to property development in progress		
– Freehold land	**(19.7)**	(0.4)
– Long leasehold land	**(0.5)**	(0.5)
– Development costs	**(172.4)**	(118.0)
	(192.6)	(118.9)
Cost incurred during the year		
– Development costs	**217.9**	126.1
– Land acquisition	**143.5**	–
	361.4	126.1
At 31 December	**759.9**	591.1
Interest cost capitalised during the year (Note 9)	**24.6**	16.0

24. INVENTORIES (CONT'D.)

Property development in progress

	Group	
	2018 RM Million	**2017 RM Million**
At 1 January		
– Long leasehold land, at cost	**7.4**	7.3
– Development cost	**211.7**	193.8
	219.1	201.1
Cost recognised in profit or loss		
– At 1 January	**(180.3)**	(168.5)
– Recognised during the year	**(175.0)**	(228.6)
– Reversal of completed projects	**147.6**	216.8
	(207.7)	(180.3)
Transfer from/(to)		
– Land held for property development	**192.6**	118.9
– Completed properties	**(5.6)**	(14.0)
– Reversal of completed projects	**(147.6)**	(216.8)
	39.4	(111.9)
Development cost incurred during the year	**86.8**	129.9
At 31 December	**137.6**	38.8
Interest cost capitalised during the year (Note 9)	**5.2**	5.6

25. CONTRACT ASSETS/(LIABILITIES)

	Group	
	2018 RM Million	**2017 RM Million**
Contract assets		
Contract assets from shipbuilding and ship repair	**914.0**	1,166.6
Accrued billings in respect of property development costs	**80.7**	91.9
	994.7	1,258.5
Contract liabilities		
Contract liabilities from shipbuilding and ship repair	**(108.7)**	(82.1)
Progress billings in respect of property development costs	**(2.5)**	(0.4)
	(111.2)	(82.5)

Set out below is the amount of revenue recognised from:

	Group	
	2018 RM Million	**2017 RM Million**
Amounts included in contract liabilities at the beginning of the year:		
– Shipbuilding and ship repair	**67.2**	78.1
– Property development	**0.4**	0.1
Performance obligations satisfied in previous years:		
– Shipbuilding and ship repair	**7.3**	-
	74.9	78.2

25. CONTRACT ASSETS/(LIABILITIES) (CONT'D.)

(a) Revenue from shipbuilding and ship repair

Contract asset is initially recognised for revenue earned from construction contracts as receipt of consideration is conditional on successful completion of construction. Upon completion of construction, the amounts recognised as contract asset are reclassified to trade receivables.

Contract liability is intially recognised when the Group receives consideration for an amount of consideration is due before the completion of construction. Contract liability is recognised as revenue when the Group performed under the contract.

During the financial year, provision for expected credit loss of RM12.3 million is recognised against the contract assets.

As at 31 December 2018, the transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) of RM3,858.2 million relates to the contracts with customers for shipbuildings, repair and maintenance and rendering of series.

(b) Revenue from property development

Revenue from property development activities are recognised over time using the input method, which is based on the actual cost incurred to date on the property development project as compared to the total budgeted cost for the respective development projects.

As at 31 December 2018, the transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) of RM120.4 million relates to the contracts for property development activities.

Set out below is the movement in allowance of expected credit loss of contract assets:

	Group	
	2018 RM Million	**2017 RM Million**
As at 1 January	**–**	–
Provision for expected credit loss (Note 6)	**12.3**	–
As at 31 December	**12.3**	–

26. RECEIVABLES

	Group		Company	
	2018 RM Million	2017 RM Million	2018 RM Million	2017 RM Million
Non-current				
Amounts due from subsidiaries	**–**	–	**2,107.3**	1,178.6
Amounts due from joint ventures	**335.2**	–	**177.8**	–
	335.2	–	**2,285.1**	1,178.6
Provision of expected credit loss:				
– Amount due from subsidiaries	**–**	–	**(27.4)**	–
	335.2	–	**2,257.7**	1,178.6
Current				
Trade receivables	**801.8**	1,056.4	**–**	–
Provision of expected credit loss	**(64.1)**	(57.9)	**–**	–
	737.7	998.5	**–**	–
Dividends receivable	**20.1**	–	**53.1**	11.2
Deposits	**85.8**	125.5	**–**	–
Prepayments	**42.1**	33.2	**0.3**	0.2
Income tax receivable	**35.9**	40.3	**3.2**	9.6
Advances paid to suppliers	**5.1**	6.7	**–**	–
Other receivables	**433.6**	530.6	**6.6**	6.9
Amount due from holding corporation	**0.5**	0.4	**–**	–
Amounts due from subsidiaries	**–**	–	**139.2**	401.1
Amounts due from associates	**7.1**	5.0	**1.5**	1.5
Amounts due from joint ventures	**109.5**	379.7	**1.2**	88.4
Amounts due from other related companies	**108.5**	63.1	**–**	–
	1,585.9	2,183.0	**205.1**	518.9
Provision of expected credit loss:				
– Other receivables	**(35.1)**	(27.0)	**(5.9)**	(3.4)
– Amounts due from subsidiaries	**–**	–	**(0.1)**	(4.9)
– Amounts due from joint ventures	**(22.3)**	–	**–**	–
	(57.4)	(27.0)	**(6.0)**	(8.3)
	1,528.5	2,156.0	**199.1**	510.6

The Group's normal trade credit terms range from payments in advance to 90 days (2017: 90 days). Other credit terms are assessed and approved on a case by case basis.

Amounts due from subsidiaries and joint ventures that are not expected to be realised within twelve months after the reporting period are classified as non-current.

Amounts due from subsidiaries are unsecured, bear interest at a weighted average rate of 6.0% (2017: 6.0%) per annum and are repayable on demand.

Amounts due from joint ventures of RM365.5 million (2017: RM295.1 million) and RM179.0 million (2017: RM88.4 million) for the Group and the Company respectively are unsecured, bear interest at a weighted average rate of 6.0% (2017: 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.

26. RECEIVABLES (CONT'D.)

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group	
	2018 RM Million	**2017 RM Million**
Neither past due nor impaired	**345.2**	618.3
Past due but not impaired		
– Less than 30 days	**133.8**	185.1
– 31 to 60 days	**104.3**	51.7
– 61 to 90 days	**28.5**	22.4
– 91 to 120 days	**17.6**	21.4
– More than 120 days	**102.6**	85.5
	386.8	366.1
Estimated total gross carrying amount at default	**69.8**	72.0
	801.8	1,056.4

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit loss. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., geographical region, and product type, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

26. RECEIVABLES (CONT'D.)

Movement in allowance accounts

	Group	
	2018 RM Million	2017* RM Million
Trade Receivables		
At 1 January	**57.9**	63.3
Adjustment arising from adoption of MFRS 9 (Note 2.1(f))	**11.5**	–
Provision of expected credit loss (Note 6)	**13.8**	11.2
Reversal of provision of expected credit loss (Note 6)	**(7.5)**	(10.3)
Written off	**(11.2)**	(5.8)
Exchange adjustment	**(0.4)**	(0.5)
At 31 December	**64.1**	57.9

	Group		Company	
	2018 RM Million	2017* RM Million	2018 RM Million	2017* RM Million
Other receivables				
At 1 January	**27.0**	14.3	**3.4**	3.4
Adjustment arising from adoption of MFRS 9 (Note 2.1(f))	**3.1**	–	**–**	–
Provision of expected credit loss (Note 6)	**5.0**	12.7	**2.5**	–
At 31 December	**35.1**	27.0	**5.9**	3.4

	Company	
	2018 RM Million	2017* RM Million
Amounts due from subsidiaries		
At 1 January	**4.9**	22.1
Provision of expected credit loss (Note 6)	**24.4**	–
Reversal of provision of expected credit loss (Note 6)	**–**	(17.2)
Written off	**(1.8)**	–
At 31 December	**27.5**	4.9

26. RECEIVABLES (CONT'D.)

Movement in allowance accounts (cont'd.)

	Group	
	2018 RM Million	**2017* RM Million**
Amounts due from joint ventures		
At 1 January	**–**	–
Provision of expected credit loss (Note 6)	**22.3**	–
At 31 December	**22.3**	–

* Provision for impairment disclosed in comparative period is based on FRS 139 incurred loss model

27. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2018 RM Million	**2017 RM Million**	**2018 RM Million**	**2017 RM Million**
Deposits with financial institutions	**401.0**	167.0	**151.7**	31.4
Cash held under Housing Development Accounts	**43.3**	71.7	**–**	–
Cash and bank balances	**309.0**	392.4	**48.1**	1.1
	753.3	631.1	**199.8**	32.5

The average maturity periods of the Group's and the Company's fixed deposits with financial institutions are 69 days (2017: 38 days) and 10 days (2017: 76 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 RM437.2 million (2017: RM505.7 million) and RM33.9 million (2017: RM17.2 million) respectively.

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 RM77.1 million (2017: RM100.4 million) and RM46.0 million (2017: RM29.8 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.

28. ASSETS CLASSIFIED AS HELD FOR SALE

(a) As mentioned in Note 42 (h), Boustead Hotel & Resorts Sdn Bhd (BHR), a wholly owned subsidiary of Boustead Properties Berhad, which in turn is a wholly owned subsidiary of the Company, had on 15 March 2019 entered into a sale and purchase agreement (SPA) with Every Room A Home Sdn Bhd (the Purchaser), for a proposed disposal of Royale Chulan Bukit Bintang Hotel located on 2 parcels of freehold land measuring approximately 3,189 square meter which was held under GRN 70145, Lot 1297 and GRN 70146, Lot 1298, both in Seksyen 67, District of Kuala Lumpur and its business, including fixtures, fittings and furnishings but excluding goodwill, for a cash consideration of RM197 million (Disposal Consideration) (Proposed Disposal).

The Purchaser had paid a deposit of RM19.7 million being 10% of Disposal Consideration. The Proposed Disposal is expected to be completed in the third quarter of 2019.

(b) The Group's subsidiary, Boustead Plantation Berhad holds 197.4 hectares of land situated in Mukim Semenyih, District of Hulu Langat, Selangor known as Balau Estate. The land has development potential given the development in the surrounding areas. Plantation activities has stopped as the palms are very old. Management is committed to dispose the land and is actively seeking for buyers to buy the land at development value.

The land is thus classified as asset held for sale in the current financial year as the carrying amount will be recovered through a sale transaction rather than through operations as a plantations (referred to as Proposed Disposal of 197.4 hectares).

(c) 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 42(b).

A total deposit of RM13.6 million has been paid by the purchasers. The sale of lands is expected to be completed in the first quarter of 2019.

The assets to be disposed pursuant to the above sale and purchase agreements are as follows:

Group – 2018	Note 28 (a) RM Million	Note 28 (b) RM Million	Note 28 (c) RM Million	Total RM Million
Property, plant and equipment (Note 13):				
Land and building	**90.2**	**223.4**	**10.3**	**323.9**
Bearer plant	**–**	**–**	**3.7**	**3.7**
Others	**2.7**	**–**	**–**	**2.7**
At 31 December 2018	**92.9**	**223.4**	**14.0**	**330.3**

Group – 2017	Note 28 (c) RM Million	Total RM Million
Property, plant and equipment (Note 13):		
Land and building	**10.3**	**10.3**
Bearer plant	**3.7**	**3.7**
At 31 December 2017	**14.0**	**14.0**

29. SHARE CAPITAL

	2018		2017	
	Million	**RM Million**	**Million**	**RM Million**
Ordinary shares				
At 1 January	**2,027.0**	**2,735.7**	2,027.0	1,013.5
Effect of implementation of Companies Act 2016	**–**	**–**	–	1,722.2
At 31 December	**2,027.0**	**2,735.7**	2,027.0	2,735.7

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.

30. RESERVES

	← Non-distributable			→		
	Fair Value reserve RM Million	**Fair value reserve of financial assets at FVOCI RM Million**	**Regulatory reserve RM Million**	**Other reserves RM Million**	**Retained earnings RM Million**	**Total RM Million**
Group						
At 1 January 2018	29.3	–	156.6	433.0	2,827.1	3,446.0
Adjustment arising from adoption of MFRS 9 (Note 2.1(f))	(29.3)	8.5	(52.3)	–	29.5	(43.6)
Currency translation difference in respect of foreign operations	–	–	–	(1.1)	–	(1.1)
Net loss on equity investment designated at fair value through other comprehensive income						
– Fair value changes	–	(3.0)	–	–	–	(3.0)
– Disposal	–	(0.3)	–	–	–	(0.3)
– Transfer upon disposal	–	2.7	–	–	(2.7)	–
Share of OCI investments accounted for using equity method	–	13.7	–	2.1	–	15.8
Other comprehensive income/(loss) for the year	–	13.1	–	1.0	(2.7)	11.4
Loss for the year	–	–	–	–	(469.2)	(469.2)
Total comprehensive income/(loss) for the year	–	13.1	–	1.0	(471.9)	(457.8)
Deferred tax arising from changes in tax rate in fair value surplus of freehold land, previously credited directly to retained earnings	–	–	–	–	(16.6)	(16.6)
Effects arising from group reorganisation by an associate	–	–	–	–	(146.1)	(146.1)
Share options granted during the year by an associate	–	–	–	–	1.7	1.7
Share of an associate's obligation to buy its subsidiaries shares	–	–	–	–	(0.8)	(0.8)
Share of effect on changes in group's structure of an associate on dilution of its subsidiary	–	–	–	–	0.1	0.1
Changes in ownership interest in subsidiaries						
– Issue of shares by a subsidiary	–	–	–	–	(0.6)	(0.6)
– Share options granted by a subsidiary	–	–	–	–	2.1	2.1
Transfer during the year						
– Regulatory reserve of an associate	–	–	82.1	–	(82.1)	–
Dividends (Note 12)	–	–	–	–	(152.1)	(152.1)
At 31 December 2018	–	21.6	186.4	434.0	1,990.3	2,632.3

30. RESERVES (CONT'D.)

	← Non-distributable			→		
	Share premium RM Million	Fair value reserve RM Million	Statutory and regulatory reserve RM Million	Other reserves RM Million	Retained earnings RM Million	Total RM Million
Group						
At 1 January 2017	1,722.2	12.7	425.8	439.4	2,371.3	4,971.4
Effect of implementation of Companies Act 2016 (Note 29)	(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
Other comprehensive income/(loss) for the year	–	16.6	–	(6.4)	–	10.2
Profit for the year	–	–	–	–	436.2	436.2
Total comprehensive income/(loss) for the year	–	16.6	–	(6.4)	436.2	446.4
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	–	29.3	156.6	433.0	2,827.1	3,446.0

30. RESERVES (CONT'D.)

	Non-Distributable				
	Share premium RM Million	Fair value reserve RM Million	Fair value reserve of financial assets at FVOCI RM Million	Retained earnings RM Million	Total RM Million
Company					
At 1 January 2017	1,722.2	1.5	–	55.4	1,779.1
Effect of implementation of Companies Act 2016 (Note 29)	(1,722.2)	–	–	–	(1,722.2)
Profit for the year	–	–	–	235.7	235.7
Other comprehensive income					
– Fair value changes	–	0.7	–	–	0.7
Total comprehensive income for the year	–	0.7	–	235.7	236.4
Dividends (Note 12)	–	–	–	(243.2)	(243.2)
At 31 December 2017 and 1 January 2018	**–**	**2.2**	**–**	**47.9**	**50.1**
Adjustment arising from adoption of MFRS 9 (Note 2.1(f))	**–**	**(2.2)**	**2.2**	**–**	**–**
Loss for the year	**–**	**–**	**–**	**(186.9)**	**(186.9)**
Other comprehensive loss					
– Fair value changes	**–**	**–**	**(1.4)**	**–**	**(1.4)**
Total comprehensive loss for the year	**–**	**–**	**(1.4)**	**(186.9)**	**(188.3)**
Dividends (Note 12)	**–**	**–**	**–**	**(152.1)**	**(152.1)**
At 31 December 2018	**–**	**–**	**0.8**	**(291.1)**	**(290.3)**

Fair value reserve of financial assets at FVOCI represents the cumulative fair value changes, net of tax, of equity investment designated at FVOCI until they are disposed.

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 of the accretion in net assets of a subsidiary arising from its initial public offering in the prior years.

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 29.

31. 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 (2017: RM1,200.0 million).

During the year, the Company did not exercise its call option to redeem the Perpetual Sukuk amounting to RM683.0 million which could be redeemed on 24 December 2018 under optional Redemption. Hence, the periodic distribution rate for those two tranches of Perpetual Sukuk of RM683.0 million will now increase from 6.1% to 7.6% with effect from 24 December 2018.

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.

32. BORROWINGS

	Group		Company	
	2018 RM Million	2017 RM Million	2018 RM Million	2017 RM Million
Non-current				
Term loans				
– Denominated in Indonesian Rupiah	**121.2**	102.7	**–**	–
– Denominated in Great Britain Pound	**61.5**	66.0	**–**	–
– Denominated in Malaysian Ringgit	**597.5**	519.2	**90.0**	–
	780.2	687.9	**90.0**	–
Islamic medium term notes	**1,492.5**	992.5	**1,492.5**	992.5
Asset-backed bonds	**209.6**	758.9	**–**	–
Revolving credits	**649.1**	–	**–**	–
	3,131.4	2,439.3	**1,582.5**	992.5
Repayable in 1 year	**(459.9)**	(982.8)	**(60.0)**	–
	2,671.5	1,456.5	**1,522.5**	992.5
Current				
Overdrafts	**59.3**	39.1	**33.6**	22.2
Bankers' acceptances				
– Denominated in Indonesian Rupiah	**15.5**	15.0	**–**	–
– Denominated in Malaysian Ringgit	**476.1**	317.0	**–**	–
Revolving credits	**3,850.6**	3,373.5	**1,550.0**	1,225.0
Short term loans	**459.9**	982.8	**60.0**	–
	4,861.4	4,727.4	**1,643.6**	1,247.2
Total borrowings	**7,532.9**	6,183.9	**3,166.1**	2,239.7

The Islamic medium term notes (IMTN) comprise:

i) 2 tranches of RM500 million Sukuk Murabahah, which were issued during the previous financial year, with maturity 7 years from the date of issue and carry profit rate of 5.9% per annum

ii) 2 tranches of RM150 million Sukuk Murabahah, which was issued during the financial year, with maturity 3 years from the date of issue and carries profit rate of 5.7% per annum

iii) 1 tranche of RM200 million Sukuk Murabahah, which was issued during the financial year, with maturity 7 years from the date of issue and carries profit rate of 6.2% per annum

32. BORROWINGS (CONT'D.)

The IMTN have been accounted for in the statement of financial position of the Group and of the Company as follows:

	Group/Company	
	2018 RM Million	**2017 RM Million**
Nominal value	**1,500.0**	1,000.0
Unamortised transaction cost	**(7.5)**	(7.5)
Carrying amount	**1,492.5**	992.5

The asset-backed bonds (Bonds) comprise 1 class (2017: 3 classes) of guaranteed bonds which is rated AAA(fg). The maturity date of the Bonds is 7 years (2017: 6 years to 7 years) from the date of issue with the effective interest rate of 6.0% (2017: 5.5%) per annum. The Bonds are secured by a debenture over the asset 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	
	2018 RM Million	**2017 RM Million**
Nominal value	**760.0**	760.0
Accrued interest and unamortised transaction cost	**(0.4)**	(1.1)
Redemption during the year	**(550.0)**	–
Carrying amount	**209.6**	758.9

A subsidiary has a term loan of RM61.9 million (2017: RM234.3 million) which is repayable within 4 years commencing from 27 April 2017. This subsidiary also has revolving credits of RM874.6 million (2017: RM1,029.3 million) which are secured by way of an assignment on contract proceeds.

During the period, a subsidiary has fully-settled a term loan which was secured by five aircraft of the subsidiary, proceeds account and the said subsidiary's present and future rights, title, benefit and interest in and under the lease agreement of those aircraft. The amount of this term loan outstanding as at 31 December 2017 was RM114.0 million.

A subsidiary has a term loan denominated in Great Britain Pound equivalent to RM61.5 million (2017: RM66.0 million) which is secured against a property owned by the subsidiary with a net carrying amount of RM101.2 million (2017: RM143.4 million).

All the other borrowings are unsecured. Other information on financial risks of the borrowings are disclosed in Note 37.

The amount of borrowings obtained from the financial institutions which are Government-related entities amounted to RM4,233.4 million (2017: RM4,632.0 million).

32. BORROWINGS (CONT'D.)

Change in liabilities arising from financing activities

Group

	At 1 January 2018 RM Million	Net addition/ (Repayment) RM Million	Others RM Million	At 31 December 2018 RM Million
Overdrafts	**39.1**	**20.2**	**–**	**59.3**
Revolving credits	**3,373.5**	**1,126.2**	**–**	**4,499.7**
Bankers' acceptances	**332.0**	**159.6**	**–**	**491.6**
Asset-backed bonds	**758.9**	**(550.0)**	**0.7**	**209.6**
Islamic medium term notes	**992.5**	**500.0**	**–**	**1,492.5**
Other term loans	**687.9**	**92.3**	**–**	**780.2**
	6,183.9	**1,348.3**	**0.7**	**7,532.9**

	At 1 January 2017 RM Million	Net addition/ (Repayment) RM Million	Others RM Million	At 31 December 2017 RM Million
Overdrafts	24.7	14.4	–	39.1
Revolving credits	4,227.0	(853.5)	–	3,373.5
Bankers' acceptances	374.6	(42.6)	–	332.0
Asset-backed bonds	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
	7,316.7	(1,108.7)	(24.1)	6,183.9

Others comprise of unamortised transaction cost, exchange adjustment and accrued interest.

32. BORROWINGS (CONT'D.)

Change in liabilities arising from financing activities (cont'd.)

Company

	At 1 January 2018 RM Million	Net addition/ (Repayment) RM Million	Others RM Million	At 31 December 2018 RM Million
Overdrafts	**22.2**	**11.4**	**–**	**33.6**
Revolving credits	**1,225.0**	**325.0**	**–**	**1,550.0**
Islamic medium term notes	**992.5**	**500.0**	**–**	**1,492.5**
Other term loans	**–**	**90.0**	**–**	**90.0**
	2,239.7	**926.4**	**–**	**3,166.1**

	At 1 January 2017 RM Million	Net addition/ (Repayment) RM Million	Others RM Million	At 31 December 2017 RM Million
Overdrafts	8.6	13.6	–	22.2
Revolving credits	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)	–	–
	2,212.6	36.3	(9.2)	2,239.7

Others comprise of unamortised transaction cost, exchange adjustment and accrued interest.

33. PAYABLES

	Group		Company	
	2018 RM Million	2017 RM Million	2018 RM Million	2017 RM Million
Non-current				
Deposits from tenants	**26.8**	35.7	**–**	–
Current				
Trade payables	**1,577.6**	1,546.6	**–**	–
Accrued interest	**15.1**	44.6	**27.1**	18.6
Accrued expenses	**301.5**	227.2	**–**	–
Deposits received	**111.4**	85.4	**1.9**	1.9
Retention sum	**4.3**	2.4	**–**	–
Other payables	**217.5**	204.7	**7.1**	8.4
Derivative liabilities (Note 38)	**1.8**	1.5	**–**	–
Amount due to holding corporation	**1.7**	1.4	**–**	–
Amounts due to subsidiaries	**–**	–	**5.6**	5.3
Amounts due to associates	**3.0**	8.0	**–**	–
Amounts due to joint ventures	**272.0**	174.0	**–**	–
Amounts due to other related companies	**0.1**	0.2	**–**	–
	2,506.0	2,296.0	**41.7**	34.2

Trade payables
These amounts are non-interest bearing, with normal credit terms ranging from 30 to 90 days (2017: 30 to 90 days).

Amounts due to subsidiaries
These amounts are unsecured, bear interest at a weighted average rate of 3.5% (2017: 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.

34. 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	
	2018 RM Million	**2017 RM Million**
Within 1 year	**19.5**	17.6
Later than 1 year but not later than 5 years	**28.5**	18.8
Later than 5 years	**20.3**	16.8
	68.3	53.2

34. OPERATING LEASE OBLIGATION

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	
	2018 RM Million	**2017 RM Million**	**2018 RM Million**	**2017 RM Million**
Within 1 year	**64.8**	84.7	**6.3**	6.8
Later than 1 year but not later than 5 years	**48.7**	46.3	**4.9**	7.7
	113.5	131.0	**11.2**	14.5

35. 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 onlent, 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 41 (a) and 41 (b).

The Group operates predominantly in Malaysia, hence no segmental information based on geographical segment is presented.

35. 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
2018								
Revenue								
Group total sales	584.0	1,135.0	556.5	204.5	2,385.0	5,343.8	(22.4)	10,186.4
Inter-segment sales	–	–	(22.4)	–	–	–	22.4	–
External sales	584.0	1,135.0	534.1	204.5	2,385.0	5,343.8	–	10,186.4
Results								
Segment result – External	(20.5)	(406.3)	78.0	11.4	97.2	130.2	–	(110.0)
Interest income	1.3	1.6	16.6	124.4	0.9	1.8	(114.1)	32.5
Other investment results	–	(106.2)	23.5	4.4	–	5.9	–	(72.4)
Finance cost	(36.8)	(74.4)	(78.8)	(129.1)	(46.3)	(20.2)	114.1	(271.5)
Share of results of associates	5.0	–	(0.2)	109.9	–	0.8	–	115.5
Share of results of joint ventures	–	(7.5)	(37.0)	(37.5)	–	–	–	(82.0)
(Loss)/profit before taxation	(51.0)	(592.8)	2.1	83.5	51.8	118.5	–	(387.9)
Taxation								(100.2)
Loss for the year								(488.1)
Other information								
Depreciation and amortisation	(139.7)	(52.1)	(26.6)	(21.5)	(55.2)	(74.4)	–	(369.5)
(Loss)/gain on disposal of – Other assets	(3.1)	11.9	–	(0.1)	–	3.8	–	12.5
Other non-cash income/(expenses)	10.0	(226.3)	15.6	(1.5)	(17.9)	13.8	–	(206.3)

35. 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
2017								
Revenue								
Group total sales	760.1	1,682.0	618.1	181.3	2,324.0	4,695.1	(22.3)	10,238.3
Inter-segment sales	–	–	(22.3)	–	–	–	22.3	–
External sales	760.1	1,682.0	595.8	181.3	2,324.0	4,695.1	–	10,238.3
Results								
Segment result – External	145.7	207.2	103.3	(7.0)	92.3	138.9	–	680.4
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	688.9	73.2	54.1	70.7	54.1	132.2	–	1,073.2
Taxation								(197.8)
Profit for the year								875.4
Other information								
Depreciation and amortisation	(117.6)	(83.6)	(23.1)	(21.9)	(55.0)	(67.3)	–	(368.5)
(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)

36. CONTINGENT LIABILITIES

(a) On 4 September 2012, the Group's subsidiary Boustead Naval Shipyard Sdn Bhd (BNS) was served with a Writ of Summons by Ingat Kawan (M) Sdn Bhd (Plaintiff). The Plaintiff was claiming against BNS 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 BNS. On 11 September 2012, BNS 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 BNS's addition of the 5 co-defendants.

On 14 March 2013, the High Court allowed with cost BNS's application to strike out the Plaintiff's claims. Thus, on 1 April 2013, BNS 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, BNS 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 BNS 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 hearing on 26 January 2018, the Court directed the parties to file additional affidavits. On 28 March 2018, the Court allowed the Plaintiff's application to enter the shipyard and inspect and/or collect samples of 'abandoned' copper cables.

Trials took place on 16 and 17 April 2018, 7 May 2018, 22 and 23 November 2018 during which BNS' lawyer cross-examined the Plaintiff's second witness and the Plaintiff closed its case after its lawyers re-examined the said witness. At a trial on 22 January 2019, BNS' fourth witness testified on the worthiness of the copper cables. Next trial dates have been fixed on 5 and 10 April 2019.

BNS, upon consultation with the solicitors, is of the view that it has a good defence to the claim by the Plaintiff.

36. CONTINGENT LIABILITIES (CONT'D.)

(b) Boustead Holdings Berhad (BHB) and its wholly-owned subsidiary, Bakti Wira Development Sdn Bhd (BWSB) had, on 16 October 2018 and 18 October 2018 respectively, being served with a Writ of Summons by one Deepak Jaikishan A/L Jaikishan Rewachand (Plaintiff). BHB has been made the Third Defendant and BWSB the Fourth Defendant while the First and Second Defendants are Dato' Seri Najib Bin Tun Razak and Datin Paduka Seri Rosmah Mansor. The suit was filed in the Kuala Lumpur High Court on 12 October 2018.

Under the Writ of Summons, the Plaintiff is alleging tort of conspiracy and/or conspiracy to defraud and/or tort of conversion and/or undue influence by the Defendants in the following transactions:

i) the acquisition of 16,000,000 ordinary shares of Astacanggih Sdn Bhd (Astacanggih) by BWSB for a cash consideration of RM30 million from Prestige Dimension Sdn Bhd and other minority shareholders of Astacanggih pursuant to the Share Sale Agreement dated 20 December 2012; and
ii) the acquisition of 200 acres of freehold lands in Selangor from Awan Megah (M) Sdn Bhd at a cash consideration of RM130 million by BWSB and Astacanggih pursuant to the Land Sale Agreement dated 27 December 2012.

The Plaintiff is claiming against the Defendants joint and/or severally for, among others, general damages of RM600 million, exemplary damages of RM50 million, aggravated damages of RM26 million, interest on each damages, special damages equivalent to 80% of current market value of certain lands, return of shares in Astacanggih which was acquired by BHB and BWSB, declaration that certain past transactions are null and void and declaration that the Plaintiff's rights over certain lands be returned to him.

BHB and BWSB entered their appearances on 23 October 2018, and on 9 November 2018, filed their Statement of Defence and requested for further and better particulars from the Plaintiff. On 17 December 2018, BHB and BWSB filed an application to the Court to strike out the Plaintiff's suit against them. Meanwhile, the First and Second Defendants filed their striking out application on 7 January 2019. Hearing of all the Defendants' striking out applications will be on 4 April 2019.

BHB and BWSB categorically deny the allegations made by the Plaintiff as they are baseless, frivolous, vexatious and unjustifiable. Both companies have at all times observed good corporate governance and ethical business practices in the companies' dealings and had given due commercial considerations before entering into the transactions mentioned in the Plaintiff's Statement of Claims. The Directors of BHB and BWSB believe that the Plaintiff's claims are untenable and are therefore positive that both companies will prevail in this litigation.

(c) 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 in relation to the In-Service Support for the Royal Malaysian Navy SCORPENE Submarines contract.

BDNC has made provisions for the LD claim to the extent of the expected amount of LD payable 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.

36. CONTINGENT LIABILITIES (CONT'D.)

(c) The amount of bank guarantees issued by the Group to third parties are as follows:

	Group		Company	
	2018 RM Million	**2017 RM Million**	**2018 RM Million**	**2017 RM Million**
Performance bonds in respect of contracts awarded to subsidiaries				
– Government of Malaysia	**672.0**	645.9	**0.7**	5.0
– Other third parties	**61.4**	71.4	**–**	–
	733.4	717.3	**0.7**	5.0

37. 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.

37. 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
Group							
At 31 December 2018							
Fixed rate							
Financial assets:							
Deposits	27	**3.2**	**401.0**	**–**	**–**	**–**	**401.0**
Financial liabilities:							
Islamic medium term notes	32	**5.9**	**–**	**(299.4)**	**(993.6)**	**(199.5)**	**(1,492.5)**
Asset-backed bonds	32	**6.0**	**(209.6)**	**–**	**–**	**–**	**(209.6)**
Floating rate							
Financial assets:							
Amounts due from joint ventures	26	**6.0**	**19.5**	**–**	**346.0**	**–**	**365.5**
Financial liabilities:							
Terms loans	32	**5.9**	**(250.3)**	**(107.2)**	**(279.2)**	**(143.5)**	**(780.2)**
Overdrafts	32	**8.0**	**(59.3)**	**–**	**–**	**–**	**(59.3)**
Revolving credits	32	**5.1**	**(3,850.6)**	**(249.1)**	**(400.0)**	**–**	**(4,499.7)**
Bankers' acceptances	32	**4.4**	**(491.6)**	**–**	**–**	**–**	**(491.6)**
At 31 December 2017							
Fixed rate							
Financial assets:							
Deposits	27	3.2	167.0	–	–	–	167.0
Financial liabilities:							
Islamic medium term notes	32	5.9	–	–	–	(992.5)	(992.5)
Asset-backed bonds	32	5.5	(550.0)	(208.9)	–	–	(758.9)
Floating rate							
Financial assets:							
Amounts due from joint ventures	26	6.0	295.1	–	–	–	295.1
Financial liabilities:							
Terms loans	32	5.6	(432.8)	(69.4)	(184.4)	(1.3)	(687.9)
Overdrafts	32	7.4	(39.1)	–	–	–	(39.1)
Revolving credits	32	4.9	(3,373.5)	–	–	–	(3,373.5)
Bankers' acceptances	32	4.2	(332.0)	–	–	–	(332.0)

NOTES TO THE FINANCIAL STATEMENTS

37. 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
Company					
At 31 December 2018					
Fixed rate					
Financial assets:					
Deposits	27	**3.3**	**151.7**	**–**	**151.7**
Financial liabilities:					
Islamic medium term notes	32	**5.9**	**–**	**(1,492.5)**	**(1,492.5)**
Floating rate					
Financial assets:					
Amounts due from subsidiaries	26	**5.8**	**139.1**	**2,079.9**	**2,219.0**
Amounts due from joint ventures	26	**6.0**	**1.2**	**177.8**	**179.0**
Financial liabilities:					
Overdrafts	32	**8.2**	**(33.6)**	**–**	**(33.6)**
Revolving credits	32	**4.9**	**(1,550.0)**	**–**	**(1,550.0)**
Term loan	32	**5.5**	**(60.0)**	**(30.0)**	**(90.0)**
Amounts due to subsidiaries	33	**3.5**	**(5.6)**	**–**	**(5.6)**
At 31 December 2017					
Fixed rate					
Financial assets:					
Deposits	27	3.6	31.4	–	31.4
Financial liabilities:					
Islamic medium term notes	32	5.9	–	(992.5)	(992.5)
Floating rate					
Financial assets:					
Amounts due from subsidiaries	26	6.0	396.2	1,178.6	1,574.8
Amounts due from joint ventures	26	6.0	88.4	–	88.4
Financial liabilities:					
Overdrafts	32	7.9	(22.2)	–	(22.2)
Revolving credits	32	4.6	(1,225.0)	–	(1,225.0)
Amounts due to subsidiaries	33	3.3	(5.3)	–	(5.3)

37. 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 RM22.2 million and RM6.4 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
Group					
2018					
Borrowings	32	**5,115.5**	**2,467.4**	**353.0**	**7,935.9**
Trade and other payables	33	**2,504.2**	**26.8**	**–**	**2,531.0**
Derivatives liabilities	33	**1.8**	**–**	**–**	**1.8**
Dividend payables		**30.4**	**–**	**–**	**30.4**
Total undiscounted financial liabilities		**7,651.9**	**2,494.2**	**353.0**	**10,499.1**
2017					
Borrowings	32	4,965.5	486.2	1,052.5	6,504.2
Trade and other payables	33	2,294.5	35.7	–	2,330.2
Derivatives liabilities	33	1.5	–	–	1.5
Total undiscounted financial liabilities		7,261.5	521.9	1,052.5	8,835.9

37. 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
Company				
2018				
Borrowings	32	**1,725.5**	**1,612.2**	**3,337.7**
Trade and other payables	33	**41.7**	**–**	**41.7**
Dividend payables		**30.4**	**–**	**30.4**
Total undiscounted financial liabilities		**1,797.6**	**1,612.2**	**3,409.8**
2017				
Borrowings	32	1,305.3	1,051.1	2,356.4
Trade and other payables	33	34.2	–	34.2
Total undiscounted financial liabilities		1,339.5	1,051.1	2,390.6

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 2018, the Group has a significant concentration of credit risk in the form of outstanding balance due from the Government of Malaysia, representing approximately 32.1% (2017: 23.7%) 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 26. 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 26.

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.

37. 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
Group					
At 31 December 2018					
US Dollar	**5.6**	**14.8**	**(45.4)**	**(41.4)**	**(66.4)**
Euro	**39.0**	**30.8**	**(287.4)**	**–**	**(217.6)**
Great Britain Pound	**9.3**	**1.6**	**(15.4)**	**(61.5)**	**(66.0)**
Others	**1.2**	**0.2**	**(45.1)**	**–**	**(43.7)**
	55.1	**47.4**	**(393.3)**	**(102.9)**	**(393.7)**
At 31 December 2017					
US Dollar	0.8	14.6	(26.5)	–	(11.1)
Euro	68.3	7.9	(219.8)	–	(143.6)
Great Britain Pound	7.9	1.4	(0.3)	(66.0)	(57.0)
Others	0.3	2.9	(32.9)	–	(29.7)
	77.3	26.8	(279.5)	(66.0)	(241.4)

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.

	Group	
	2018 RM Million	**2017 RM Million**
(Decrease)/increase of Group's profit, net of tax		
US Dollar/RM		
– Strengthened by 10%	**(5.1)**	(0.8)
– Weakened by 10%	**5.1**	0.8
Euro/RM		
– Strengthened by 5%	**(8.3)**	(5.5)
– Weakened by 5%	**8.3**	5.5
Great Britain Pound/RM		
– Strengthened by 5%	**(2.5)**	(2.2)
– Weakened by 5%	**2.5**	2.2

37. 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.

The Group also exposed to commodity price risk arising from fluctuations in the price of crude palm oil and palm kernel. The Group adopts the strategy of having a mix of spot and forward sales at any one time to mitigate this risk.

Financial instruments by category

	Group		Company	
	2018 RM Million	**2017 RM Million**	**2018 RM Million**	**2017 RM Million**
Financial assets - loans and receivables				
Receivables	**1,780.6**	2,075.8	**2,453.3**	1,679.4
Deposit, cash and bank balances	**753.3**	631.1	**199.8**	32.5
Contract assets	**994.7**	1,258.5	**–**	–
Financial liabilities - liabilities at amortised cost				
Payables	**2,531.0**	2,330.2	**41.7**	34.2
Dividend payables	**30.4**	–	**30.4**	–
Borrowings	**7,532.9**	6,183.9	**3,166.1**	2,239.7
Contract liabilities	**111.2**	82.5	**–**	–

38. 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)	26
Contract assets	25
Amount due from holding corporation	26
Amounts due from subsidiaries	26
Amounts due from associates	26
Amounts due from joint ventures	26
Amounts due from other related companies	26
Borrowings (current)	32
Trade and other payables (current)	33
Other payables (non-current)	33
Contract liabilities	25
Amount due to holding corporation	33
Amounts due to subsidiaries	33
Amounts due to associates	33
Amounts due to joint ventures	33
Amounts due to other related companies	33

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 RM1.6 million (2017: RM2.2 million) and RM0.2 million (2017: RM0.2 million) respectively.

38. 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
Group				
2018				
Assets				
Investments	**18.7**	**–**	**–**	**18.7**
Investment properties	**–**	**–**	**1,898.5**	**1,898.5**
Biological assets	**–**	**–**	**15.7**	**15.7**
Liabilities				
Forward currency contracts	**–**	**(1.8)**	**–**	**(1.8)**
	18.7	**(1.8)**	**1,914.2**	**1,931.1**
2017				
Assets				
Investments	35.7	–	–	35.7
Investment properties	–	–	1,575.1	1,575.1
Biological assets	–	–	23.0	23.0
Liabilities				
Forward currency contracts	–	(1.5)	–	(1.5)
	35.7	(1.5)	1,598.1	1,632.3
Company				
2018				
Assets				
Investments	**4.7**	**–**	**–**	**4.7**
Investment properties	**–**	**–**	**125.5**	**125.5**
	4.7	**–**	**125.5**	**130.2**
2017				
Assets				
Investments	6.1	–	–	6.1
Investment properties	–	–	121.1	121.1
	6.1	–	121.1	127.2

The Group and the Company do not have any financial liabilities measured at Level 3 hierarchy.

38. FAIR VALUE MEASUREMENTS (CONT'D.)

Derivatives

	2018		2017	
	Contract/ notional amount RM Million	Fair value of derivatives RM Million	Contract/ notional amount RM Million	Fair value of derivatives RM Million
Group				
Current				
Derivative liabilities (Note 33)				
Forward currency contracts	**220.2**	**1.8**	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 gain of RM6.4 million (2017: loss of RM22.5 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.

38. FAIR VALUE MEASUREMENTS (CONT'D.)

Borrowings

	2018		2017	
	Carrying amount RM Million	Fair value of borrowings RM Million	Carrying amount RM Million	Fair value of borrowings RM Million
Group				
Non-current borrowings (Note 32)				
Term loans	**529.9**	**529.9**	255.1	255.1
Islamic medium term notes	**1,492.5**	**1,492.4**	992.5	998.7
Asset-backed bonds	**–**	**–**	208.9	206.1
Revolving credit	**649.1**	**649.1**	–	–
	2,671.5	**2,671.4**	1,456.5	1,459.9
Company				
Non-current borrowings (Note 32)				
Term loans	**30.0**	**30.0**	–	–
Islamic medium term notes	**1,492.5**	**1,492.4**	992.5	998.7
	1,522.5	**1,522.4**	992.5	998.7

39. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise 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 2018 and 31 December 2017.

The Group monitors capital using a gearing ratio, which is derived by dividing the amount of borrowings (Note 32) over total equity. At the reporting date, the Group's gearing ratio calculated by dividing the amount of borrowings (Note 32) over total equity comprising shareholders' equity, perpetual sukuk and non-controlling interests is 0.92 times (2017: 0.67 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.

40. COMMITMENTS

	Group		Company	
	2018 RM Million	2017 RM Million	2018 RM Million	2017 RM Million
Authorised and contracted				
Capital expenditure	**109.1**	180.6	**–**	–
Acquisition of plantation land	**357.3**	675.0	**–**	–
Share of joint venture's capital commitment in relation to investment properties	**25.0**	36.2	**–**	–
	491.4	891.8	**–**	–
Authorised but not contracted				
Capital expenditure	**514.0**	400.9	**3.5**	3.3
Share of joint venture's capital commitment in relation to capital expenditure	**–**	20.3	**–**	–
	514.0	421.2	**3.5**	3.3

41. 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 Arkitek MAA 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.

41. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)

Significant related party transactions other than those disclosed elsewhere in the financial statements are as follows:

	Group		Company	
	2018 RM Million	2017 RM Million	2018 RM Million	2017 RM Million
Subsidiaries				
Rental income	**–**	–	**0.1**	0.1
Management fees	**–**	–	**8.5**	8.4
Associates and joint ventures				
Agricultural research and advisory services paid	**16.3**	14.7	**–**	–
Insurance premium paid	**16.3**	17.9	**–**	–
Rental income on office premises	**23.3**	23.1	**–**	–
Sales of goods	**8.7**	7.0	**–**	–
Purchase of services	**–**	0.2	**–**	–
Professional fees paid	**1.1**	9.4	**1.1**	5.2
Insurance commission received	**3.6**	3.8	**–**	–
Rendering of services	**26.3**	142.6	**–**	–
Provision of project management services	**0.5**	0.5	**–**	–
Rental expense				
– Hotel	**12.0**	12.3	**–**	–
– Office premises	**0.9**	0.8	**–**	–
Holding corporation				
Rental expenses	**0.9**	0.9	**–**	–
Provision of project management services	**0.3**	0.7	**–**	–
Subsidiaries of holding corporation				
Sales of goods	**57.7**	54.6	**–**	–
Provision of construction works	**224.5**	87.5	**–**	–
Firms in which Directors have a substantial interest				
Legal and professional fees paid	**8.5**	5.1	**–**	–
Government-related financial institutions				
Interest income	**10.1**	11.9	**2.1**	4.6
Finance cost	**233.3**	228.0	**105.2**	82.1
Government-related entity				
Air transportation and flight services	**–**	50.0	**–**	–

The Directors are of the opinion that the above transactions are in the normal course of business and at terms mutually agreed between parties.

41. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)

The remuneration of key management personnel during the financial year is as follows:

	Group		Company	
	2018 RM Million	2017 RM Million	2018 RM Million	2017 RM Million
Directors				
Fees	**1.8**	1.5	**0.8**	0.5
Salaries and other emoluments	**5.1**	4.8	**3.4**	3.0
Defined contribution plans	**1.2**	1.1	**0.9**	0.8
Meeting, travelling and other allowances	**0.3**	0.2	**0.2**	0.2
Estimated monetary value of benefits-in-kind	**0.2**	0.3	**0.1**	0.2
	8.6	7.9	**5.4**	4.7
Other key management personnel				
Short term employee benefits	**45.5**	48.4	**5.5**	5.4
Defined contribution plans	**5.4**	4.6	**1.1**	0.9
	50.9	53.0	**6.6**	6.3
Total paid to key management personnel	**59.5**	60.9	**12.0**	11.0

41. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)

The Group is a Government-related entity by virtue of its relationship with Lembaga Tabung Angkatan Tentera (LTAT), the holding corporation of the Group.

The significant transactions with the Government of Malaysia are as follows:

(a) On 10 April 2018, a subsidiary executed a letter of work dated 14 March 2018 from Ministry of Defence Malaysia (MINDEF) for the maintenance and upgrading of Combat Management System for Royal Malaysian Navy's vessel at a contract value of RM44.8 million. The aggregate revenue recognised under the contract for the year ended 31 December 2018 amounted to RM23.4 million.

On 23 March 2017, the 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 2018 amounted to RM118.6 million (2017: RM138.2 million).

On 19 March 2015, the subsidiary received and accepted a letter of award from the 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 contract was further extended for a period of 1 year. The revenue recognised for the year ended 31 December 2018 amounted to RM327,000 (2017: RM483,000).

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. The revenue recognised for the year ended 31 December 2018 amounted to RM151,000 (2017: RM108,000).

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 2018 amounted to RM871.7 million (2017: RM1.0 billion). The finalisation of this contract was on 17 July 2014.

41. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)

The significant transactions with the Government of Malaysia are as follows: (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 and also for the development of Pharmacy Information System and Clinic Pharmacy Systems in government hospitals and clinics. The aggregate revenue recognised for the year amounted to RM1,502 million (2017: RM1,411 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 RM77 million (2017: RM71 million).

42. SIGNIFICANT AND SUBSEQUENT EVENTS

(a) The Company had issued four tranches of Islamic Medium Term Notes (IMTN) under the RM2.0 billion Sukuk Programme as follows:

(i) RM150 million on 24 April 2018, with maturity of 3 years at a profit rate of 5.7% per annum,
(ii) RM200 million on 29 August 2018, with maturity of 7 years at a profit rate of 6.2% per annum,
(iii) RM150 million on 15 October 2018, with maturity of 3 years at a profit rate of 5.7% per annum, and;
(iv) RM200 million on 30 January 2019, with maturity of 7 years at a profit rate of 6.2% per annum.

All issuances are part of the combined RM2.5 billion IMTN Programme with tenure of 10 years of which RM1.0 billion was issued in the previous financial year. 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.

(b) On 24 January 2018, CIMB Islamic Trustee Berhad (CITB), acting as trustee for Boustead Plantations Berhad (BPB), entered into a sale and purchase agreements with the following parties:-

(i) Sunrich Conquest Sdn Bhd (SCSB) for the sale of 82.84 hectares of freehold lands 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 a total of 56.05 hectares in the District of Seberang Perai Utara, Pulau Pinang for a total cash consideration of RM54.9 million.

A total deposit of RM13.6 million has been paid by the purchasers. The sale of lands is expected to be completed in the first quarter of 2019.

42. SIGNIFICANT AND SUBSEQUENT EVENTS (CONT'D.)

(c) On 1 August 2018, Boustead Rimba Nilai Sdn Bhd (BRNSB), a wholly-owned subsidiary of BPB entered into a sale and purchase agreement (SPA) with Sit Seng & Sons Realty Sdn Bhd and its related companies for the acquisition of oil palm plantation lands within the District of Beluran, Kinabatangan and Labuk & Sugut comprising 17 land titles measuring a total of 12,144.99 acres (4,915.25 hectares) together with a 75 tonnes per hour palm oil mill and buildings erected thereon as well as a movable assets, machineries and vehicles for a cash consideration of RM397 million.

BRNSB has paid a 10% deposit of RM39.7 million. The acquisition is pending the fulfilment of conditions precedent set out in the SPA and is expected to be completed by the second quarter of 2019.

(d) On 28 December 2018, CIMB Islamic Trustee Berhad (First Plaintiff), trustee for BPB, and BPB (Second Plaintiff) filed a Writ of Summons and Statement of Claim on Setia Fontaines Sdn Bhd (formerly known as Setia Recreation Sdn Bhd) (Defendant) for breach of sale and purchase agreement dated 22 December 2016. The claim is in respect of damages of RM37,207,353.35 relating to goods and services tax (GST) due from the Defendant together with interest at the rate of 8% per annum and other costs and relief deemed fit by the Court.

The Group, upon consultation with its solicitors, is of the view that the Group has a good case in this suit and is positive of its outcome.

(e) During the year, MHS Aviation (MHSA) had agreed on a mutual settlement with PETRONAS Carigali Sdn Bhd (PCSB) and all Joint Operating Partners (JOPs) with regards to the Notice of Arbitration issued by MHSA against PCSB on 1 September 2016. The Notice of Arbitration was in connection with a contract dated 29 June 2011 made between MHSA and PCSB for the Provision of Rotary Wing Aircraft, Equipment and Services (for Heavy Type Aircraft – EC225).

Following the settlement, MHSA had entered into separate confidential agreements with PCSB and all JOPs. On 4 April 2018, the arbitration proceedings against PCSB had been withdrawn.

(f) On 30 October 2017, Boustead Rimba Nilai Sdn Bhd (BRNSB), wholly-owned subsidiary of Boustead Plantation Berhad (BPB), entered into a sale and purchase agreement (SPA) with Pertama Land & Development Sdn Bhd 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. The acquisition was completed on 16 May 2018.

(g) On 22 December 2017, the Group's wholly owned subsidiary, Mutiara Rini Sdn Bhd entered into a sale and purchase agreement with 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 for a total cash consideration of RM143.5 million. The acquisition was completed on 11 October 2018.

42. SIGNIFICANT AND SUBSEQUENT EVENTS (CONT'D.)

(h) On 15 March 2019, Boustead Hotel & Resorts Sdn Bhd (BHR), a wholly owned subsidiary of Boustead Properties Berhad, which in turn is a wholly owned subsidiary of the Company, entered into a sale and purchase agreement (SPA) with Every Room A Home Sdn Bhd (the Purchaser), for a proposed disposal of Royale Chulan Bukit Bintang Hotel located on 2 parcels of freehold land measuring approximately 3,189 square meter which was held under GRN 70145, Lot 1297 and GRN 70146, Lot 1298, both in Seksyen 67, District of Kuala Lumpur (Property) and its business, including fixtures, fittings and furnishings but excluding goodwill, for a cash consideration of RM197 million (Disposal Consideration) (Proposed Disposal). The Proposed Disposal is subject to the following conditions precedent:-

i) The approval of the Board of BHR;
ii) The approval of the Board of the Purchaser;
iii) The Purchaser completing a due diligence exercise on the Property and be reasonably satisfied with the results;
iv) The approvals of relevant authorities; and
v) Other conditions stipulated in the SPA.

The Purchaser has paid a deposit of RM19.7 million being 10% of the Disposal Consideration. The balance 90% of the Disposal Consideration totalling RM177.3 million will be settled within 3 months from the date of the SPA or 1 month from the Unconditional Date (as defined in the SPA), whichever is later.

The Proposed Disposal is expected to be completed in the third quarter of 2019.

(i) 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.

On 14 March 2019, the Government of Malaysia has agreed and decided to effect the revision of the contract price to RM1.0 billion with all four units of LMS will now be built and delivered in China.

BOUSTEAD GROUP

Name of company*	Principal activities	Paid-up capital	Group interest % 2018	% 2017
As at 31 December 2018				
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 Petroleum Sdn Bhd	Investment holding	RM118,541,300	**60**	60
Boustead Segaria Sdn Bhd	Investment holding	RM18,000,520	**100**	100
Boustead Emastulin Automobile Sdn Bhd	Investment holding	RM100,000	**100**	100
Boustead Credit Sdn Bhd	Hire purchase and lease financing	RM15,000,000	**100**	100
UAC Construction Sdn Bhd *(formerly known as Boustead Sissons Paints Sdn Bhd)*	Manufacture and sale of surface coating for decorative and industrial applications	RM22,663,000	**100**	100
UAC Solidpanel Sdn Bhd	Manufacture and sale of solidpanel	RM5,000,000	**100**	100
Boustead Global Risk Solution Sdn Bhd *(formerly known as Boustead Global Trade Network Sdn Bhd)*	Insurance agent	RM3,000,000	**100**	100
Boustead Travel Services Sdn Bhd	Travel agent	RM5,500,000	**100**	100

BOUSTEAD GROUP

Name of company*	Principal activities	Paid-up capital	Group interest % 2018	% 2017
As at 31 December 2018				
Boustead DCP Sdn Bhd	Produce and supply of chill water for air-conditioning	RM12,000,000	**100**	100
Boustead Construction Sdn Bhd	Project management, construction and property development	RM1,000,000	**100**	100
Mutiara Nusa Sdn Bhd	Property development	RM2	**100**	100
Mutiara Rini Sdn Bhd	Property development	RM338,001,000	**100**	100
U.K. Realty Sdn Bhd	Property development	RM40,001,000	**100**	100
Boustead Balau Sdn Bhd	Property development	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 Realty Sdn Bhd	Property investment	RM100,000,000	**100**	100
Boustead Weld Court Sdn Bhd	Property investment	RM20,001,000	**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 Weld Quay Sdn Bhd	Property investment and hotel operations	RM150,000,000	**100**	100
Boustead Hotels & Resorts Sdn Bhd	Hotel operations	RM175,000,000	**100**	100
Boustead Ventures Limited[%]	Hotel operations	£1,000	**100**	100
Boustead Hyde Park Ltd[&]	Hotel operations	–	**100**	100
Midas Mayang Sdn Bhd	Hotel operations	RM10,000,000	**80**	80
Astacanggih Sdn Bhd	Investment holding	RM20,000,000	**80**	80
Cebur Megah Development Sdn Bhd	Investment holding	RM2	**80**	80
Bakti Wira Development Sdn Bhd	Investment holding	RM75,000	**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 Building Materials Sdn Bhd	Building products distributor and project management	RM53,000,000	**100**	100

Name of company*	Principal activities	Paid-up capital	Group interest % 2018	Group interest % 2017
As at 31 December 2018				
SUBSIDIARIES (cont'd.)				
The University of Nottingham in Malaysia Sdn Bhd	Operation of a university	RM154,960,000	**66**	66
Nottingham MyResearch Sdn Bhd	Conducting contract research and development and testing services	RM100,000	**66**	66
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 Agency and Consultancy Services Sdn Bhd *(formerly known as Boustead Sungai Manar Sdn Bhd)*	Plantation management and engineering consultancy	RM4,500,000	**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 Life Sciences Research Sdn Bhd	Advisory and research on life sciences and commercialisation of products developed from life sciences	RM250,000	**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

Name of company*	Principal activities	Paid-up capital	Group interest % 2018	% 2017
As at 31 December 2018				
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
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
PT Errita Pharma**+	Manufacture and sale of pharmaceutical products in Indonesia	Rp95,832,000,000	**54**	54
Paradigm Industry Sdn Bhd**	Manufacture and sale of food supplement	RM100,000	**45**	45
PT Millennium Pharmacon International Tbk**+	Distribution and trading of pharmaceutical & diagnostic products and food supplements	Rp127,400,000,000	**41**	41
Bio-Collagen Technologies Sdn Bhd**	Research and manufacture of collagen medical devices	RM2,000,000	**39**	39
Boustead Langkawi Shipyard Sdn Bhd	Construction, repair and maintenance of boats and yachts	RM100,000,000	**82**	82
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

BOUSTEAD GROUP

Name of company*	Principal activities	Paid-up capital	Group interest % 2018	% 2017
As at 31 December 2018				
SUBSIDIARIES (cont'd.)				
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
BHIC Defence Technologies Sdn Bhd	Investment holding	RM36,579,282	**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
BHIC Marine Transport Sdn Bhd	Provision of chartering of ships and vessels	RM3	**65**	65
BHIC Marine Ventures Sdn Bhd	Provision of chartering of ships and vessels	RM3	**65**	65
Malaysian Heavy Industry Group Sdn Bhd	Investment holding	RM25,000	**39**	39

BOUSTEAD GROUP

Name of company*	Principal activities	Paid-up capital	Group interest % 2018	Group interest % 2017
As at 31 December 2018				
AB Shipping Sdn Bhd	Inactive	RM45,000	**100**	100
Cargo Freight Shipping Sdn Bhd	Inactive	RM186,000	**100**	100
Boustead Management Services Sdn Bhd	Inactive	RM10,000	**100**	100
Boustead Advertising Sdn Bhd	Inactive	RM500,002	**100**	100
Boustead REIT Managers Sdn Bhd	Inactive	RM10,000	**100**	100
Boustead Sissons Marketing Sdn Bhd	Inactive	RM100,000	**100**	100
Malakoff Management Services Pte Ltd#	Inactive	SGD100,000	**100**	100
Fitek (M) Sdn Bhd	Inactive	RM263,000	**100**	100
UAC Marketing Sdn Bhd	Inactive	RM2	**100**	100
UAC Masterflange Sdn Bhd	Inactive	RM2,000,000	**100**	100
Pharmaniaga Pegasus (Seychelles) Co. Ltd**°	Inactive	USD100,000	**56**	56
Landasan Ria Sdn Bhd	Inactive	RM40,000,051	**51**	51
MHS Assets Sdn Bhd	Inactive	RM10,000,000	**51**	51
MHS International (Labuan) Limited	Inactive	RM3	**51**	51
Boustead Idaman Sdn Bhd	In liquidation	RM13,000,000	**100**	100
BHIC Marine & Shipping Sdn Bhd	In liquidation	RM3,000,003	**65**	65
Naval & Defence Communication System Sdn Bhd	In liquidation	RM100,000	**65**	65
Boustead Atlas Hall Sdn Bhd	Ceased operation	RM4,666,000	**100**	100
Boustead Engineering Sdn Bhd	Ceased operation	RM8,000,000	**100**	100
Boustead Information Technology Sdn Bhd	Ceased operation	RM1,000,000	**100**	100
UAC Steel Systems Sdn Bhd	Ceased operation	RM1,860,000	**100**	100
Boustead Electronic Commerce Sdn Bhd	Ceased operation	RM100,000	**100**	100
Boustead Management Services Sdn Bhd	Ceased operation	RM10,000	**100**	100
Boustead Yachts Sdn Bhd	Ceased operation	RM1,000,000	**82**	82
BN Shiprepair Sdn Bhd	Ceased operation	RM1,000,000	**82**	82
BHIC Asset Holding Sdn Bhd	Ceased operation	RM10,000,000	**65**	65
BHIC Development Sdn Bhd	Ceased operation	RM2	**65**	65
Bounty Crop Sdn Bhd	Ceased operation	RM70,200,000	**57**	57
PT Mega Pharmaniaga**+	Ceased operation	Rp11,372,400,000	**53**	53

Name of company*	Principal activities	Paid-up capital	Group interest % 2018	Group interest % 2017
As at 31 December 2018				
ASSOCIATES				
Pavilion Entertainment Centre (M) Sdn Bhd	Property development	RM74,583,400	**50**	50
Drew Ameroid (M) Sdn Bhd	Industrial chemicals distributor	RM20,000	**50**	50
Boustead Wah Seong Sdn Bhd	Investment holding	RM24,541,500	**50**	50
Wah Seong Boustead Co Ltd^	Consumer and building products distributor	Kyat2,756,000	**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	RM32,673,950	**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	SGD24,000,000	**20**	20

BOUSTEAD GROUP

Name of company*	Principal activities	Paid-up capital	Group interest % 2018	% 2017
As at 31 December 2018				
Joint Ventures				
Irat Properties Sdn Bhd	Property investment	RM447,200,000	**50**	50
Boustead Ikano Sdn Bhd	Property investment	RM500,000,000	**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**	33
Pyrotechnical Ordnance Malaysia Sdn Bhd	Production and selling of double based propellent for locally used artillery shells and rockets in defence sector	RM50,002	**32**	32
Airbus Helicopters Simulation Centre Sdn Bhd	Provision of services relating to flight training simulator	RM37,525,000	**20**	–

* 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
° Incorporated in Republic of Seychelles

RECURRENT RELATED **PARTY TRANSACTIONS**

At the Annual General Meeting held on 12 April 2018, 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 2018 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' Seri Panglima Mohd Ghazali Hj. Che Mat (R) Puan Nik Amlizan Mohamed^ Dato' Sri Ghazali Mohd Ali Tan Sri Dato' Seri Lodin Wok Kamaruddin* LTAT	Office rental at Menara Boustead paid to Boustead Properties Berhad	1.3
		General management fees, internal audit fees and tax consultancy fees paid to Boustead Holdings Berhad	2.1
		Purchase of air tickets and travel related services from Boustead Travel Services Sdn Bhd	0.5
Boustead Naval Shipyard Sdn Bhd	Puan Nik Amlizan Mohamed^ Dato' Sri Ghazali Mohd Ali Datuk Azzat Kamaludin Tan Sri Dato' Seri Lodin Wok Kamaruddin* LTAT	Ship building and ship repair works provided to Boustead Heavy Industries Corporation Berhad	0.1
		Office rental at Menara Boustead paid to Boustead Realty Sdn Bhd	2.2
		Premise rental paid by Boustead Heavy Industries Corporation Berhad	2.1
		Provision of construction works to Boustead Heavy Industries Corporation Berhad	–
		Purchase of air tickets and travel related services from Boustead Travel Services Sdn Bhd	1.7

^ Appointed on 1 November 2018

** Director until 31 December 2018*

Related Party	Interested Director/ connected person	Nature of transactions	Actual transactions RM Million
Boustead Heavy Industries Corporation Berhad	Puan Nik Amlizan Mohamed^	Sale of equipment and machinery for ship related activities to Boustead Naval Shipyard Sdn Bhd	0.2
	Dato' Sri Ghazali Mohd Ali	Ship building and ship repair works provided to Boustead Naval Shipyard Sdn Bhd	409.6
	Datuk Azzat Kamaludin	Premise rental paid by Boustead Naval Shipyard Sdn Bhd	1.4
	Tan Sri Dato' Seri Lodin Wok Kamaruddin*	Provision of training to Boustead Naval Shipyard Sdn Bhd	–
	LTAT	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	2.5
		Provision of training, management and related services by Boustead Holdings Berhad	0.6
		Office rental at Menara Boustead paid to Boustead Realty Sdn Bhd	0.1
Boustead Petroleum Marketing Sdn Bhd	Puan Nik Amlizan Mohamed^	Sale of non-regulated petroleum products to Boustead Holdings Berhad Group	8.9
	Dato' Sri Ghazali Mohd Ali	Purchase of air tickets and travel related services from Boustead Travel Services Sdn Bhd	0.6
	Tan Sri Dato' Seri Lodin Wok Kamaruddin*		
	LTAT		
Pharmaniaga Berhad	Puan Nik Amlizan Mohamed^	Purchase of air tickets and travel related services from Boustead Travel Services Sdn Bhd	1.4
	Dato' Sri Ghazali Mohd Ali	Provision of corporate and administrative support services and training by Boustead Holdings Berhad	1.0
	Tan Sri Dato' Seri Lodin Wok Kamaruddin*		
	LTAT		
Affin Bank Berhad Group	Puan Nik Amlizan Mohamed^	Office rental at Menara Boustead, Menara Affin and the Curve paid to Boustead Realty Sdn Bhd, Boustead Curve Sdn Bhd and Boustead Properties Berhad	17.7
	Dato' Sri Ghazali Mohd Ali	Provision of professional service to Boustead Holdings Berhad, Boustead Naval Shipyard Sdn Bhd and Boustead Properties Berhad	1.1
	Tan Sri Dato' Seri Lodin Wok Kamaruddin*	Purchase of air tickets and travel related services from Boustead Travel Services Sdn Bhd	6.1
	LTAT		

^ Appointed on 1 November 2018

** Director until 31 December 2018*

RECURRENT RELATED PARTY TRANSACTIONS

Related Party	Interested Director/ connected person	Nature of transactions	Actual transactions RM Million
Irat Hotels and Resorts Sdn Bhd	Puan Nik Amlizan Mohamed^ Dato' Sri Ghazali Mohd Ali Tan Sri Dato' Seri Lodin Wok Kamaruddin* LTAT	Rental of hotel building paid by Boustead Hotels and Resorts Sdn Bhd Office rental at Chulan Tower paid by The University of Nottingham in Malaysia Sdn Bhd	12.0 0.9
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	6.3
Azzat & Izzat	Datuk Azzat Kamaludin	Provision of legal services to Boustead Holdings Berhad Group	2.2
Drew Ameroid (M) Sdn Bhd	Gen. Tan Sri Dato' Seri Panglima Mohd Ghazali Hj. Che Mat (R) Puan Nik Amlizan Mohamed^ Dato' Sri Ghazali Mohd Ali Tan Sri Dato' Seri Lodin Wok Kamaruddin* LTAT	Provision of chemical products for raw and boiler water treatment to Boustead Plantations Berhad	0.8
LTAT	Puan Nik Amlizan Mohamed^ Dato' Sri Ghazali Mohd Ali Tan Sri Dato' Seri Lodin Wok Kamaruddin* LTAT	Provision of project management service by Boustead Properties Berhad Purchase of air tickets and travel related services from Boustead Travel Services Sdn Bhd Office rental at Surian Tower paid by Boustead Petroleum Marketing Sdn Bhd	– – 0.9
Perbadanan Perwira Harta Malaysia	Puan Nik Amlizan Mohamed^ Dato' Sri Ghazali Mohd Ali Tan Sri Dato' Seri Lodin Wok Kamaruddin* LTAT	Provision of renovation works by Boustead Building Materials Sdn Bhd Construction of low cost housing project by UAC Berhad	14.8 209.7
Perbadanan Perwira Niaga Malaysia	Puan Nik Amlizan Mohamed^ Dato' Sri Ghazali Mohd Ali Tan Sri Dato' Seri Lodin Wok Kamaruddin* LTAT	Sale of non-regulated products by Boustead Petroleum Marketing Sdn Bhd	0.6

^ Appointed on 1 November 2018

** Director until 31 December 2018*

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	14	637.0	*2018
Nucleus Tower, Mutiara Damansara, Selangor	0.85	Office complex	Freehold		333.0	*2018
Sungai Segamaha and Bukit Segamaha Estates Lahad Datu	5,659.6	Oil palm estate and palm oil mill	1979 – 2077	22	317.3	2012
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	19	310.4	2014
Telok Sengat Estate, Kota Tinggi, Johor	3,690.1	Oil palm estate & palm oil mill	Freehold	32	271.8	2013
University of Nottingham in Malaysia, Semenyih Selangor	41.2	University campus	Freehold	13	254.0	2003
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		253.1	2014
Segaria Estate, Semporna Sabah	4,746.2	Oil palm estate & palm oil mill	1965 – 2072	38	247.4	2012
eCurve, Jalan PJU 7/3, Mutiara Damansara, Selangor	1.6	Commercial land and building	Freehold	13	211.0	*2018

TOP 30 PROPERTIES OF THE GROUP

Location	Hectares	Description	Tenure	Age of buildings Years	Book value	Year of acquisition/ revaluation
Royale Chulan Damansara, No 2, Jalan PJU 7/3 Mutiara Damansara, Selangor	0.88	Hotel	Freehold	7	206.3	2012
Menara Affin, 80 Jalan Raja Chulan, Kuala Lumpur	0.34	Office complex	Freehold	20	167.0	*2018
Sutera Estate, Sandakan, Sabah	2,200.7	Oil palm estate	1888 – 2887		154.5	2013
PT481, Seksyen 90, Bandar Kuala Lumpur	1.2	Commercial land	Freehold		154.0	*2018
Royale Chulan Cherating, Cherating, Kuantan, Pahang	16.7	Hotel	Freehold/ Leasehold	2	151.8	2010
PT484, Seksyen 90, Bandar Kuala Lumpur	2.67	Development land	Freehold		148.1	2018
G&G Estate, Lahad Datu, Sabah	2,409.8	Oil palm estate	1978 – 2077		145.8	2013
Bukit Mertajam Estate, Kulim, Kedah	2,164.8	Oil palm estate	Freehold		141.4	2013
Curve NX, Jalan PJU7/3 Mutiara Damansara, Selangor	0.61	Commercial land and building	Freehold	7	127.0	*2018
Sungai Jernih Estate, Pekan, Pahang	2,695.7	Oil palm estate & palm oil mill	1981 – 2091	27	120.4	2012
Bebar Estate, Muadzam Shah, Pahang	2,340.6	Oil palm estate	1984 – 2083		120.1	2013
Menara Boustead, 69, Jalan Raja Chulan, Kuala Lumpur	0.43	Office complex	Freehold	33	114.4	2001
Menara Boustead Penang, Jalan Sultan Ahmad Shah Georgetown, Pulau Pinang	4.0	Office complex	Freehold	20	113.0	*2018

TOP 30 PROPERTIES OF THE GROUP

Location	Hectares	Description	Tenure	Age of buildings Years	Book value	Year of acquisition/ revaluation
Sungai Sungai Estates, Sugut, Sabah	6,035.1	Oil palm estate & palm oil mill	1997 – 2098	13	111.7	2012, 2014, 2016
Menara UAC, 12 Jalan PJU 7/5 Mutiara Damansara, Selangor	1.4	Commercial land and building	Freehold	11	110.0	*2018
Mutiara Rini, Kulai, Johor	57.5	Development land	1912 – 2911		108.3	1995
Mutiara Hills, Semenyih, Selangor	85.1	Development land	Freehold		102.1	1993
Royale Chulan Hyde Park, 23-26, Leinster Square, London	0.1	Hotel	Freehold	>100	101.2	2014
Lot 70, Mutiara Damansara Mukim Sungai Buluh, Selangor	4.0	Development land	Freehold		94.5	1999
Royale Chulan Bukit Bintang, 17-21 Jalan Bukit Bintang, Kuala Lumpur	0.31	Hotel	Freehold	21	90.1	2003
Royale Chulan Penang, Pengkalan Weld, Pulau Pinang	0.48	Hotel	Freehold	5	88.2	2007

** 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 2019 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	268.5	238.5	47	Within 43 months until 31 December 2019
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	816.3	238.5		

b) The status of utilisation of proceeds from the Company's issuance of Islamic Medium Term Notes (IMTN) as at 15 February 2019 is as tabulated below:

Purpose	Proposed Utilisation RM Million	Actual Utilisation RM Million	Balance To Be Utilised RM Million	Deviation %
Refinancing of existing borrowings/financing	1,312.4	1,312.4	–	–
Funding of reserve account and expenses of IMTN programme	44.4	44.4	–	–
Funding of working capital	343.2	343.2	–	–
Total gross proceeds	1,700.0	1,700.0	–	

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 2018				
– Auditor of the Company	4,205.0	380.0	640.2	163.2
– Others	914.2	–	73.0	–
	5,119.2	380.0	713.2	163.2

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

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 (LTAT) 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 pending for sub-divided title and completion of the infrastructure works by the vendor.

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 2018 or entered into since the end of the previous financial year.

GROUP OIL PALM
AGRICULTURAL STATISTICS

	2018	2017	2016	2015	2014
Planted area in hectares (ha)					
Past prime	**26,438**	14,569	12,234	13,138	13,464
Prime	**29,750**	32,363	33,199	33,533	38,436
Young	**12,480**	12,179	11,964	12,387	12,636
Total mature	**68,668**	59,111	57,397	59,058	64,536
Immature	**6,364**	5,876	7,071	6,622	6,042
Total planted	**75,032**	64,987	64,468	65,680	70,578
FFB crop metric tonnes (MT)	**966,134**	973,513	908,576	1,037,163	1,036,582
FFB yield (MT/ha)	**14.9**	16.7	15.6	17.6	16.2
Oil yield (MT/ha)	**3.2**	3.5	3.4	3.9	3.5
Mill production (MT)					
FFB processed	**1,000,367**	1,080,390	1,011,778	1,119,737	1,134,707
Crude palm oil	**211,847**	226,843	217,561	245,120	247,198
Palm kernel	**43,601**	46,896	44,035	51,444	51,533
Extraction rate (%)					
Crude palm oil	**21.2**	21.0	21.5	21.9	21.8
Palm kernel	**4.4**	4.3	4.4	4.6	4.5
Average selling price (RM/MT)					
FFB	**426**	610	598	458	511
Crude palm oil	**2,261**	2,810	2,584	2,148	2,401
Palm kernel	**1,780**	2,505	2,460	1,533	1,679

PLANTATION
AREA STATEMENT

AREA STATEMENT

	2018		2017	
	Ha	%	Ha	%
Oil palms	**75,032**	**80.4**	64,987	79.4
Building sites, roads, unplantable areas, etc	**18,293**	**19.6**	16,851	20.6
Total	**93,325**	**100.0**	81,838	100.0

AGE PROFILE OF PALMS

2018

		Mature			
Region	**Immature < 3 years**	**Young 4 - 9 years**	**Prime 10 - 20 years**	**Past prime > 20 years**	**Total planted**
Peninsular Malaysia	**2,984**	**6,331**	**9,642**	**5,177**	**24,134**
Sabah	**3,380**	**5,796**	**15,233**	**12,906**	**37,315**
Sarawak	**–**	**353**	**4,875**	**8,355**	**13,583**
Total hectares	**6,364**	**12,480**	**29,750**	**26,438**	**75,032**

2017

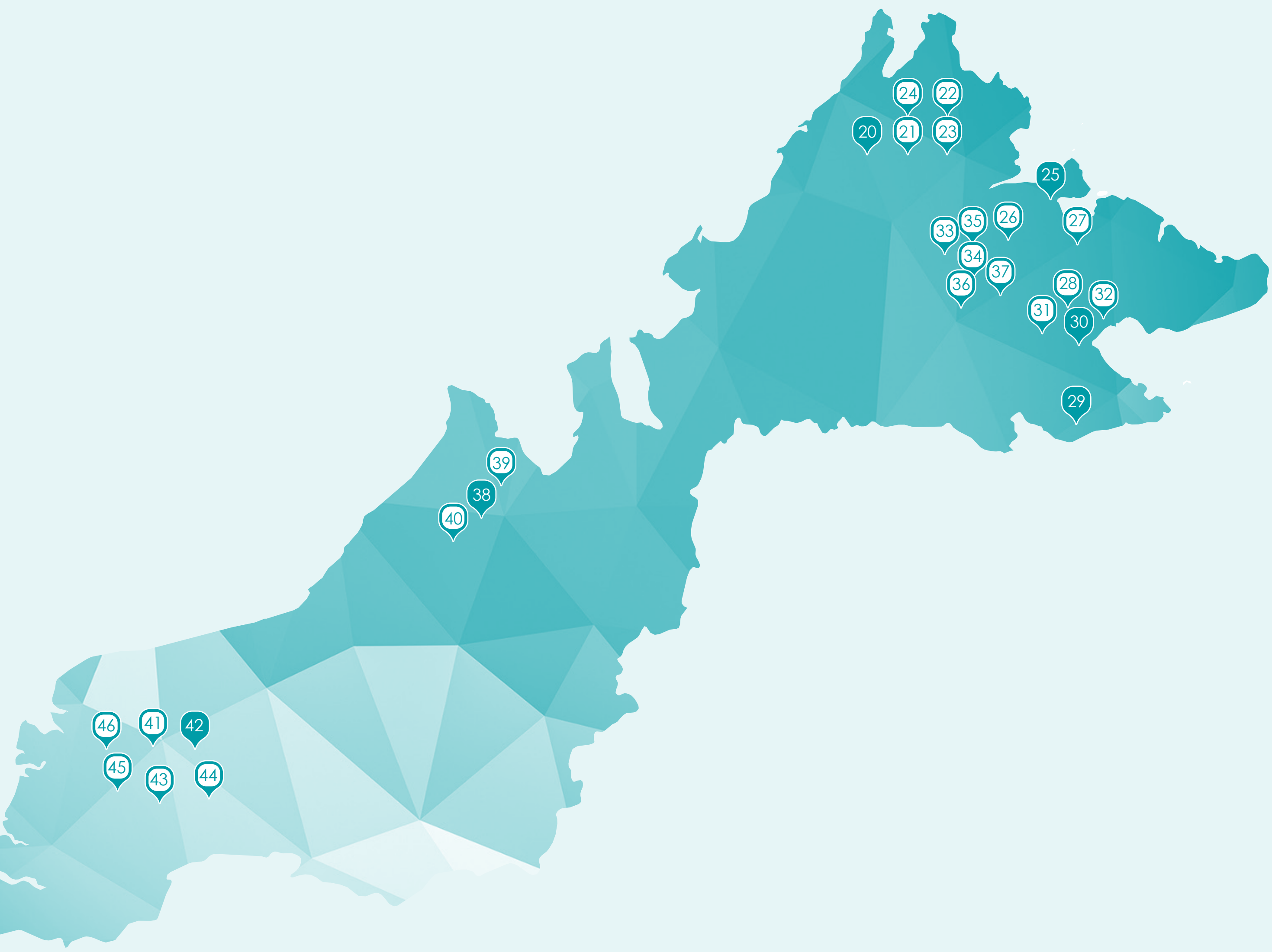
		Mature			
Region	**Immature < 3 years**	**Young 4 - 9 years**	**Prime 10 - 20 years**	**Past prime > 20 years**	**Total planted**
Peninsular Malaysia	2,473	6,957	9,329	5,439	24,198
Sabah	3,370	4,902	12,759	6,175	27,206
Sarawak	33	320	10,275	2,955	13,583
Total hectares	5,876	12,179	32,363	14,569	64,987

LOCATION OF
GROUP PLANTATIONS

Peninsular Malaysia

1. Batu Pekaka
2. Kuala Muda
3. Stothard
4. Kedah Oil Palms
5. Bukit Mertajam
6. Malakoff
7. Taiping Rubber Plantation
8. Malaya
9. Lepan Kabu
10. Solandra
11. LTT-Terengganu
12. Sungai Jernih
13. Bebar
14. Balau
15. Bekoh
16. Eldred
17. Kulai Young
18. Chamek

19 Telok Sengat



Sabah & Sarawak

20. Sungai Sungai 1
21. Sungai Sungai 2
22. Sungai Sungai 3
23. Kawananan
24. Lembah Paitan
25. Nak
26. Resort
27. Sutera
28. LTT-Sabah
29. Segaria
30. Sungai Segamaha
31. Bukit Segamaha
32. G&G
33. Boustead Pertama
34. Boustead Ruku Ruku
35. Boustead Sapa Payau
36. Boustead Sungai Lokan
37. Boustead Lokan Baru
38. Loagan Bunut
39. Sungai Lelak
40. Bukit Limau
41. Pedai
42. Jih
43. Kelimut
44. Maong
45. Mapai
46. Bawan

SHAREHOLDING **STATISTICS**
AS AT 28 FEBRUARY 2019

Size of shareholdings	No. of holders	%	No. of shares	%
LESS THAN 100	937	7.71	21,634	0.00
100 TO 1,000	1,337	10.99	608,795	0.03
1,001 TO 10,000	6,329	52.04	27,440,247	1.35
10,001 TO 100,000	3,085	25.37	88,907,948	4.39
100,001 TO LESS THAN 5% OF ISSUED SHARES	471	3.87	397,259,715	19.60
5% AND ABOVE OF ISSUED SHARES	3	0.02	1,512,749,658	74.63
TOTAL	**12,162**	**100.00**	**2,026,987,997**	**100.00**

30 LARGEST SHAREHOLDERS

No.	Name of shareholders	No. of shares	%
1	LEMBAGA TABUNG ANGKATAN TENTERA	1,204,952,018	59.45
2	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	204,293,392	10.08
3	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EMPLOYEES PROVIDENT FUND BOARD*	103,504,248	5.10
4	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EXEMPT AN FOR AIA BHD.*	62,577,587	3.09
5	CHINCHOO INVESTMENT SDN.BERHAD	19,743,000	0.97
6	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB BANK FOR CHE LODIN BIN WOK KAMARUDDIN (PBCL-0G0052)*	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 *CIMB FOR CHE LODIN BIN WOK KAMARUDDIN (PB)*	15,339,530	0.76
10	CHE LODIN BIN WOK KAMARUDDIN	12,872,000	0.63
11	YONG SIEW YOON	12,239,731	0.60
12	CARTABAN NOMINEES (TEMPATAN) SDN BHD *ICAPITAL.BIZ BERHAD*	12,147,786	0.60
13	CITIGROUP NOMINEES (ASING) SDN BHD *CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND*	11,983,491	0.59
14	GEMAS BAHRU ESTATES SDN. BHD.	6,917,780	0.34
15	BIDOR TAHAN ESTATES SDN.BHD.	6,435,268	0.32
16	MIKDAVID SDN BHD	5,914,162	0.29
17	HONG LEONG ASSURANCE BERHAD *AS BENEFICIAL OWNER (LIFE PAR)*	5,491,274	0.27

30 LARGEST SHAREHOLDERS (CONT'D.)

No.	Name of shareholders	No. of shares	%
18	UOB KAY HIAN NOMINEES (ASING) SDN BHD *EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)*	5,426,091	0.27
19	CITIGROUP NOMINEES (ASING) SDN BHD *CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC*	4,863,731	0.24
20	RENGO MALAY ESTATE SENDIRIAN BERHAD	4,847,981	0.24
21	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB BANK FOR DATO' CHE LODIN BIN WOK KAMARUDDIN (MM0197)*	4,446,275	0.22
22	CHINCHOO HOLDINGS (S) PRIVATE LIMITED	3,987,286	0.20
23	OOI CHIENG SIM	3,349,400	0.17
24	HSBC NOMINEES (ASING) SDN BHD *EXEMPT AN FOR BANK JULIUS BAER & CO. LTD. (SINGAPORE BCH)*	2,962,317	0.15
25	CITIGROUP NOMINEES (ASING) SDN BHD *CBNY FOR DFA EMERGING MARKETS SMALL CAP SERIES*	2,775,328	0.14
26	YEOH SAIK KHOO SENDIRIAN BERHAD	2,514,980	0.12
27	CIMSEC NOMINEES (ASING) SDN BHD *EXEMPT AN FOR CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD. (RETAIL CLIENTS)*	2,422,020	0.12
28	INTER-PACIFIC EQUITY NOMINEES (ASING) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR MAK SENG FOOK*	2,393,378	0.12
29	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. *YAYASAN WARISAN PERAJURIT*	2,330,204	0.11
30	UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LIM HUA KUANG*	2,156,000	0.11
	TOTAL	**1,784,483,036**	**88.04**

SUBSTANTIAL SHAREHOLDERS BASED ON THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

	Direct interest		Indirect interest	
	No. of holders	%	No. of shares	%
Lembaga Tabung Angkatan Tentera	1,204,952,018	59.45	–	–
Kumpulan Wang Persaraan (Diperbadankan)	204,293,392	10.08	–	–
Employees Provident Fund Board	103,504,248	5.10	–	–

Class of shares	Ordinary share
Voting rights	1 vote per ordinary share

STATEMENT OF
DIRECTORS' INTERESTS
IN THE COMPANY AND RELATED CORPORATIONS AS AT 28 FEBRUARY 2019

Name of Director	No. of ordinary shares	Direct %
BOUSTEAD HOLDINGS BERHAD		
Datuk Azzat Kamaludin	112,000	0.01
PHARMANIAGA BERHAD		
Gen. Tan Sri Dato' Seri Panglima Mohd Ghazali Hj Che Mat (R)	220,000	0.08
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	0.05
BOUSTEAD PLANTATIONS BERHAD		
Gen. Tan Sri Dato' Seri Panglima Mohd Ghazali Hj Che Mat(R)	2,184,000	0.10
Dato' Wira (Dr) Megat Abdul Rahman Megat Ahmad	2,226,000	0.10
Datuk Azzat Kamaludin	2,250,000	0.10
Dato' Sri Ghazali Mohd Ali	1,727,600	0.08
Datuk Francis Tan Leh Kiah	1,041,100	0.05
BOUSTEAD HEAVY INDUSTRIES CORPORATION BERHAD		
Datuk Azzat Kamaludin	350,000	0.14
Dato' Sri Ghazali Mohd Ali	75,000	0.03
AFFIN BANK BERHAD		
Gen. Tan Sri Dato' Seri Panglima Mohd Ghazali Hj Che Mat(R)	122,000	0.01
Datuk Francis Tan Leh Kiah	50,000	0.00

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-Seventh 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 Wednesday, 24 April 2019 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 2018 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) Gen. Tan Sri Dato' Seri Panglima Mohd Ghazali Hj. Che Mat (R) — **Resolution 1**

   ii) Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad — **Resolution 2**

3. To re-elect Puan Nik Amlizan Mohamed who retires in accordance with Article 111 of the Company's Constitution. — **Resolution 3**

4. To approve payment of Directors' fees, allowances and other benefits for Boustead Holdings Berhad and its subsidiaries from 25 April 2019 until the conclusion of the next Annual General Meeting of the Company. — **Resolution 4**

5. 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 5**

AS SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolutions:

6. **ORDINARY RESOLUTION**
AUTHORITY TO ALLOT AND ISSUE SHARES IN GENERAL PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016 **Resolution 6**

"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."

7. **ORDINARY RESOLUTION**
PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS **Resolution 7**

"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 12 April 2018, 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 26 March 2019, 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."

8. **ORDINARY RESOLUTION**
PROPOSED ADDITIONAL SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS **Resolution 8**

"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 26 March 2019, 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."

9. **ORDINARY RESOLUTIONS**
RETENTION OF INDEPENDENT DIRECTORS

i) "THAT Gen. Tan Sri Dato' Seri Panglima 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 9**

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 10**

10. **SPECIAL RESOLUTION**
PROPOSED ADOPTION OF THE NEW CONSTITUTION OF THE COMPANY **Special Resolution 1**

"THAT the draft new set of the Constitution of the Company in the form and manner as set out in Appendix A attached herewith be and is hereby approved and adopted as the new Constitution of the Company, in substitution for, and to the exclusion of, the existing Constitution of the Company AND THAT the Directors be and are hereby authorised to do all such acts and things and to take such steps that are necessary to give effect to adoption of the new Constitution of the Company".

11. To transact any other business of the Company of which due notice shall have been received.

By Order of the Board

TASNEEM MOHD DAHALAN
JUNIZA AZIZAN
Secretaries

Kuala Lumpur
26 March 2019

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) Gen. Tan Sri Dato' Seri Panglima Mohd Ghazali Hj. Che Mat (R)

ii) Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad

The Nominating Committee ("NC") of the Company has assessed the criteria and contribution of Gen. Tan Sri Dato' Seri Panglima Mohd Ghazali Hj. Che Mat (R) and Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad and recommended for their re-election. The Board endorsed the NC's recommendation that Gen. Tan Sri Dato' Seri Panglima Mohd Ghazali Hj. Che Mat (R) and Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad 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.

Director who is standing for re-election pursuant to Article 111 of the Company's Constitution is as follows:

i) Puan Nik Amlizan Mohamed

The profiles of the Directors who are standing for re-election are set out on page 10, 12 and 17 of the Annual Report, while details of their interests in securities are set out on page 268 of the Annual Report.

3. **Ordinary Resolution 4 – 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 payment of Directors' fees, allowances and other benefits from 25 April 2019 until the conclusion of the next Annual General Meeting of the Company comprising the following, with or without modifications:

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 Member	30,000 20,000	1,500 1,000	–	
Other Board Committees	Chairman Member	5,000 3,000	1,500 1,000	–	

Subsidiaries of Boustead Holdings Berhad

Name	Position Held	Fee Type	Amount (RM)
Gen. Tan Sri Dato' Seri Panglima Mohd Ghazali Hj. Che Mat (R)	**Boustead Properties Berhad**		
	• Chairman	Directors' Fee (annual)	35,000
	UAC Berhad		
	• Chairman	Directors' Fee (annual) Meeting allowance – per meeting Other allowance (monthly)	55,000 2,000 1,000
Datuk Azzat Kamaludin	**Boustead Naval Shipyard Sdn Bhd**		
	• Director	Directors' Fee (annual) Meeting allowance – per meeting	60,000 1,000

4. **Ordinary Resolution 5 – 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-Seventh Annual General Meeting.

5. **Explanatory Notes to Special Business**

a) **Ordinary Resolution 6 - Authority for Directors to Allot and Issue Shares**

Ordinary Resolution 6, 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-Sixth Annual General Meeting held on 12 April 2018, the mandate of which will lapse at the conclusion of the Fifty-Seventh Annual General Meeting to be held on 24 April 2019.

b) **Ordinary Resolutions 7 and 8 - Recurrent Related Party Transactions**

Ordinary Resolutions 7 and 8, 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 26 March 2019.

c) **Ordinary Resolutions 9 and 10 – Retention of Independent Directors**

At the Fifty-Sixth Annual General Meeting held on 12 April 2018, shareholders' approval was obtained for Gen. Tan Sri Dato' Seri Panglima 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 9 and 10 seeks approval for their continuing directorship as Independent Directors of the Company.

The Board through the NC, has determined that Gen. Tan Sri Dato' Seri Panglima 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 9 and 10 will be sought on a single tier voting basis.

d) **Special Resolution 1 – Proposed Adoption of the New Constitution of the Company**

The proposed Special Resolution 1, if passed, will enable the Company's Constitution to be in line with the Companies Act 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The proposed new Constitution is set out in Appendix A, a copy of which is despatched together with the Company's Annual Report 2018.

6. **Appointment of Proxy**

a) 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.

b) In the case of a Corporation, the proxy should be executed under the hand of a duly authorised officer.

c) 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.

d) 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.

e) 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 Monday, 22 April 2019 at 2.30 p.m.

f) Only members registered in the Record of Depositors as at 15 April 2019 shall be eligible to attend the meeting or appoint a proxy to attend and vote on his/her behalf.

g) 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-Seventh 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 Wednesday, 24 April 2019 at 2.30 p.m. or any adjournment thereof, to vote as indicated below:

No.	Resolution		For	Against
1	Re-election of Gen. Tan Sri Dato' Seri Panglima Mohd Ghazali Hj. Che Mat (R)	Ordinary Resolution 1		
2	Re-election of Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad	Ordinary Resolution 2		
3	Re-election of Puan Nik Amlizan Mohamed	Ordinary Resolution 3		
4	Approval of Directors' fees, allowances and other benefits for Boustead Holdings Berhad and its subsidiaries from 25 April 2019	Ordinary Resolution 4		
5	Re-appointment of Messrs. Ernst & Young as Auditors	Ordinary Resolution 5		
6	Approval for Directors to allot and issue shares	Ordinary Resolution 6		
7	Renewal of Shareholders' Mandate for recurrent related party transactions	Ordinary Resolution 7		
8	Additional Shareholders' Mandate for recurrent related party transactions	Ordinary Resolution 8		
9	Retention of Gen. Tan Sri Dato' Seri Panglima Mohd Ghazali Hj. Che Mat (R) as an Independent Director	Ordinary Resolution 9		
10	Retention of Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad as an Independent Director	Ordinary Resolution 10		
11	Adoption of the New Constitution of the Company	Special Resolution 1		

Dated this ____________ day of _______________ 2019

____
Signature of Member

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.:	

Notes

(a) 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.

(b) In the case of a Corporation, the proxy should be executed under the hand of a duly authorised officer.

(c) 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.

(d) 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.

(e) 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 Monday, 22 April 2019 at 2.30 p.m.

(f) Only members registered in the Record of Depositors as at 15 April 2019 shall be eligible to attend the meeting or appoint a proxy to attend and vote on his/her behalf.

(g) 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.

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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

CORPORATE GOVERNANCE REPORT

STOCK CODE	**:**	2771
COMPANY NAME	**:**	Boustead Holdings Berhad
FINANCIAL YEAR	**:**	December 31, 2018

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE
Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA
Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

Application	:	Applied
Explanation on application of the practice	:	The Board of Directors (the Board) of Boustead Holdings Berhad (BHB or the Company) is committed to exhibit high standards of corporate governance. In fulfilling its role as stewards of the Company and its subsidiaries (collectively referred to as the Group), the Board is dedicated to discharge its duties with due care, skill and diligence. The key responsibilities of the Directors are as follows: **a) Promoting good corporate governance culture within the Group which reinforces ethical, prudent and professional behaviour** The Board is committed to drive the "tone of the top" in terms of ethics and professionalism, and expects the employees to conduct themselves with integrity. The core values of the Group are: • Respect • Integrity • Teamwork • Excellence These core values have been formalised and is expressed by the moniker "RITE". These values are disseminated to employees and continuously reinforced throughout their tenure with the Group. The Board ensures that each employee acknowledges that he has received, read and understood the Code of Ethics & Conduct. A copy of this Code of Ethics & Conduct is made available on the Group's website at http://www.boustead.com.my.

	b) Reviewing and deciding on management's proposals for the Company, and monitoring its implementation by management Management's proposals which are reserved for the Board's approval will be discussed at the Board Meetings, where the Directors have the opportunity to scrutinise the proposal and seek clarification from the Management team. The Executive Directors ensure that Management has taken into account all the appropriate consideration before tabling the proposals to the Board. Any significant updates on the proposals would be updated to the Directors either in the next Board Meeting or in follow-up reports distributed. The day-to-day management of the Group is delegated to the Executive Director and the Senior Management Team. In this respect, the Company is guided by the Limits of Authority which provides the authority limits for corporate, operational, financial and human resource areas. The Limits of Authority determines the respective approving authorities for each transaction, prohibiting unfettered powers for any single individual within the various levels of management. **c) Ensuring that the strategic plan of the Group supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability** The Group's sustainability initiatives reflect its continuous drive towards maximising opportunities for strong fiscal growth and optimising operational efficiency in tandem with the long term-term value creation based on economic, environmental and social considerations. Details of the Group's sustainability efforts for the year ended 31 December 2018 are set out in its Sustainability Report 2018. **d) Supervising and assessing management performance to determine whether the business is being properly managed** The Board meets at least four (4) times a year, with additional meetings held as and when required by the Board. Prior to the start of the new financial year, the Board will review and discuss the annual budget and strategic business plans presented by Management, before approving for execution. Key Performance Indicators (KPIs) for the Executive Directors and Senior Management team are put in place to ensure Management's performance is aligned with the Group's business targets for the year, and also for future medium and long term basis. By the end of the said financial year, the Remuneration Committee will recommend to the Board the appropriate annual increment for Executive Directors and Senior Management team, based on the

	Group's financial performance and the said executive's individual performance assessment. **e) Ensuring there is a sound framework for internal controls and risk management** The Board acknowledges its overall responsibility in maintaining a sound system of internal control to safeguard shareholders' investments and the assets of the Group 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 risks within tolerable and knowledgeable limits, 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. Details of the Group's internal controls are set out in its Statement on Risk Management and Internal Control, which is on page 88 to page 93 of the Company's Annual Report 2018. **f) Understanding the principal risks of the Group's business and recognising that business decisions involve the taking of appropriate risks** The Board has ensured that the Group has the necessary risk infrastructure encompassing the risk assessment process, organisational oversight and reporting function to instil the appropriate discipline and control for continuous improvement of risk management capabilities. Details of the Group's risk management measures are set out in its Statement on Risk Management and Internal Control of the Company's Annual Report 2018. **g) Ensuring that there is an appropriate risk management framework in place, for management to identify, manage and monitor significant risks** The Board has put in place a Risk Management Framework for Management to identify, evaluate manage and monitor significant risks. Details of the Group's Risk Management Framework are set out in its Statement on Risk Management and Internal Control of the Company's Annual Report 2018. **h) Ensuring that Senior Management has the necessary skills and experience, and there are measures in place to provide for the orderly succession of Board and Senior Management** The Board seeks to ensure that the members of the Senior Management team are qualified, professional and have sufficient calibre to collectively lead the operations of the Group. The Board takes cognisance that the orderly succession of Senior

	Management is important to ensure readiness of internal candidates to fill potential positions. In this respect, the Group recognises talent development programmes should be put in place to provide opportunities for employees to hone their capabilities and leadership skills. **i) Ensuring that the Group has in place procedures to enable effective communication with stakeholders** The Board is committed in providing effective and timely communication with its stakeholders. The Group uses a number of formal channels for effective dissemination of information to the public, namely, the Annual Report, announcements to Bursa Malaysia Securities Berhad and media releases. Regular analyst briefings are conducted for stakeholders, whilst the Group's website at http://www.boustead.com.my provides relevant information for investors and other stakeholders. **j) Ensuring the integrity of the Company's financial and non-financial reporting** The Audit Committee has been entrusted by the Board to ensure the Group's financial and non-financial reporting present a true and fair view of its state of affairs. The Audit Committee meets at least four (4) times a year to review the unaudited financial results, and ensures Management prepares the results and statements in accordance with the Companies Act 2016, Main Market Listing Requirements of Bursa Malaysia Securities Berhad (MMLR), applicable accounting standards and other relevant regulatory requirements.
Explanation for departure :	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.	
Measure :	
Timeframe :	

Intended Outcome
Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.2
A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

Application	:	Applied
Explanation on application of the practice	:	Gen. Tan Sri Dato' Seri Panglima Mohd Ghazali Hj. Che Mat (R) is the Chairman of the Company. His profile can be viewed on page 10 of the Company's Annual Report 2018. He provides leadership so that the Board can perform its responsibilities effectively. As provided under the Company's Board Charter, the Chairman is responsible for, among others: • Leading the Board in setting the values and standards of the Company; • Encouraging all Directors to play an active role in Board activities; and • Ensuring the provision of accurate, timely and clear information to Directors. The Chairman together with the Company Secretary sets the agenda of each Board Meeting. He ensures that Directors receive Board papers in a timely manner and that Directors are properly briefed on issues arising in Board meetings. During Board Meetings, the Chairman leads the discussion, allowing sufficient time for deliberations on key issues and complex matters. He also encourages active participation and allows views including dissent to be freely expressed. The Chairman also ensures that every Board resolution is put to vote and the will of majority prevails. The Chairman plays a key role in the conduct of the General Meetings. Besides ensuring the proper flow of resolutions tabled at the meeting, he manages the communication on the floor. He further encourages active participation from shareholders and allows sufficient amount of time during the questions and answers session.
Explanation for departure	:	

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome
Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.3
The positions of Chairman and CEO are held by different individuals.

Application	:	Applied	
Explanation on application of the practice	:	The roles of the Chairman and Group Managing Director are separate and clearly defined, and are held by two distinct individuals. At present Gen. Tan Sri Dato' Seri Panglima Mohd Ghazali Hj. Che Mat (R) is the Independent Non-Executive Director and Chairman of the Board. Tan Sri Dato' Seri Lodin Wok Kamaruddin was the Group Managing Director of BHB during the financial year before stepping down on 31 December 2018. The Chairman is primarily responsible for the orderly conduct and working of the Board whilst the Group Managing Director has the overall responsibility for the day-to-day running of the business and implementation of Board policies and decisions. The separation of power seeks to facilitate an appropriate balance of power to prevent any single individual from dominating deliberations and the decision-making process. The respective duties and responsibilities of the Chairman and the Group Managing Director are contained in the Board Charter.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

Application	:	Applied
Explanation on application of the practice	:	The Company Secretary of Boustead is Ms Tasneem Mohd Dahalan. She holds LL.B and LL.M qualifications and is qualified to hold the position under Section 235 of the Companies Act 2016. She has 20 years' of professional experience and was appointed as the in-house Company Secretary of Boustead Holdings Berhad on 7 March 2014. She is assisted by Puan Juniza Azizan who has 14 years' experience in Corporate Secretarial. The Company Secretaries play an advisory role in supporting the Board to uphold high standards of corporate governance. As a counsel to the Board, they provide the Board with periodic updates regarding regulatory developments and assist the Board in interpreting and applying pertinent corporate governance promulgations such as Capital Markets and Services Act 2007 (Amendment 2012), Companies Act 2016 and MMLR. The Company Secretaries also provide support in facilitating the flow of information to the Board. The Company Secretaries additionally serve as liaison for stakeholders' communication and engagement on corporate governance issues. The role and responsibilities of the Company Secretaries are set out in the Board Charter. The Company Secretaries have a direct functional reporting line to the Chairman and have been accorded with appropriate standing and authority to enable them to discharge their duties in an impartial and effective manner. The appointment or removal of the Company Secretaries are the prerogative of the Board. In order to upskill themselves and keep abreast with the latest developments in corporate governance realm, the Company Secretaries have attended relevant training and professional development programmes during the financial year relating to Companies Act 2016, Malaysian Code on Corporate Governance (MCCG) and MMLR.

Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

Application	:	Applied
Explanation on application of the practice	:	The Board recognises the importance of information supply in promoting informed Board discussions and deliberations. The Chairman, together with Management and Company Secretary, are responsible for ensuring Directors receive adequate and timely information prior to Board or Board Committee meetings. The Board meets regularly during the year, with the annual meeting diary tentatively made in advance to facilitate Directors' planning. There is a formal schedule of matters (including quarterly financial results, strategic business issues, and the annual business plan) reserved for discussion at the scheduled Board meetings. The notice of the Board meetings is circulated to Board members at least 14 days before the meeting and the agenda and Board papers are circulated to the Directors five days before each meeting. The Directors are supplied with Board papers with necessary information that are accurate, clear and comprehensive to enable informed decision making at the Board meetings. In addition, Board members can seek further advice or clarification from Management when required. The deliberations and conclusions of issues discussed in the Board meetings are duly recorded in the Board minutes, the draft of which is circulated for the Chairman's review within a reasonable timeframe after the meeting. The meeting minutes capture the decisions made, including the key deliberations, rationale for each decision made, and any significant concerns or dissenting views. The decisions made at the Board meetings are also communicated to Management in a timely manner to ensure appropriate execution.

Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome
There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

Practice 2.1
The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

Application	:	Applied
Explanation on application of the practice	:	The Board is guided by its Board Charter which clearly sets out the Board's strategic intent, roles and responsibilities in discharging its fiduciary and leadership functions. The Board Charter is reviewed periodically and updated in accordance with the needs of the Group to ensure its effectiveness and consistency with the Board's objectives and corporate vision. The Board Charter serves as a primary reference point on governance matters for Directors as well as an induction literature for newly-appointed Directors. The Board Charter addresses, among others, the following matters:- • Role and responsibilities of the Board; • Composition, Board balance and Board diversity; • The role of Chairman and Group Managing Director; • Supply of information and Board meetings; • Matters reserved for the Board; • Board effectiveness evaluation; • Board Committees; • Financial Reporting; • General Meetings; and • Communication with stakeholders. The Board Charter was last reviewed on 5 March 2018. The Board Charter is accessible for reference on the Group's website, http://www.boustead.com.my.

<table>
<tr><td rowspan="2">Explanation for departure :</td><td colspan="2"></td></tr>
<tr><td colspan="2"></td></tr>
<tr><td colspan="3">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure :</td><td colspan="2"></td></tr>
<tr><td>Timeframe :</td><td></td><td></td></tr>
</table>

Intended Outcome
The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.1
The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

<table>
<tr><td>Application</td><td>:</td><td>Applied</td></tr>
<tr><td>Explanation on application of the practice</td><td>:</td><td>The Board consistently strives to set the "tone at the top" and instil ethical values and standards across every level of the Group. In this regard, the Company has put in place a Code of Ethics and Conduct which subject employees to a set of values and standards of conduct that is expected of them.

The Code of Ethics and Conduct serves as a formal commitment by employees to conduct themselves professionally at all times and to do business in a transparent, appropriate and fair manner. The Code of Ethics and Conduct is available on the Group's website at http://www.boustead.com.my.

The Code of Ethics and Conduct covers the following overarching areas:

• Conducting business ethically, fairly and with honesty;
• Complying with laws including abuse of power, corruption, insider trading and money laundering;
• Providing quality and safe products;
• Protecting the Group's assets and information;
• Maintaining complete and accurate business records; and
• Respecting others in the workplace and society.

All employees of the Group are required to acknowledge that they have received, read and understood the provisions of the Code of Ethics and Conduct.

The Board reviews the Code of Ethics and Conduct periodically or as and when the need arises to ensure it is kept contemporaneous.</td></tr>
<tr><td>Explanation for departure</td><td>:</td><td></td></tr>
</table>

<table>
<tr><td></td><td colspan="2"></td></tr>
<tr><td colspan="3">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure :</td><td colspan="2"></td></tr>
<tr><td>Timeframe :</td><td></td><td></td></tr>
</table>

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

Application :	Applied	
Explanation on application of the practice :	The Group is committed in preserving and protecting the interest and reputation at all times. In this respect, the Whistleblowing Policy was established in July 2010. The main objective of the Whistleblowing Policy is to provide an objective point of escalation for employees or stakeholders to disclose in a bona fide manner any suspected acts of wrongdoings without any fear of reprisal. The Whistleblowing Policy provides guidelines for the reporting and the investigation of any wrongdoings. Such misconducts may be reported in writing directly to a dedicated e-mail address, namely, alert@boustead.com.my. The Whistleblowing Policy makes it clear that concerns can be raised without fear of victimisation, recrimination, discrimination or disadvantage to the employee or stakeholder that reports the concerns. The Board together with Management, reviews the Whistleblowing Policy periodically or as and when the need arises to ensure it is kept contemporaneous. The other channels for whistleblowing can also be accessed at the Group's website at http://www.boustead.com.my.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.1
At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

<table>
<tr><td>Application :</td><td colspan="2">Departure</td></tr>
<tr><td>Explanation on application of the practice :</td><td colspan="2"></td></tr>
<tr><td rowspan="2">Explanation for departure :</td><td colspan="2">For the financial year ended 31 December 2018, the Board comprised eight (8) members, four (4) of which are Independent Directors:
1) Gen. Tan Sri Dato' Seri Panglima Mohd Ghazali Hj. Che Mat (R) - Chairman
2) Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad
3) Datuk Francis Tan Leh Kiah
4) Datuk Zainun Aishah Ahmad

During the year under review, half the Board was composed of Independent Directors. Nevertheless, Boustead was still able to facilitate greater checks and balances during boardroom deliberations and decision making. This counterweight allows Independent Directors to encourage, support and drive each other in the value creation and sustainability of the business. Subsequently, with effect from 1 January 2019, majority of the Board members were Independent Directors.

In addition, the presence of the Senior Independent Director, Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad provides an additional channel for Independent Directors to voice any opinions or concerns that they believe have not been properly considered or addressed by the Board or which they feel may not be appropriate to raise in open forum.

The Nominating Committee has assessed the Board composition and is satisfied that the current size and composition of Directors is adequate to provide a balance mix of skills and experience, as well as the objectivity required in the boardroom.</td></tr>
<tr><td colspan="2">Please provide an alternative practice and explain how the alternative practice meets the intended outcome.</td></tr>
<tr><td colspan="3">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure :</td><td colspan="2">Please explain the measure(s) the company has taken or intend to take to adopt the practice.</td></tr>
<tr><td>Timeframe :</td><td>Choose an item.</td><td></td></tr>
</table>

Intended Outcome
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.2
The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	Gen. Tan Sri Dato' Seri Panglima Mohd Ghazali Hj. Che Mat (R) and Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad have each served the Board for more than 12 years. Since 2014, the Company has sought annual shareholders' approval at the Annual General Meeting (AGM) for both of them to continue to serve as Independent Directors on the Board. The latest shareholders' approval was obtained at the last AGM held on 12 April 2018. Shareholders' voting rights are enshrined under Company's Constitution, which states that every shareholder has one vote for every share he holds and resolutions are to be decided by a simple majority for ordinary resolutions and 75% of votes for special resolutions. To reconcile the above principle whilst realising the intention of MCCG that shareholders' approval should be obtained for Independent Directors' whose tenure have exceeded 12 years, the Company will seek approval at the upcoming AGM for Gen. Tan Sri Dato' Seri Panglima Mohd Ghazali Hj. Che Mat (R) and Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad to continue as Independent Directors, but on a one tier shareholders' voting basis. Notwithstanding their extended tenure, the Board has determined that both Directors are able to carry out their duties in a fair, impartial and conscientious manner. The Board is of the opinion that they can continue to bring independent and objective judgment to Board deliberations and the decision-making process as a whole. They also possess vast professional experience, display commitment and bring the right mix of skills to the Board.

<table>
<tr><td></td><td colspan="2"></td></tr>
<tr><td colspan="3">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure :</td><td colspan="2">The Company will seek approval at the upcoming AGM for Gen. Tan Sri Dato’ Seri Panglima Mohd Ghazali Hj. Che Mat (R) and Dato’ Wira (Dr.) Megat Abdul Rahman Megat Ahmad to continue as Independent Directors, but on a one tier shareholders’ voting basis.</td></tr>
<tr><td>Timeframe :</td><td>Others</td><td>Within the prescribed period when this practice is made mandatory under MMLR.</td></tr>
</table>

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.3 - Step Up

The board has a policy which limits the tenure of its independent directors to nine years.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.4
Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

Application	:	Applied
Explanation on application of the practice	:	The Board acknowledges the importance of diversity in terms of skills, experience, age, gender, cultural background and ethnicity and recognises the benefits of diversity at leadership and employee level. Having a range of diversity dimensions brings different perspectives to the boardroom and to various levels of Management within the Group. The Nominating Committee is responsible to lead the process for the nomination of new Board appointments and making the necessary recommendations. In this respect, the role of the Nominating Committee is detailed in its Terms of Reference, which is accessible for reference on the Group's website at http://www.boustead.com.my. In making its recommendations to the Board, the Nominating Committee considers and assess the suitability of a new appointment based on objective criteria, including: • Qualification; • Required competencies, skills, expertise and experience; • Specialist knowledge or technical skills; • Professionalism and integrity; and nominate • Time commitment to the Company. During the year under review, on 1 November 2018, Puan Nik Amlizan Mohamed was appointed to the Board. She is Chief Executive of Lembaga Tabung Angkatan Tentera (LTAT), a major shareholder of the Company. In order to further reinforce good governance, the Board has put in place the Recruitment and Selection Policy, applicable to all employees of the Group. The aim of the policy is to ensure that the selection process of the candidates is anchored on meritocracy and abilities, and is conducted in a professional, fair and confidential manner.
Explanation for departure	:	

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.5
The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

<table>
<tr><td>Application :</td><td colspan="2">Departure</td></tr>
<tr><td>Explanation on application of the practice :</td><td colspan="2"></td></tr>
<tr><td rowspan="2">Explanation for departure :</td><td colspan="2">For the year under review, the Company has six (6) male Directors and two (2) female Directors.

The two female Board members are Datuk Zainun Aishah Ahmad and Puan Nik Amlizan Mohamed. The appointment mark a positive development for the Company in making greater strides towards notable gender diversity on the Board, having reached 28% of the representation aim.

The Board is always mindful that any gender representation should be in the best interest of the Company. Although the Company has nearly reached the 30% women representation target at Board level as required for Large Companies, the Board will continue to search for suitable female candidates based on merit and credibility.</td></tr>
<tr><td colspan="2">The Company does not have a formalised Board Gender Diversity Policy alongside targets and measures. However, the issue of diversity is discussed and given prominence during deliberations by the Nominating Committee and the Board.

The Board will take steps towards formalising such policy, targets and measures to reflect the Company's commitment towards gender diversity by 2021.</td></tr>
<tr><td colspan="3">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure :</td><td colspan="2">The Board endeavours to reach the 30% target by 2021.</td></tr>
<tr><td>Timeframe :</td><td>Within 3 years</td><td></td></tr>
</table>

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

<table>
<tr><td>Application :</td><td colspan="2">Applied</td></tr>
<tr><td>Explanation on application of the practice :</td><td colspan="2">The Nominating Committee is responsible for recommending suitable candidates for Directorships to the Board. In undertaking this responsibility, the Nomination Committee leverages on several sources to “cast a wider net” and gain access to a wide pool of potential candidates. The responsibilities of the Nominating Committee in this regard are outlined in its Terms of Reference.

In evaluating potential candidates, the Nominating Committee will assess directorship suitability based on objective criteria, including:

• Qualification;
• Required competencies, skills, expertise and experience;
• Specialist knowledge or technical skills;
• Professionalism and integrity; and
• Time commitment to the Company.

In searching for suitable candidates, the Nominating Committee may receive suggestions from existing Board Members, Management, and major shareholders. The Committee is also open to referrals from external sources available, such as industry and professional associations, as well as independent search firms.</td></tr>
<tr><td rowspan="2">Explanation for departure :</td><td colspan="2"></td></tr>
<tr><td colspan="2"></td></tr>
<tr><td colspan="3">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure :</td><td colspan="2"></td></tr>
<tr><td>Timeframe :</td><td></td><td></td></tr>
</table>

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.7

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

Application :	Applied	
Explanation on application of the practice :	The Nominating Committee is chaired by the Senior Independent Director, Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad. The Board understands that an effective recruitment and evaluation process of Directors is the building block of a high-performing Board. The Board therefore believes that the Senior Independent Director is the most suitable and qualified person to lead the conduct of the process in an objective manner. Given that the Senior Independent Director acts as a confidant to other Directors, he is well-placed to oversee the assessment of the Board's Chairman, taking into account a broad range of perspectives. In addition, Dato' Wira (Dr.) Megat Abdul Rahman acts as a sounding board for the Chairman and serves as an intermediary for the other Directors. He also acts as the point of contact to whom stakeholders' concerns or queries may be raised.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome
Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

Practice 5.1
The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

Application	:	Applied	
Explanation on application of the practice	:	MCCG stipulates that a formal and objective annual evaluation should be conducted to determine the effectiveness of the Board. To achieve this, during the year under review the Board engaged an external consultant to facilitate a Board Effectiveness Evaluation (BEE) exercise. The evaluation covered three key areas i.e. Board structure, Board responsibilities and Board operations. The structure of the findings were based on facts, features, feel and future recommendations. Questionnaires were circulated as well as individual interviews held with the Directors and key Senior Management to gather significant insight and feedback. The Board was briefed extensively by the consultants on the process used to identify key issues that warranted the Directors' attention. Through the BEE, the Board was satisfied with level of commitment of its Directors in fulfilling the Board's fundamental roles and responsibilities, and there was a suitable environment for constructive deliberation and robust decision-making. The Board will use the recommendations highlighted in the BEE report as part of an ongoing process to enhance Board effectiveness and efficiency.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.1
The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

<table>
<tr><td>Application :</td><td colspan="2">Departure</td></tr>
<tr><td>Explanation on application of the practice :</td><td colspan="2"></td></tr>
<tr><td rowspan="2">Explanation for departure :</td><td colspan="2">Presently, the Company does not have a formalised remuneration policies and procedures for Directors and Senior Management.</td></tr>
<tr><td colspan="2">The Board will take steps towards formalising such policies and procedures by 2020 to reflect the Company's commitment towards talent management.</td></tr>
<tr><td colspan="3">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure :</td><td colspan="2">The Board intends to put in place a remuneration policies and procedures which cover Directors and Senior Management. The Board is cognizant that such policies should be formulated in a holistic manner and premised on the need to have an adequate level of remuneration to attract and retain Directors and Senior Management personnel of high calibre and talent.</td></tr>
<tr><td>Timeframe :</td><td>Within 1 year</td><td></td></tr>
</table>

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

Application	:	Applied
Explanation on application of the practice	:	The Board has in place a Remuneration Committee which comprises a majority of Non-Executive Directors. For the financial year ended 31 December 2018, the membership of the Remuneration Committee comprised: 1) Datuk Azzat Kamaludin (Non-Executive Director and Chairman of Remuneration Committee) 2) Gen. Tan Sri Dato' Seri Panglima Mohd Ghazali Hj. Che Mat (R) (Non-Executive Director) 3) Tan Sri Dato' Seri Lodin Wok Kamaruddin (Executive Director) 4) Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad (Non-Executive Director) The Remuneration Committee responsibilities include reviewing the remuneration packages, reward structure and fringe benefits applicable to Board and Senior Management, and making the appropriate recommendations to the Board. The Terms of Reference of Remuneration Committee is accessible for reference on the Group's website at http://www.boustead.com.my
Explanation for departure	:	

<table>
<tr><td colspan="3">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure :</td><td colspan="2"></td></tr>
<tr><td>Timeframe :</td><td></td><td></td></tr>
</table>

Intended Outcome
Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.1
There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

Application	:	Applied
Explanation on application of the practice	:	The Board aims to set remuneration at levels which are sufficient to attract and retain the Directors needed to run the Group successfully, taking into consideration all relevant factors including the function, workload and responsibilities involved. The level of remuneration for the Group Managing Director and Executive Director is determined by the Remuneration Committee after giving due consideration to the compensation levels for comparable positions among other similar Malaysian listed issuers. The remuneration of Non-Executive Directors is approved by shareholders at the AGM of the Company, as prescribed by the Company's Constitution and the Companies Act 2016. The details for the remuneration of Directors for the financial year ended 31 December 2018 for Boustead Holdings Berhad and Group-level are as follows:

In RM'000	**Group**						
Directors	Fees	Salaries	Bonuses	Retirement Funds	Meeting, Travelling and other allowances	BIK	**Total**
Executive Directors							
Tan Sri Dato' Seri Lodin Wok Kamaruddin*	575	2,007	1,444	888	30	113	**5,057**
Dato' Sri Ghazali Mohd Ali	-	1,213	483	279	-	92	**2,067**
Non-Executive Directors							
Gen. Tan Sri Dato' Seri Panglima Mohd Ghazali Hj. Che Mat (R)	402	-	-	-	112	10	**524**
Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad	161	-	-	-	36	-	**197**
Datuk Azzat Kamaludin	360	-	-	-	51	-	**411**
Datuk Francis Tan Leh Kiah	143	-	-	-	26	-	**169**
Datuk Zainun Aishah Ahmad	120	-	-	-	17	-	**137**
Puan Nik Amlizan Mohamed	20	-	-	-	4	-	**24**
Total	**1,781**	**3,220**	**1,927**	**1,167**	**276**	**215**	**8,586**

**Board Member until 31 December 2018*

In RM'000	**Company**						
Directors	Fees	Salaries	Bonuses	Retirement Funds	Meeting, Travelling and other allowances	BIK	**Total**
Executive Directors							
Tan Sri Dato' Seri Lodin Wok Kamaruddin*	-	2,007	1,444	888	-	113	**4,452**
Dato' Sri Ghazali Mohd Ali	-	-	-	-	-	-	**-**
Non-Executive Directors							
Gen. Tan Sri Dato' Seri Panglima Mohd Ghazali Hj. Che Mat (R)	186	-	-	-	91	10	**287**
Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad	161	-	-	-	36	-	**197**
Datuk Azzat Kamaludin	148	-	-	-	32	-	**180**
Datuk Francis Tan Leh Kiah	143	-	-	-	26	-	**169**
Datuk Zainun Aishah Ahmad	120	-	-	-	17	-	**137**
Puan Nik Amlizan Mohamed	20	-	-	-	4	-	**24**
Total	**778**	**2,007**	**1,444**	**888**	**206**	**123**	**5,446**

**Board Member until 31 December 2018*

Explanation for departure :

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.

Measure :

Timeframe :

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

<table>
<tr><td>Application</td><td>:</td><td>Departure</td></tr>
<tr><td>Explanation on application of the practice</td><td>:</td><td></td></tr>
<tr><td rowspan="2">Explanation for departure</td><td rowspan="2">:</td><td>Remuneration paid to the top five (5) Senior Management of Boustead for the financial year ended 31 December 2018 are as follows:-

<table>
<tr><th>Top Five Senior Management
(not including Executive Directors)</th><th>Number of Senior Management</th></tr>
<tr><td></td><td></td></tr>
<tr><td>From RM700,001 to RM750,000</td><td>1</td></tr>
<tr><td>From RM750,001 to RM800,000</td><td>1</td></tr>
<tr><td>From RM800,001 to RM850,000</td><td>1</td></tr>
<tr><td>From RM950,001 to RM1,000,000</td><td>1</td></tr>
<tr><td>From RM1,000,001 to RM1,050,000</td><td>1</td></tr>
<tr><td>Total</td><td>5</td></tr>
</table>

The remuneration of the top five (5) Senior Management of the Company disclosed above is on an aggregate basis. At this particular juncture, the Board is of the opinion that the disclosure of the Senior Management personnel' names and the various remuneration components (salary, bonus, benefits in-kind, other emoluments) would not be in the best interest of the Group due to confidentiality and security concerns.</td></tr>
<tr><td>The Board ensures that the remuneration of Senior Management is commensurate with the performance of the Company, with due consideration to attracting, retaining and motivating Senior Management to lead and run the Company successfully. Excessive remuneration payouts are not made to Senior Management personnel in any instance.

The disclosure of the remuneration of the top five Senior Management of the Company is currently made on an aggregate basis and it allows stakeholders to make an appreciable link between remuneration of Senior Management and the performance of the Group.</td></tr>
</table>

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:	The Company will provide detailed disclosure of Senior Management's remuneration if the requirement is made mandatory under MMLR. The current disclosure on an aggregate basis already allows stakeholders to establish the nexus between remuneration and value creation of the Group.	
Timeframe	:	Others	Within the prescribed period when this practice is made mandatory under MMLR.

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.3 - Step Up

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome
There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.1
The Chairman of the Audit Committee is not the Chairman of the board.

Application	:	Applied
Explanation on application of the practice	:	The Board of Directors has established an Audit Committee which is chaired by the Senior Independent Director, Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad. Meanwhile the Chairman of the Board is Gen. Tan Sri Dato' Seri Panglima Mohd Ghazali Hj. Che Mat. As such, the Chairman of the Audit Committee is distinct from the Chairman of the Board. Having the positions of Board Chairman and Chairman of the Audit Committee assumed by different individuals allows the Board to objectively review the Audit Committee's findings and recommendations. The Chairman of the Audit Committee is a member of the Malaysian Institute of Accountants (MIA). The possession of sound financial understanding and experience equips the Chairman of the Audit Committee with the ability to lead discussions and deliberations and ultimately be satisfied that the end result fairly reflects the understanding of the Audit and Compliance Committee. His full profile can be viewed on page 12 of the Company's Annual Report 2018. The duties and responsibilities of the Chairman of the Audit Committee are outlined in the Terms of Reference of the Audit Committee, which is available on the Company's website at http://www.boustead.com.my.
Explanation for departure	:	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure	:	
Timeframe	:	

Intended Outcome
There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.2
The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

Application :	Applied		
Explanation on application of the practice :	For the year under review, the Audit Committee comprised of three (3) members, all whom are Non-Executive Directors and with a majority being independent. At present, none of the Audit Committee members were former key audit partners of the Company's external auditors. As a measure to safeguard the independence and objectivity of the audit process, the Audit Committee has incorporated a policy stipulation that governs the appointment of a former key audit partner to the Audit Committee. The policy, which is codified in the Audit Committee's Terms of Reference, requires a former key audit partner to observe a cooling-off period of at least two (2) years before he can be considered for appointment as a Committee member.		
Explanation for departure :			
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure :			
Timeframe :			

Intended Outcome
There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.3
The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

Application	:	Applied
Explanation on application of the practice	:	The Audit Committee is responsible for assessing the capabilities and independence of the external auditor and to make subsequent recommendations to the Board on the appointment, re-appointment or termination of the external auditor. Under its Terms of Reference, the Audit Committee reviews the suitability, objectivity and independence of the external auditor of the Company on an annual basis. The review process covers the assessment of the independence of the external auditor, the evaluation of the external auditor's performance, quality of work, audit fees and the adequacy of resources. During the year under review, the Audit Committee met with the external auditor namely, Ernst & Young (EY), twice during the year in the absence of Management. The Audit Committee also monitored and reviewed the performance and independence of EY and was satisfied that the external auditor has been independent throughout the conduct of the audit process and the audit services rendered met the quality expected by the Committee. For the audit of the financial year ended 31 December 2018, the Audit Committee was further assured by EY by way of written confirmation that its personnel were and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. Pursuant to the assessment on the suitability and independence of the external auditor, the Audit Committee made its recommendation to the Board on the re-appointment on the external auditor alongside the accompanying audit fees.
Explanation for departure	:	

<table>
<tr><td colspan="3">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure :</td><td colspan="2"></td></tr>
<tr><td>Timeframe :</td><td></td><td></td></tr>
</table>

Intended Outcome
There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.4 - Step Up
The Audit Committee should comprise solely of Independent Directors.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome
There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.5
Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

Application	:	Applied
Explanation on application of the practice	:	During the year under review, the Audit Committee comprised three (3) members as follows: 1) Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad (Chairman of the Audit Committee and Senior Independent Non-Executive Director) 2) Datuk Francis Tan Leh Kiah (Independent Non-Executive Director) 3) Datuk Azzat Kamaludin (Non-Independent Non-Executive Director). Collectively, the Audit Committee possesses a wide range of necessary skills to discharge its duties. All members of the Audit Committee are financially literate, whilst the Chairman of the Audit Committee is a member of MIA, and thus, fulfilling paragraph 15.09(1)(c) of MMLR, which calls for one member of the Audit Committee to be a member of a professional accountancy body. All members of the Audit Committee have undertaken continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules. During the reporting year, the Audit Committee members had attended a number of 7 training courses. Details of their training can be seen on page 86 of the Annual Report for 2018. During the Audit Committee Meetings, the members were briefed by the external auditor, Messrs. Ernst & Young on the following key areas: • Financial Reporting developments; • Adoption of Malaysian Financial Reporting Standards; • Malaysian Code on Corporate Governance; and • Other changes in regulatory environment.

Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome
Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.1
The board should establish an effective risk management and internal control framework.

Application	:	Applied
Explanation on application of the practice	:	The Board has established the necessary risk and internal control infrastructure encompassing the risk assessment process, internal control measures, organisational oversight and reporting function to instil the appropriate discipline to continuously improve risk management and internal control capabilities. Accordingly, the Group has undertaken the following: 1) Formalisation of risk management policy and procedures and adopted a structured and systematic risk management, monitoring and reporting framework which are tailored to the specific circumstances of the Group; 2) Appointment of risk officer to coordinate the Enterprise Risk Management activities within the Group; 3) Heightened risk awareness culture in the business process; 4) Compilation of the business units' risk profiles in relation to the Group risk parameters; and 5) Inculcated of a culture of continuous improvement in risk management and provided a system to manage the central accumulation of risk profiles data. Details of the Group's Risk Management and Internal Control Framework are set out in its Statement on Risk Management and Internal Control, which is on page 88 to page 93 of the Company's Annual Report 2018. The internal control mechanisms established by the Board are embedded within the organisation structure in all its processes. The internal control system is independently reviewed by the Group Internal Audit (GIA) to assess its adequacy and effectiveness.
Explanation for departure	:	

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

Application	:	Applied	
Explanation on application of the practice	:	Risk assessment, monitoring and review of the various risks faced by the Group are continuous processes within the key operating units, with the Risk Management Committee (a Management level Committee) playing a pivotal oversight function as delegated by the Board of Directors. 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. The Board has further received assurance from the Chief Executive Officer, Chief Financial Officer and/or Risk Officer of the respective operating units on the effectiveness of the system on internal control, highlighting any weaknesses and changes in the risk profile. The Group's key risks have been identified as follows: ▪ Fluctuation in commodities prices; ▪ Inherent Risks in the Hotel Industry; and ▪ Heavy Reliance on Concession Business. Further details are contained in the Statement of Risk Management and Internal Control which is on page 88 to page 93 of the Company's Annual Report 2018.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.3 - Step Up

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

Application :	Applied	
Explanation on application of the practice :	The internal audit function is carried out by the Group Internal Audit (GIA) of Boustead Holdings Berhad, which reports directly to the Audit Committee and has direct access to the Board through the Chairman of the Audit Committee and is independent of the activities it audits. GIA's authority, scope and responsibilities are governed by an Internal Audit Charter which is approved by the Audit Committee. The Audit Committee reviews and subsequently approves the Annual Internal Audit Plan and ensures the GIA is accorded with appropriate standing, resources and authority to facilitate the discharge of its duties. Comprehensive audits of the practices, procedures, expenditure and internal controls of all business and support units and subsidiaries are undertaken on a regular basis. GIA provides assurance and recommendations to the Audit Committee on the Group's governance, risk management and internal control systems. The Audit Committee has access to the Head of GIA is able to discuss significant internal audit matters in private, if required.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome
Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.2
The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

Application	:	Applied
Explanation on application of the practice	:	The Internal Audit Charter states that the Group Internal Audit (GIA) personnel shall have impartial, unbiased attitude and avoid conflicts of interest in carrying out their duties. If independence or objectivity is impaired in fact or appearance, the details of the impairment should be disclosed to the Audit Committee. The Head of GIA, along with other internal audit personnel, are free from any family relationship with any Directors and/or major shareholder and do not have any conflict of interest with the Group. GIA adopts internal audit standards and best practices based on the International Professional Practices Framework (IPPF), promulgated by the Institute of Internal Auditors. At present, there are 36 internal auditors within the GIA. The number of resources in the GIA is reviewed by the Audit Committee on a quarterly basis to ensure adequacy of resources to undertake the internal audit function. The Head of GIA updates the name and qualification of GIA personnel to the Audit Committee on quarterly basis to ensure competency of the internal audit function. GIA personnel are also encouraged to pursue the Certified Internal Auditor (CIA) examination. As of reporting date, there are two (2) CIAs in the GIA. The total expenses incurred for the internal audit work of BHB during the financial year ended 31 December 2018 was approximately RM5.3 million (2017: RM5.4 million).
Explanation for departure	:	

<table>
<tr><td colspan="3">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure :</td><td colspan="2"></td></tr>
<tr><td>Timeframe :</td><td></td><td></td></tr>
</table>

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

Application	:	Applied
Explanation on application of the practice	:	As stewards of the Company, Directors are accountable to shareholders as well as other stakeholders of the Company for the performance and operations of the Company. As such, the Board endeavours to ensure that communication with stakeholders is conducted in a regular and forthcoming manner. The Board aims to maintain a positive relationship with the different group of stakeholders through active two-way communication, and to promote and demonstrate a high standard of integrity and transparency through timely, accurate and full disclosure and to enhance the stakeholders' understanding of the Group, its core businesses and operations, thereby, enabling investors to make informed decisions in valuing the Company's shares. The Group leverages on a number of formal channels for effective dissemination of information to shareholders and other stakeholders, particularly through the Annual Report, announcements to Bursa Malaysia Securities Berhad, media releases, quarterly results analyst briefings, AGM, and the Group website. The Deputy Chairman/Group Managing Director and Senior Management meet regularly with analysts, institutional shareholders and investors. Interested parties may contact the Investor Relations function at ir@boustead.com.my, for enquiries regarding investor relations matters of the Group. Boustead is also of the view that the AGM is an important opportunity to meet shareholders and address their concerns. At the AGM, the Group Managing Director will provide a presentation of the Group's annual operating and financial performance, followed by a Questions and Answers session during which the Chairman encourages shareholders' active participation, including clarifying and questioning the Group's strategic direction, business operations, performance and proposed resolutions. Senior Management of the Group are also present to handle other face-to-face enquires from the shareholders.

Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome
There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.2
Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

Application :	Departure	
Explanation on application of the practice :		
Explanation for departure :	Whilst certain hallmarks of integrated reporting may be embodied in the Annual Report of BHB such as qualitative sustainability indices contained within the Sustainability Report of the Company, it is on the whole not an integrated report based on the parameters set out by the International Integrated Reporting Council's (IIRC) Integrated Reporting Framework. The Board would like to allow an advocacy period for the awareness of integrated reporting to be better appreciated by Management personnel before it is adopted. At present, the Board is of the view that the Company's Annual Report 2018 is comprehensive enough for stakeholders to make informed decisions.	
	The Annual Report 2018 provides stakeholders with a fairly comprehensive overview on the Company's financial and non-financial information including future prospects. Components such as Management and Discussion Analysis, Corporate Governance Overview Statement and Statement of Risk Management and Internal Control form an integral part of the non-financial information.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :	The Company will endeavour to be ready to adopt integrated reporting based on a globally recognised framework if it is made mandatory in the future.	
Timeframe :	Others	Within the prescribed period when the practice is made mandatory under MMLR.

Intended Outcome
Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.1
Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

Application :	Applied	
Explanation on application of the practice :	The Board recognises the AGM as an invaluable platform for shareholders to engage both the Board and Senior Management in a productive dialogue and provide constructive feedback that contributes to the overall performance of the Group. The Board therefore endeavours to provide shareholders with adequate time to consider the resolutions that will be discussed and decided upon during the AGM and to facilitate informed decision-making by the shareholders. In this regard, the notice for the upcoming AGM in 2019 was provided to shareholders on 26 March 2019, at least 28 days before the meeting, which will be held on 24 April 2019. This goes above and beyond Section 316(2) of Companies Act 2016 and paragraph 7.15 of Main Market Listing Requirements by Bursa Malaysia Securities Berhad which call for a 21-days' notice period for public companies or listed issuers respectively. The notice for AGM outlines the resolutions to be tabled during the said meeting and is accompanied with explanatory notes and background information where applicable to shed clarity on the matters that will be decided at the AGM.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome
Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.2
All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

<table>
<tr><td>Application</td><td>:</td><td colspan="2">Applied</td></tr>
<tr><td>Explanation on application of the practice</td><td>:</td><td colspan="2">The Board acknowledges its responsibility to engage shareholders and provide meaningful responses to their questions. In demonstrating this commitment to shareholders, all Directors have attended the previous five (5) AGMs. This is aided by ensuring any general meeting is scheduled in advance to ensure full attendance of the Board.

The Chairman of the Board encourages shareholders' active participation during AGMs and other general meetings by giving sufficient time to the floor during the questions and answers session

The Chairmen of the Board Committees of the Company for the financial year ended 31 December 2018 are as follows:-
<table><tr><th>Board Committees</th><th>Chairman</th></tr><tr><td>Audit Committee</td><td>Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad</td></tr><tr><td>Nominating Committee</td><td>Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad</td></tr><tr><td>Remuneration Committee</td><td>Datuk Azzat Kamaludin</td></tr><tr><td>Sustainable Committee</td><td>Tan Sri Dato' Seri Lodin Wok Kamaruddin*</td></tr></table>*Resigned on 31 December 2018

The Chairmen of respective Committees were present to facilitate discussions and address any questions shareholders may have on matters that fall under the purview of the Committees.</td></tr>
<tr><td rowspan="2">Explanation for departure</td><td rowspan="2">:</td><td colspan="2"></td></tr>
<tr><td colspan="2"></td></tr>
<tr><td colspan="4">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure</td><td>:</td><td colspan="2"></td></tr>
<tr><td>Timeframe</td><td>:</td><td></td><td></td></tr>
</table>

Intended Outcome
Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.3
Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–
- including voting in absentia; and
- remote shareholders' participation at General Meetings.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	At present, the Company does not leverage on technology to facilitate voting in absentia and remote shareholders' participation at General Meetings. However, the Board will monitor development in this area for future consideration. The location of the General Meetings have always been held in the Klang Valley at locations which are accessible by public transport. The upcoming 56th AGM on 24 April 2019 will be held at Royale Chulan Damansara, Petaling Jaya. The said hotel and the surrounding commercial premises have ample parking space, and the venue is within walking distance from the Mutiara Damansara Mass Rapid Transit (MRT) station. The AGM venue has been the same since 2013. A shareholder of the Company can vote in person or appoint a proxy to attend and vote on his/her behalf. Voting at the AGM is by poll and the Company utilises an electronic voting system to expedite the voting and facilitate the tabulation process in a seamless manner.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:	The Company will explore appropriate measures to facilitate greater participation by shareholders in the Company's Annual General Meetings by leveraging on technology.	
Timeframe	:	Others	

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

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